2005

CVC
Private Equity

CVC Private Equity Limited
ABN 11 059 092 198

ANNUAL REPORT

ANNUAL REPORT

COMPANY PARTICULARS

REGISTERED OFFICE
Level 42, AAP Centre, 259 George Street
Sydney NSW 2000

DIRECTORS
Neil H Gamble | Alexander D H Beard
Elliott G Kaplan | Geoffrey P Leaver
John D Read

SECRETARIES
Alexander D H Beard | Michael J Bower

BANKERS
Suncorp-Metway Limited
Westpac Banking Corporation Limited

AUDITORS
Ernst & Young
Ernst & Young Centre, 680 George Street
Sydney NSW 2000

SHARE REGISTRY
Gould Ralph Pty Limited
Level 42, AAP Centre, 259 George Street
Sydney NSW 2000

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CHAIRMAN'S REPORT

Dear Shareholder,

At the end of my first year as Chairman of CVC Private Equity, it is disappointing to present the Annual Report that reports a loss of $2.4m for the year ending June 30, 2005.

Whilst management has concentrated efforts to identify new opportunities over the past twelve months, the loss can be directly attributable to the write down in the value of two existing investments, Battery Energy and Australian Photonics.

Australian Photonics was signalled in the March 2005 Investment Update. However, the Battery Energy write down was the result of a rapid deterioration in trading conditions experienced in the second half. The write down in the value of Battery Energy accounts for the total amount of the loss for 2005.

Apart from appointing a new Managing Director to Battery Energy, steps have now been taken to restructure the business and implement a new business plan.

On a more positive note, Pro-Pac Packaging was successfully listed on the ASX in April. This resulted in CVC Private Equity recouping a significant part of its initial investment whilst maintaining a meaningful shareholding moving forward.

Investments in two new businesses were made during the year, namely Ron Finemore Transport in July 2004 and more recently, Sonic Communications. A further small investment was completed after year end in First Prudential Management, a company that was formed to offer financial products called Contracts for Difference (CFD's) to individual investors.

We continue to evaluate the current pipeline of investment opportunities and to source new opportunities over a broad range of businesses.
A progress report on all investments in the portfolio is provided in the September Investment Update which is being forwarded to shareholders together with the Annual Report.

We are also aware that some shareholders are requiring a way to liquidate their share holding.
After unsuccessfully investigating an ASX listing in 2004, a number of other options to provide a liquidity opportunity for shareholders were considered. We are informed that CVC Limited (current shareholding of 25%) is proposing to increase their current shareholding in accordance with statutory and regulatory guidelines.

'We continue to evaluate the current pipeline of investment opportunities and to source new opportunities over a broad range of businesses.'

In conclusion, we remain acutely aware that all efforts must be made to add value to our shareholders and to provide liquidity to trade these investments. We are also aware that the market is intensely competitive with highly liquid fund managers seeking private equity investments over all sectors of the market. Under such circumstances, it is vitally important to maintain a rational approach to investment based on a strict set of guidelines.

We look forward to informing shareholders of developments in due course.

Neil Gamble
Chairman

DIRECTORS' REPORT for the year ended 30 June 2005

The Directors present their report together with the financial report of the Company for the year ended 30 June 2005 and the Auditors' Report thereon.

Directors

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

Neil Hallam Gamble CA *(Non-Executive Chairman)*
(Appointed as a Director on 3 August 2004)
Mr Gamble is a Chartered Accountant with over 15 years experience as a Chief Executive Officer of public companies. He is a board member of Engin Limited and Chief Executive Officer of the Medallist Group of companies. Mr Gamble is a member of the Audit Committee of the Company.

Elliott Grant Kaplan B. Acc CA
(Appointed as a Director on 3 August 2004)
Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and public listed companies. His experience, from both an investor and investee perspective, spans a diverse range of industries including manufacturing, environmental, distribution and services. He is also a Director of Pro-Pac Packaging Limited.

Alexander Damien Harry Beard B.Com. (UNSW) CA
Mr Beard is a Chartered Accountant with extensive experience in private equity investing. He is the Chief Executive Officer of CVC Limited and he is also a Director of Greens Foods Limited and CVC Managers Pty Limited. Mr Beard is a member of the Audit Committee of the Company.

John Douglas Read B.Sc. (Hons.) (Cant.), MBA (AGSM)
Mr Read is a Fellow of the Australian Institute of Company Directors. He is the Chairman of The Environmental Group Limited and is a Director of CVC Limited and of the Australian Institute for Commercialisation Limited. Mr Read is Chairman of the Audit Committee of the Company.

