ANNUAL REPORT 2006

take a closer look

CVC Private Equity

bottle tree

[*Brachychiton rupestris : Adansonia gregorii*]

An icon of resilience and versatility, the Bottle tree prospers in the harsh soils of central Queensland and arid Kimberley region of Western Australia. With a tested ability to survive and flourish in its own native environment, the Bottle tree's enduring strength means it is also able to sustain others.

For example, a broad trunk that might be dismissed as merely unattractive by a casual eye, is actually an enormous reserve of water – in a climate where one might expect to find none. For those with the patient vision to allow a resource to grow to maturity, and the wisdom not to be discouraged by its sometimes inelegant appearance, the Bottle tree has been a trusted provider of not only water, but also food, medicine, and shelter for succeeding generations.

With over twenty years experience in the managed investment industry, the CVC Group has shared its maturity and strength with over seventy companies. Our established investment philosophy has yielded a proven reputation for partnering businesses with solid growth potential. Our survival and prosperity has shown that for those prepared to patiently seek out opportunities hidden beneath surfaces where others may not take the time and effort to look, the rewards can be substantial and enduring.

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chairman's report

for the year ended 30 June 2006

Dear Shareholder,

Following the resignation of Neil Gamble from the Board in August, I was pleased to accept the invitation of the Board to again take on the role of Chairman of CVC Private Equity. I would like to take this opportunity to thank Neil for the contribution he has made to the Company over the past two years.

It is pleasing to note that the Company achieved a profit after tax of approximately $2.25m for the 2006 financial year. The result included a net gain of $1.52m arising from the sale of the Company's investment in Telefix. A final fully franked dividend of 2 cents per share was declared and paid in August. This is in addition to the interim dividend of 1.5 cents per share paid in March.

The sale of the Telefix investment provided an excellent outcome for the Company and demonstrated the Company's ability to successfully undertake "turnarounds" and to ultimately extract value from portfolio investments which run into some difficulties. During the financial year the Company also redeemed its convertible note investment in Sonic Communications and its small convertible note investment in First Prudential Markets. The Company also made a new investment in Blue Chip Financial Solutions, a financial services group which offers a unique structured approach to geared residential real estate investments. Blue Chip listed on the Australian Stock Exchange in May 2006. A small convertible note investment was made in Azurn International Limited, a company involved in providing multi-media convergence solutions. The remaining portfolio includes the investments in Ron Finemore Transport, Battery Energy and Pro-Pac Packaging.

The smaller end of the private equity market, being the segment in which CVC Private Equity operates, has been a difficult market over the past year from an investment perspective. Substantial sums of money have been allocated to private equity funds in recent times and billions of dollars of committed funds presently remain uninvested. This has created a highly competitive market with some very stretched valuations for investment opportunities. This is not a wholly different situation from what existed around 1990 and I expect that as interest rates increase, opportunities will increase and some competitors will exit the market.

As a result of the current investment climate the Company currently has in excess of 60% of its portfolio in cash. This leaves the Company well placed to take advantage of investment opportunities as valuations come back to more realistic levels. New investment opportunities are being continually assessed and reviewed. The Board is acutely aware, however, of the need for patience and adherence to the Company's investment guidelines and valuation principles.

I congratulate the Managing Director, Mr Elliott Kaplan, on being able to resist the temptation to invest on unsatisfactory investment metrics. He has been diligent and hard-working and I am confident that investors will ultimately be very pleased with the outcomes achieved.

We look forward to reporting progress during the course of the 2007 financial year.

Vanda Gould
Chairman

directors' report

for the year ended 30 June 2006

The Directors present their report together with the financial report of the Company for the year ended 30 June 2006 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)
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. Mr Gamble is a member of the Audit Committee of the Company.

Elliott Grant Kaplan B. Acc CA
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 Chairperson of The Environmental Group Limited and Pro-Pac Packaging Limited, and is a Director of CVC Limited and of the Australian Institute for Commercialisation Limited. Mr Read is Chairperson of the Audit Committee of the Company.

