



Half-yearly Financial Report

**CVC Limited and
its Controlled Entities**

for the half-year ended 31 December 2007

chairman's report

for the half-year ended 31 December 2007

Commentary on Results

Half-year result

The Directors of CVC report a net profit after tax of \$11.0 million (2006: \$7.9 million) for the half-year ended 31 December 2007, an increase of 39.2% over the corresponding half-year. In addition there was a \$2.0 million increase in the after tax value of listed investments during the period which is reflected directly in reserves.

Highlights of the half-year

Highlights of the six months include:

- Positive contributions by all operating segments, with a notable contribution from the sale of listed investments which underpinned the half year result.
- Advance of \$11 million in additional mezzanine finance (principally as first or second mortgage security) for a number of different property projects with the objective of earning above benchmark returns.
- Contribution of \$1.2 million to the result by the newly created Corporate Finance segment.
- Significant shareholdings were either taken or added to in ASX listed companies including Blue Energy Limited, Cellnet Group Limited and Pro Pac Packaging Limited which CVC anticipates will form a base for significant future earnings.

Commentary on Future Expectations and Profit Outlook

Recent significant volatility in Australian equity markets may have a significant impact upon CVC's operations in the short to medium term. As at 27 February 2008, from a net asset perspective, the mark-to-market valuation of underlying ASX listed investments has eroded net assets per share by approximately 10% since 31 December 2007. Moreover, market volatility has delayed CVC's ambition to seed a number of satellite vehicles with assets from its balance sheet to drive growth in funds under management. The Company reiterates that profitability will be largely determined by the timing of the realisation of investments that result in capital gains, which may result in periods of significant fluctuations in future profitability rather than a uniform recurrent income.

The performance of two of our significant investments, Cellnet Group Limited and Greens Foods Limited has not yet achieved our expectations of a satisfactory turnaround. The Company is committed to both of these investments and will continue to devote significant management efforts to improve their performance and unlock value from each of those investments.

On a positive note, the more realistic valuations that have resulted from the recent market turmoil have generated an environment which we believe is fundamentally positive to a value based and activist investor such as CVC. The Company believes that with its strong balance sheet free from gearing it is extremely well poised to take advantage

of opportunities that have materialised as a result of weak balance sheets, refinancing pressures of excessive debt and more realistic equity valuations.

The Company will continue with its main objective of generating shareholder returns in excess of 15% per annum and anticipates achieving this objective through a combination of attempting to build recurrent income streams, acquiring strategic stakes in companies from which it believes it can unlock or release significant value over the medium to long term. In addition the Company has commenced the process to obtain shareholder approval to buy-back up to 35 million shares as a potential mechanism to provide liquidity and longer term net asset appreciation to shareholders in a period of uncertainty in the equity market.

ADH Beard
Director

29 February 2008

income statement (condensed)

for the half-year ended 31 December 2007

	Consolidated	
	31 Dec 2007	31 Dec 2006
	\$	\$
INCOME		
Dividends received	2,711,634	2,757,418
Interest income	6,049,601	2,570,021
Net gain on sale of equity investments	7,690,059	4,719,106
Impairment recovery on loans	22,333	-
Impairment recovery on equity investments	-	67,000
Sales of services	2,249,099	1,014,544
Other income	371,837	315,943
Total income	19,094,563	11,444,032
Equity accounted profits/(losses)		
Share of net profits/(losses) of associates	(1,049,705)	1,136,329
Share of net profits of joint ventures	21,402	3,385
Net equity accounted profits/(losses)	(1,028,303)	1,139,714
EXPENSES		
Audit fees	30,098	30,000
Amortisation of intangible assets	58,500	58,500
Finance costs	1,224,447	95,971
Depreciation expense	18,407	17,694
Directors fees	37,000	37,000
Employee costs	1,095,835	787,862
Insurance	61,932	55,760
Legal and associated costs	34,647	1,691
Loss on foreign exchange	126,226	-
Management and consultancy fees	632,622	820,300
Operating lease expense	207,469	185,382
Travel and accommodation	49,317	78,472
Other expenses	346,304	404,105
Total expenses	3,922,804	2,572,737
Profit before related income tax expense	14,143,456	10,011,009
Income tax expense	3,140,618	2,144,786
Profit for the half-year	11,002,838	7,866,223
Net profit attributable to minority interests	117,892	16
Profit attributable to members of the parent entity	10,884,946	7,866,207
Basic earnings per share (cents)	6.51	6.92
Diluted earnings per share (cents)	6.49	6.88
Dividends paid during period per share (cents)	6.00	3.00

balance sheet (condensed)