Geoffrey Pattison Leaver B. Econ. (Syd) SEP (Stanford)
(Appointed as a Director on 3 August 2004)
Mr Leaver has been involved in Funds Management and Financial Planning for over 20 years in a variety of senior management roles with such companies as Prudential Australia Pty Ltd, Tower Australia Limited and Bridges Personal Investment Services.

Vanda Russell Gould
(Resigned as a Director on 3 August 2004).

John Scott Leaver
(Resigned as a Director on 3 August 2004).

Dr Noel John Lindsay
(Resigned as a Director on 3 August 2004).

Christopher B Witt
(Resigned as a Director on 3 August 2004).

Company Secretaries:

Michael John Bower B.Sc. (Hons.) (Dunelm)
Mr Bower is a member of the Institute of Chartered Accountants in Australia and the Institute of Chartered Accountants in England and Wales. He is also a Company Secretary of CVC Limited and CVC Managers Pty Limited.

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

Directors meetings

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

	Number of meetings attended	Number of meetings held
A D H Beard	5	5
J D Read	5	5
G P Leaver	4	4
N H Gamble	4	4
E G Kaplan	4	4
V R Gould	-	1
J S Leaver	1	1
N J Lindsay	-	1
C B Witt	-	1

Audit Committee meetings

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

	Number of meetings attended	Number of meetings held
A D H Beard	1	2
J D Read	2	2
N H Gamble	2	2
C B Witt	-	-

Director's benefits

During the year $15,000 in fees was paid to J. Read and $36,667 in fees was paid to N. Gamble. Further information on Directors' remuneration is included in note 13 to the financial statements.

Directors interests in shares and options of the Company

The relevant interest of each director in the ordinary share capital and options of the Company at the date of this report is:

	Ordinary Shares	Options
Mr N H Gamble	285,000	500,000
Mr E G Kaplan	45,000	-
Mr J D Read	5,678,316	-
Mr A D H Beard	5,881,316	-
Mr G P Leaver	91,249	-

DIRECTORS' REPORT for the year ended 30 June 2005

Principal activities

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

Operating results

The net after tax result of operations for the year, after writing off irrecoverable loans of $762,149 and increasing provisions for non-recovery of other non-current receivables by $2,441,563, was a loss of $2,405,597 (2004: loss of $1,644,254).

Share options over ordinary shares

There are 500,000 options over ordinary shares in place. The options were issued to Mr Neil Gamble, the Chairman of the Company, in accordance with a resolution of members on 29 October 2004. Each option can be converted into one ordinary share in the Company, at an exercise price of 84 cents per share, at any time until 3 August 2007. The options were valued at 3.94 cents each at the date of grant.

Dividends

No dividends have been declared, paid or provided in the year ended 30 June 2005.

Significant changes in the state of affairs of the Company

Significant Changes in the State of Affairs of the Company during the year and to the date of this report were:

> In July 2004, the Company made an investment in Ron Finemore Transport Pty Ltd ("RFT") for a cost of $1.575 million. Concurrently, RFT acquired 100% of the Lewington's Group of transport companies.

> In August 2004, the Company acquired 16.3% of the issued capital of Pro-Pac Group Limited for a gross consideration of $1,934,543. As a result of the subsequent IPO of Pro-Pac in April 2005, the Company received $1,194,746 in cash and 1,849,321 shares in the new listed company, Pro-Pac Packaging Limited.

> In October 2004, the Company's management agreement with CVC Investment Managers Pty Ltd was novated to CVC Managers Pty Ltd.

> In November 2004, Australian Photonics Pty Ltd was placed into administration resulting in the Company writing off $762,149 in respect of outstanding loans receivable.

> In June 2005, the Company invested $2.7 million in secured redeemable convertible notes in Sonic Communications Pty Limited.

> Throughout the year the business of the Telefix Group continued to develop allowing it to make full repayment of its outstanding loans to the Company. Subsequent to the end of the financial year, a conditional heads of agreement has been entered into for the sale of Telefix which, if consummated, will result in the Company booking a $1.65m profit in the 2006 financial year.

> The Battery Energy business has continued to under-perform and the Directors have accordingly determined to make a provision of $2,441,563 for the non-recovery of the loan payable by Battery Energy to the Company.