Geoffrey Pattison Leaver B. Econ. (Syd) SEP (Stanford)
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.

COMPANY SECRETARIES

John Andrew Hunter B.Com. (ANU) CA
(Appointed as a Secretary on 20 March 2006)

Michael John Bower B.Sc. (Hons.) (Dunelm) CA
(Resigned as a Secretary on 20 March 2006)

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:

	No. of meetings attended	No. of meetings held
A D H Beard	5	5
J D Read	5	5
G P Leaver	4	5
N H Gamble	5	5
E G Kaplan	5	5

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:

	No. of meetings attended	No. of meetings held
A D H Beard	2	2
J D Read	2	2
N H Gamble	2	2

DIRECTOR'S BENEFITS

During the year $15,000 in fees was paid to Mr Read and $40,000 in fees was paid to Mr Gamble. Further information on Directors' remuneration is included in note 15 to the financial statements.

DIRECTORS INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

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

	Ordinary Shares	Options
N H Gamble	291,717	500,000
E G Kaplan	45,000	-
J D Read	6,668,655	-
A D H Beard	7,029,675	-
G P Leaver	93,584	-

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

Net profit after tax of $2,245,761 (2005: loss of $2,286,598).

SHARE OPTIONS OVER ORDINARY SHARES

There are 500,000 options over ordinary shares in place. The options were issued to Mr 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.

DIVIDENDS

A final dividend in respect of the year ended 30 June 2006 of 2 cents per share was declared on 4 August 2006. An interim dividend in respect of the year ended 30 June 2006 of 1.5 cents per ordinary share amounting to $347,249 was paid on 24 March 2006.

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:

> During the financial year, the Company purchased 3,893,616 shares in Blue Chip Financial Solutions Limited at a total consideration of $2,817,549.

> In March 2006, the $2.7 million secured redeemable convertible notes in Sonic Communications Pty Limited were repaid.

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 2006.

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 23. 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 4th of August 2006.

Elliott Kaplan
Director

Alexander Beard
Director

income statement

for the year ended 30 June 2006

	Notes	2006 $	2005 $
INCOME			
Dividends received		**72,482**	163,000
Interest income		**1,044,372**	825,001
Net gain on sale of equity investments		**1,525,079**	184,863
Fees for services rendered		**505,182**	427,827
Other income		**82,501**	-
Total income		**3,229,616**	1,600,691
EXPENSES			
Accounting fees		**10,761**	9,766
Audit fees		**40,000**	30,375
Legal fees		**26,292**	12,937
Director's fees		**55,000**	51,667
Equity based remuneration		**-**	19,700
Loans written-off		**-**	762,149
Management and consultancy		**504,048**	508,848
Loans written-off and provisions for non-recovery		**294,126**	2,441,563
Other expenses		**44,420**	50,284
Profit/(loss) before related income tax expense		**2,254,969**	(2,286,598)
Income tax expense	3	**9,208**	-
Net profit/(loss)		**2,245,761**	(2,286,598)

The income statement is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

balance sheet

as at 30 June 2006

	Notes	2006 $	2005 $
CURRENT ASSETS			
Cash and cash equivalents	5	**10,348,508**	8,935,752
Trade and other receivables	6	**38,234**	212,941
Current tax assets	3	**-**	2,036
Total current assets		**10,386,742**	9,150,729
NON-CURRENT ASSETS			
Equity investments	7	**5,367,165**	2,409,388
Loans and receivables	8	**503,485**	555,000
Other investments	9	**306,569**	2,700,000
Total non-current assets		**6,177,219**	5,664,388
TOTAL ASSETS		**16,563,961**	14,815,117
CURRENT LIABILITIES			
Trade and other payables	10	**102,743**	63,789
Current tax liabilities	3	**-**	61
Total current liabilities		**102,743**	63,850
TOTAL LIABILITIES		**102,743**	63,850
NET ASSETS		**16,461,218**	14,751,267
EQUITY			
Contributed equity	11	**19,921,698**	19,806,371
Accumulated losses	12	**(3,037,593)**	(4,936,105)
Other reserves	13	**(422,887)**	(118,999)
TOTAL EQUITY		**16,461,218**	14,751,267