as at 31 December 2007

	Consolidated	
	31 Dec 2007	30 Jun 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	61,821,190	115,008,945
Trade and other receivables	37,011,649	24,794,211
Other assets	203,630	69,421
Total current assets	99,036,469	139,872,577
NON-CURRENT ASSETS		
Trade and other receivables	4,294,812	4,069,502
Financial assets "available-for-sale"	231,039,655	204,265,739
Investments accounted for using the equity method	59,932,560	41,512,461
Investment properties	2,791,493	2,799,197
Property, plant and equipment	38,267	45,621
Intangible assets	8,415,132	8,473,634
Deferred tax assets	2,877,597	3,218,075
Total non-current assets	309,389,516	264,384,229
TOTAL ASSETS	408,425,985	404,256,806
CURRENT LIABILITIES		
Trade and other payables	932,189	1,209,233
Provisions	208,718	187,623
Current tax liabilities	3,033,772	4,429,030
Total current liabilities	4,174,679	5,825,886
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	9,349,129	8,325,924
Deferred tax liabilities	45,529,904	44,940,051
Total non-current liabilities	54,879,033	53,265,975
TOTAL LIABILITIES	59,053,712	59,091,861
NET ASSETS	349,372,273	345,164,945
EQUITY		
Contributed equity	146,912,792	145,370,769
Retained profits	113,784,213	113,202,090
Other reserves	88,460,710	86,494,859
Parent entity interest	349,157,715	345,067,718
Minority interest	214,558	97,227
TOTAL EQUITY	349,372,273	345,164,945

statement of changes in equity (condensed)

for the half-year ended 31 December 2007

	Consolidated	
	31 Dec 2007	31 Dec 2006
	\$	\$
Income and expenses recognised directly in equity		
“Available-for-sale” investments:		
- Increase in fair values recognised in other reserves	14,796,998	66,556,945
- Amounts transferred from other reserves to the income statement on sale	(11,355,057)	(3,568,955)
- Income tax on fair value movements taken to or from other reserves	(1,032,584)	(18,896,395)
- Value of equity based remuneration recognised in other reserves	41,209	59,441
- Value of associates equity based remuneration recognised in other reserves	(201,947)	(3,345)
- Value of associates foreign currency translation reserve recognised in other reserves	(9,571)	-
Net income reflected directly in equity	2,239,048	44,147,691
Profit for the half-year	11,002,838	7,866,223
Total recognised income and expense for the half-year	13,241,886	52,013,914
Attributable to:		
Shareholders	13,124,556	52,013,898
Minority interests	117,330	16
	13,241,886	52,013,914
Transactions with shareholders in their capacity as shareholders		
Shares issued during the half-year:		
- through the dividend reinvestment plan	732,046	139,942
- under the executive and non-executive long term incentive plan	3,105,000	2,999
- transaction cost of shares issued through dividend reinvestment plan	(2,436)	-
Payments for share buy-backs	(2,566,345)	(1,124,328)
Dividends paid to shareholders	(10,302,823)	(3,491,819)
Total transactions with shareholders in their capacity as shareholders	(9,034,558)	(4,473,206)
Net increase in equity for the half-year	4,207,328	47,540,708
Equity at the beginning of the half-year	345,164,945	167,406,124
EQUITY AT THE END OF THE HALF-YEAR	349,372,273	214,946,832

cash flow statement (condensed)

for the half-year ended 31 December 2007

	Consolidated	
	31 Dec 2007	31 Dec 2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts in the course of operations	1,714,805	1,056,933
Cash payments in the course of operations	(2,849,456)	(3,435,311)
Interest received	5,301,892	1,376,048
Dividends received	2,840,750	2,757,418
Interest paid	(83,389)	(52,926)
Income taxes paid	(4,636,708)	(4,291,428)
Net cash flows (used in)/provided by operating activities	2,287,894	(2,589,266)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(3,349)	(25,507)
Payments for equity investments	(63,705,954)	(16,335,587)
Proceeds on disposal of equity investments	28,543,985	14,097,748
Loans provided	(17,958,108)	(10,492,338)
Loans repaid	6,925,021	3,712,159
Net cash flows used in investing activities	(46,198,405)	(9,043,525)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,606,690	-
Borrowings repaid	(1,734,106)	-
Dividends paid to members of the parent entity	(9,558,777)	(3,404,824)
Payments for share buy-backs	(2,566,345)	(1,124,328)
Issue of shares	3,101,520	139,942
Net cash flows used in financing activities	(9,151,018)	(4,389,210)
Net decrease in cash held	(53,061,529)	(16,022,001)
Cash at the beginning of the half-year	115,008,945	24,194,797
Foreign exchange loss on cash	(126,226)	-
CASH AT THE END OF THE HALF-YEAR	61,821,190	8,172,796

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