Likely developments and future expectations

The Company will continue to seek further private equity investments in Australian businesses. As an investment Company, the results of the Company are dependent on the timing of and opportunities for the realisation of investments. Accordingly, it is not possible at this stage to predict the future results of the Company.

Events subsequent to balance date

Other than as set out above, there are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2005.

Insurance premiums

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

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

Auditor independence and non-audit services

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by Ernst & Young is included on page 16. Ernst & Young received no fees from the Company during the year for non-audit services.

Signed in accordance with a resolution of Directors.

Dated at Sydney this 15th day of August 2005

Elliott Kaplan
Director

Alexander Beard
Director

STATEMENT OF FINANCIAL PERFORMANCE for the year ended 30 June 2005

	Note	2005 $	2004 $
Revenues from ordinary activities:			
Dividends received	2	**163,000**	-
Interest income	2	**825,001**	704,890
Proceeds from sale of non-current receivable	2	**-**	584,521
Proceeds from sale of shares	2	**2,119,406**	-
Fees for services rendered	2	**427,827**	-
Other income	2	**-**	7,706
Total revenue from ordinary activities		**3,535,234**	1,297,117
Expenses from ordinary activities:			
Audit, legal & accountancy		**53,078**	71,054
Cost of non-current receivable sold		**-**	1,169,042
Costs of shares sold		**1,934,543**	-
Directors fees		**51,667**	45,000
Loans written-off		**762,149**	2,473,024
Management and consultancy		**508,848**	427,597
Increase/(decrease) in provisions for non-recovery of non-current receivables		**2,441,563**	(1,359,800)
Unrealised losses on investments		**138,699**	549
Other expenses from ordinary activities		**50,284**	76,265
Loss from ordinary activities before related income tax expense	3	**(2,405,597)**	(1,605,614)
Income tax expense relating to ordinary activities	4	**-**	38,640
Net loss		**(2,405,597)**	(1,644,254)

The statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 7 to 15.

STATEMENT OF FINANCIAL POSITION as at 30 June 2005

	Note	2005 $	2004 $
Current assets			
Cash assets	5	**8,935,752**	12,500,218
Receivables	6	**212,941**	40,041
Current tax assets	4	**2,036**	3,866
Total current assets		**9,150,729**	12,544,125
Non-current assets			
Receivables	6	**555,000**	4,469,615
Other financial assets	7	**5,109,388**	-
Total non-current assets		**5,664,388**	4,469,615
Total assets		**14,815,117**	17,013,740
Current liabilities			
Payables	8	**63,789**	55,595
Current tax liabilities	4	**61**	81
Total current liabilities		**63,850**	55,676
Total liabilities		**63,850**	55,676
Net assets		**14,751,267**	16,958,064
Equity			
Contributed equity	9	**19,806,371**	19,607,571
Accumulated losses	10	**(5,055,104)**	(2,649,507)
Total equity		**14,751,267**	16,958,064

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 7 to 15.

STATEMENT OF CASH FLOWS for the year ended 30 June 2005

	Note	2005 $	2004 $
Cash flows from operating activities			
Cash receipts in the course of operations		**305,100**	13,219
Cash payments in the course of operations		**(690,032)**	(668,890)
Interest received		**544,732**	413,510
Dividend received		**163,000**	-
Tax received/(paid)		**1,810**	(42,526)
Net cash provided by/(used in) operating activities	16	**324,610**	(284,687)
Cash flows from investing activities			
Loans provided		**(219,582)**	(389,703)
Loans repaid		**1,146,559**	494,453
Proceeds from sale of loan		**-**	584,521
Payments for equity investments		**(3,509,599)**	-
Payments for convertible note investments		**(2,700,000)**	-
Proceeds from sale of shares		**1,194,746**	-
Net cash (used in)/provided by investing activities		**(4,087,876)**	689,271
Cash flows from financing activities			
Proceeds from issue of shares		**198,800**	4,746,092
Net cash provided by financing activities		**198,800**	4,746,092
Net (decrease)/increase in cash held		**(3,564,466)**	5,150,676
Cash at the beginning of the financial year		**12,500,218**	7,349,542
Cash at the end of the financial year	16	**8,935,752**	12,500,218

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 7 to 15.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 1: Statement of significant accounting policies

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

(a) Basis of preparation
The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies are consistent with those of the previous year.

(b) Revenue recognition
Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Interest revenue
Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

Sale of non-current assets
The gross proceeds of non-current asset sales are included as revenue 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.

Dividends
Revenue from dividends from investments is recognised when received.

(c) Investments
Investments in other companies are carried at the lower of cost, and recoverable amount.

(d) Taxation
The Company adopts the liability method of tax effect accounting.

Income tax expense is calculated on profit, adjusted for any permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effects of capital losses are not recorded unless realisation is virtually certain.

(e) Cash
For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments, readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

(f) Receivables
Receivables are carried at nominal amounts due and interest is taken up as accrued. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts, or if considered not recoverable the debt is written off.

(g) Recoverable amount of non-current assets valued on cost basis
The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value.

(h) Establishment costs
Establishment costs relating to capital raising are incurred by the investment manager and their recovery is sought by the investment manager as capital is raised. These amounts are written off to share capital as they are recovered.

(i) Payables
Liabilities are recognised for amounts to be paid in the future for goods or services received.

Trade accounts payable are normally settled within 30 days.

(j) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Environmental regulations
The Company is not subject to any environmental regulations.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 $	2004 $
Note 2: Revenue from ordinary activities		
Dividends received	**163,000**	-
Interest received & receivable	**825,001**	704,890
Proceeds from sale of non-current receivable	**-**	584,521
Proceeds from sale of shares	**2,119,406**	-
Other income	**-**	7,706
Fees for services rendered	**427,827**	-
Total revenue from ordinary activities	**3,535,234**	1,297,117
Note 3: Loss from ordinary activities before income tax expense:		
Loss from ordinary activities before income tax expense has been arrived at after (charging)/crediting the following items:		
- Net loss on sale of non-current receivables	**-**	(584,521)
- Net profit on sale of shares	**184,863**	-
Note 4: Income tax		
(a) Income tax expense		
Prima facie income tax expense at 30% (2004: 30%) on the loss from ordinary activities	**(721,679)**	(481,684)
Increase in income tax expense due to:		
- Tax loss not brought to account	**721,679**	481,684
Income tax expense on loss for the year	**-**	-
Income tax under-provided in prior years	**-**	38,640
Income tax attributable to loss	**-**	38,640
(b) Current tax asset		
Income tax instalments refundable	**2,036**	3,866
(c) Current tax liabilities		
Movements during the year:		
- Balance at beginning of year	**81**	101
- Income tax under-provided in prior years	**-**	38,640
- Income tax liabilities paid during year	**(20)**	(38,660)
	61	81

(d) Deferred tax assets and liabilities

Deferred tax assets of $1,014,904 (2004: $918,000), at 30%, in respect of tax losses have not been brought to account as their short-term realisation is not considered certain. Other deferred tax assets of $481,419 (2004: liabilities of $42,000), at 30%, have not been recognised as their short-term realisation is not assured beyond reasonable doubt.

The potential future income tax benefit will only be obtained if:

- the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the company complied and continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the realising of the benefit.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 $	2004 $
Note 5: Cash assets		
Cash	**323,653**	2,789,472
Cash on deposit	**8,612,099**	9,710,746
	8,935,752	12,500,218
Note 6: Receivables		
Current:		
Trade receivables	**150,000**	-
Interest receivables	**34,645**	18,877
GST receivable	**-**	12,887
Other debtors	**28,296**	8,277
	212,941	40,041
Non-current:		
Secured loans	**2,996,563**	4,469,615
Provisions for non-recovery	**(2,441,563)**	-
	555,000	4,469,615
Note 7: Other financial assets		
Non-current:		
Unlisted shares in other corporations	**1,623,426**	-
Listed shares at market value	**785,962**	-
Convertible notes	**2,700,000**	-
	5,109,388	-

Unlisted shares in other corporations includes 1,575,000 shares in Ron Finemore Transport Pty Limited at a cost of $1,575,000, 537,454 shares in Redfern Photonics Pty Limited at a cost of $48,371 and 55 units in the RCW Unit Trust at a cost of $55.

Listed shares at market value represents 1,849,321 shares in Pro-Pac Packaging Limited at 42.5 cents per share.

Convertible notes represents secured redeemable convertible notes in Sonic Communications Pty Limited.

	2005 $	2004 $
Note 8: Payables		
Current:		
Trade creditors	**20,963**	27,046
GST payable	**17,785**	-
Sundry creditors & accruals	**25,041**	28,549
	63,789	55,595

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	2005 No. of Shares	2005 $	2004 No. of Shares	2004 $
Note 9: Contributed equity				
Issued and paid up share capital:				
Ordinary shares fully paid	**23,149,942**	**19,806,371**	22,865,942	19,607,571
Ordinary shares:				
Balance at beginning of the year	**22,865,942**	**19,607,571**	16,085,811	14,861,479
New shares issued	**284,000**	**198,800**	6,780,131	4,746,092
Balance at end of the year	**23,149,942**	**19,806,371**	22,865,942	19,607,571

	2005 $	2004 $
Note 10: Accumulated losses		
Accumulated losses at beginning of year	**(2,649,507)**	(1,005,253)
Net loss attributable to members	**(2,405,597)**	(1,644,254)
Accumulated losses at the end of the year	**(5,055,104)**	(2,649,507)

Note 11: Dividends

There were no dividends paid or provided in respect of the current year (2004: $Nil).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 12: Additional financial instruments disclosure

Interest rate risk

Interest rate risk exposures

The company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Note	Floating interest rate	1 year or less	1 to 5 years	Non-interest bearing	Total
2005						
Financial assets						
Cash assets	5	**8,935,752**	**-**	**-**	**-**	**8,935,752**
Receivables	6	**-**	**-**	**500,000**	**267,941**	**767,941**
Other financial assets	7	**-**	**-**	**2,700,000**	**-**	**2,700,000**
Weighted average interest rate		**5.6%**	**-**	**10.4%**	**-**	
Financial liabilities						
Payables	8	**-**	**-**	**-**	**63,789**	**63,789**
Weighted average interest rate		**-**	**-**	**-**	**-**	-
2004						
Financial assets						
Cash assets	5	12,500,218	-	-	-	12,500,218
Receivables	6	-	-	2,737,583	1,772,073	4,509,656
Weighted average interest rate		4.9%	-	10.0%	-	
Financial liabilities						
Payables	8	-	-	-	55,595	55,595
Weighted average interest rate		-	-	-	-	-

Credit risk exposure

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised financial instruments

The credit risk on financial assets, excluding investments, which have been recognised in the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

Net fair values of financial assets and liabilities

Valuation approach

Net fair values of financial assets and liabilities are determined by the company on the following bases:

Recognised financial instruments

Listed shares included in "Other Financial Assets" are traded in an organised financial market. The net fair value of listed shares are determined by valuing them at the current quoted market bid price or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability.

Cash assets, listed shares in other corporations are readily traded on organised markets in a standardised form. All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 13: Directors' remuneration

	2005 $	2004 $
Total of the income paid or payable or otherwise made available, to all Directors and Executive Officers of the Company directly or indirectly from the entity or any related party		
John D Read – Fees	**15,000**	15,000
Noel J Lindsay – Fees	**-**	15,000
Christopher B Witt – Fees	**-**	15,000
Neil H Gamble – Fees	**36,667**	-
Neil H Gamble – Equity Based Remuneration (a)	**19,700**	-
	71,367	45,000

(a) Mr Gamble was issued 500,000 options to acquire shares in the Company during the year. These options are exercisable, whilst Mr Gamble remains a director of the Company, at any time prior to 3 August 2007 and were valued at $19,700 at grant date. As the options do not require Mr Gamble to serve a minimum tenure period, the valuation of the options:
- is considered to form part of the remuneration of Mr Gamble for the current year to be disclosed in the notes to the financial statements; but
- in accordance with accounting standards no expense is required to be recognised for these options in the reported results.

Except as detailed above, no other amount of remuneration is paid to Directors or Executives in connection with the management of the affairs of the Company.

Note 14: Segmental information

The Company operates in Australia as an investment company.

Note 15: Related party information

Directors

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

A D Beard
J D Read
N H Gamble (Appointed 3 August 2004)
E G Kaplan (Appointed 3 August 2004)
G P Leaver (Appointed 3 August 2004)
V R Gould (Resigned 3 August 2004)
J S Leaver (Resigned 3 August 2004)
N J Lindsay (Resigned 3 August 2004)
C B Witt (Resigned 3 August 2004)

Details of Directors' remuneration are set out in Note 13.

Transactions with related parties

On 29 June 1999 the Company entered into an investment management agreement with CVC Investment Managers Pty Limited. In October 2004, CVC Investment Managers Pty Limited sold its investment management business to CVC Managers Pty Limited and sold all the shares in CVC Managers Pty Limited to CVC Limited.

The Company pays management fees to it's investment manager calculated at 2.5% of the higher of the net assets of the Company or capital raised by the Company at the end of the previous financial year. During the year fees of $124,769 (2004: $380,423) were paid to CVC Investment Managers Pty Limited and $374,307 (2004: $Nil) were paid to CVC Managers Pty Limited.

Messrs. Gould, Leaver and Beard were directors of the Company, CVC Investment Managers Pty Limited, CVC Managers Pty Limited and CVC Limited during the year. Mr Read was a director of the Company and CVC Limited during the year.

Loans to directors

There were no loans to Directors during the year or existing at the end of the financial year. Included in sundry creditors and accruals at 30 June 2005 is an amount of $3,750 (2004: $3,750) of unpaid Director's fees owing to Mr Read.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 15: Related party information (continued)

Directors' holding of shares and share options

The relevant shareholding interests of the Directors at year-end were as follows:

	No. of Shares 2005	No. of Shares 2004	No. of Options 2005	No. of Options 2004
Mr N H Gamble	**285,000**	285,000	**500,000**	-
Mr E G Kaplan	**45,000**	35,000	**-**	-
Mr J D Read	**5,678,316**	5,616,316	**-**	-
Mr A D Beard	**5,881,316**	5,973,983	**-**	-
Mr G P Leaver	**91,429**	71,249	**-**	-

Relevant shareholding interests of two or more directors may include common shareholdings where both are also Directors of a corporate shareholder. For example J Read and A Beard are both directors of CVC Limited and each of their relevant interests above includes the CVC shareholding in the Company of 5,678,316 shares.

Note 16: Statement of cash flows

(a) Reconciliation of cash

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

	2005 $	2004 $
Cash	**323,653**	2,789,472
Cash on deposit	**8,612,099**	9,710,746
	8,935,752	12,500,218

(b) Reconciliation of loss from ordinary activities after income tax to net cash provided by operating activities

	2005 $	2004 $
Loss from ordinary activities after income tax	**(2,405,597)**	(1,644,254)
Add/(less) non-cash items:		
Realised loss on loan	**-**	584,521
Movement in provisions	**2,441,563**	(1,359,800)
Loans written-off	**762,149**	2,473,024
Unrealised loss on shares	**138,699**	-
Realised profit on sale of shares	**(184,863)**	-
Investment write down	**-**	549
Change in assets and liabilities:		
(Increase)/decrease in receivables	**(169,965)**	12,655
Increase in interest receivables	**(15,768)**	(14,997)
Increase in interest capitalised	**(264,501)**	(276,382)
Increase in GST payable	**30,672**	5,666
Decrease in accounts payable	**(6,080)**	(39,113)
Increase/(decrease) in income tax liabilities	**1,810**	(3,886)
Decrease in sundry creditors & accruals	**(3,509)**	(22,670)
Net cash provided by/(used in) operating activities	**324,610**	(284,687)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 16: Statement of cash flows (continued)

(c) Major non-cash items

The Company disposed of its investment in Pro-Pac Group Limited for cash and shares in a new ASX listed company, Pro-Pac Packaging Limited. The value of the non-cash consideration was $924,661.

Note 17: Auditors' remuneration

	2005 $	2004 $
Audit services	**30,375**	27,800
Other services	**-**	-
	30,375	27,800

Note 18: Contingent liabilities

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

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

Based on the realisations to 30 June 2005, no such performance fee is considered to have accrued and the Company has realised losses of approximately $2.8 million that can be deducted from future realised gains before performance fees will become payable.

Note 19: Other information

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

Note 20: Australian equivalents to International Financial Reporting Standards ("IFRSs")

In July 2004, as part of the process to harmonise Australian Accounting Standards with IFRSs, the Australian Accounting Standards Board issued a suite of new and revised Australian Accounting Standards. These standards do not apply to the current financial reporting period but will apply to all following reporting periods.

Notwithstanding that the new standards do not apply to the current reporting period, the Company is required to restate the current reporting period's statements of financial performance, financial position cash flows applying the new standards, to:

- provide comparative information for the financial reporting periods at 31 December 2005 and 30 June 2006;
- provide an opening position for future financial reporting using the new standards;
- assist shareholders and other users of the financial report to better understand how the new standards will impact on future financial reporting; and
- comply with general financial reporting requirements.

Subject to final reviews, the Company has completed this exercise and the impacts are discussed below. However, whilst the figures disclosed are their best estimates as at the date of preparing the full-year financial statements, they could still change due to:

- final review work; and
- any further amendments to, or changes in the interpretations of, the IFRSs being issued by standard-setters and regulatory authorities.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 20: Australian equivalents to International Financial Reporting Standards ("IFRSs") (continued)

Impacts on the statement of financial position at 30 June 2005:
For the statement of financial position at 30 June 2005 the Company expects that there will be no changes in Net Assets from the adoption of the new standards, but that the split within Equity will change. It is expected that Contributed Equity will increase by $19,700, Accumulated Losses will reduce by $118,999 and there will be a debit balance reflected of $138,699 on a new Other Reserve. This is explained below.

Under IFRS the Company will be required to revalue listed investments to market value at each balance date. At 30 June 2005, the Company had one listed investment, in Pro-Pac Packaging Limited. As the market value of this investment was lower than cost at that date, the Company has written this investment down to market value in this financial report based on current accounting standards. Accordingly, there will be no need for an adjustment within net assets for the new standards. However, under IFRS, where the Company classifies listed investments as being 'available for sale', and does not elect to show movements in market values as being through profit & loss, unrealised movements in market values will form part of a revaluation type reserve, rather than being a component of reported results. This means that the expense reflected in this report for the unrealised decrease in the market value of the investment in Pro-Pac Packaging Limited, of $138,699, will no be reflected in Accumulated Losses but will instead be reflected in an Other Reserve.

As explained in note 13, Mr Neil Gamble was issued 500,000 options to acquire shares in the Company during the year, that were valued at $19,700 at grant date, and do not require Mr Gamble to serve a minimum tenure period. In accordance with current accounting standards no asset or expense is required to be recognised for these options, and instead they are just disclosed as a component of Directors' remuneration. Under the new standards the $19,700 would be recognised as a component of Contributed Equity and expensed as part of the loss for the period, thereby increasing accumulated losses.

Impacts on the statement of financial performance for the year to 30 June 2005:
As explained above, under IFRS the expense of $138,699 for the reduction in market value of the investment in Pro-Pac Packaging Limited will no longer form part of the reported loss for the year but the Company will need to reflect an expense of $19,700 for the 'cost' of the options issued to Mr Gamble. Accordingly expenses and the reported loss for the year to 30 June 2005 would have decreased by $118,999 under the new standards.

Under current accounting standards the sales of Non-Current Assets are reported in the statement of financial performance as gross amounts with Revenue including the value of consideration received and Expenses including the carrying value of the asset at date of sale. Under the new standards only the net profit on sale will be shown. This change has no impact on reported profits but for the year to 30 June 2005 this would reduce each of Revenues and Expenses from Ordinary Activities by $1,934,543.

Impacts on the statement of cash flows for the year to 30 June 2005:
There are expected to be no impacts on the statement of cash flows from the adoption of the new standards. However, there will be changes to the reconciliation of Cash Flows from Operating Activities to the Loss from Ordinary Activities after Taxation included in the notes to the financial statements to reflect the reduced reported loss and to remove the non-cash item in respect of the unrealised decrease in market value of the investment in Pro-Pac Packaging Limited and to reflect the non-cash item in respect of the options discussed above.

Note 21: Subsequent events

Subsequent to the end of the financial year, a conditional heads of agreement has been entered into for the sale of Telefix which, if consummated, will result in the Company booking a $1.65m profit in the 2006 financial year.

DIRECTORS' DECLARATION

In the opinion of the Directors of CVC Private Equity Limited:

a) the financial statements and notes, set out on pages 4 to 15, are in accordance with the Corporations Act 2001, including:
   (i) giving a true and fair view of the financial position of the Company as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
   (ii) complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional requirements.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney this 15th day of August 2005.

Elliott Kaplan
Director

Alexander Beard
Director

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of CVC Private Equity Limited

In relation to our audit of the financial report of CVC Private Equity Limited for the financial year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

I H Campbell
Partner
Sydney
18 August 2005

INDEPENDENT AUDIT REPORT

to the members of CVC Private Equity Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for CVC Private Equity Limited (the company), for the year ended 30 June 2005.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

> examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

> assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of CVC Private Equity Limited is in accordance with:

(a) the Corporations Act 2001, including:
  (i) giving a true and fair view of the financial position of CVC Private Equity Limited at 30 June 2005 and of its performance for the year ended on that date; and
  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

I H Campbell
Partner
Sydney
18 August 2005

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