The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

statement of changes in equity

for the year ended 30 June 2006

	2006 $	2005 $
Income and expenses recognised directly in equity		
Decrease in the market value of investments classified as "available-for-sale"	**(303,888)**	(138,699)
Attributed value of options issued as equity based remuneration	**-**	19,700
Total income and expense recognised directly in equity	**(303,888)**	(118,999)
Profit/(loss) for the year	**2,245,761**	(2,286,598)
Total income and expense for the year	**1,941,873**	(2,405,597)
Transactions with shareholders in their capacity as shareholders		
Shares issued during the period	**115,327**	198,800
Dividends paid	**(347,249)**	-
Total transactions with shareholders in their capacity as shareholders	**(231,922)**	198,800
Net increase in equity for the period	**1,709,951**	(2,206,797)
Equity at the beginning of the period	**14,751,267**	16,958,064
Equity at the end of the period	**16,461,218**	14,751,267

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

cash flow statement

for the year ended 30 June 2006

	Notes	2006 $	2005 $
Cash flows from operating activities			
Cash receipts in the course of operations		**647,175**	305,100
Cash payments in the course of operations		**(623,583)**	(690,032)
Interest received		**754,665**	544,732
Dividends received		**72,482**	163,000
Tax received/(paid)		**(7,233)**	1,810
Net cash provided by operating activities	18(b)	**843,506**	324,610
Cash flows from investing activities			
Loans provided		**(490,000)**	(219,582)
Loans repaid		**365,000**	1,146,559
Payments for equity investments		**(3,081,666)**	(3,509,599)
Payments for convertible note investments		**(300,000)**	(2,700,000)
Proceeds from convertible note investments		**2,700,000**	-
Proceeds from sale of shares		**1,607,838**	1,194,746
Net cash provided by/(used in) investing activities		**801,172**	(4,087,876)
Cash flows from financing activities			
Proceeds from issue of shares from share placement		**-**	198,800
Proceeds from issue of shares under the dividend reinvestment plan		**115,327**	-
Dividends paid		**(347,249)**	-
Net cash (used in)/provided by financing activities		**(231,922)**	198,800
Net increase/(decrease) in cash held		**1,412,756**	(3,564,466)
Cash and cash equivalents at the beginning of the financial year		**8,935,752**	12,500,218
Cash and cash equivalents at the end of the financial year	18(a)	**10,348,508**	8,935,752

The cash flow statement is to be read in conjunction with the notes to the financial statements set out on pages 8 to 21.

notes to the financial statements

for the year ended 30 June 2006

NOTE 1: STATEMENT OF 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 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 certain "available-for-sale" investments, which have been measured at fair value.

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

AASB 7 *Financial Instruments: Disclosure* has recently been issued but is not effective until 1 January 2007 has not been adopted for the annual reporting period ending 30 June 2006. Application of the standard will not effect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

c) Cash and Cash Equivalents

For the cash flow statement, cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less.

d) Revenue Recognition

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.

Dividends

Revenue is recognised when the Company's right to receive payment is established.

Management Fees

Management Fees are recognised on completion of assignments and issuance of invoices.

e) Trade and Other Payables

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

f) Goods and Services Tax (GST)

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 balance sheet. Cash flows are included in the cash flow statement 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.

g) Trade and Other Receivables

Receivables 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 the Company will not be able to collect the debts. Bad debts are written off when identified.

h) 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 directly attributable transaction costs. The Company determines the classification of its financial assets

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (cont.)

after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

"Available-for-Sale" Investments
"Available-for-sale" investments are those non-derivative financial assets that are designated as "available-for-sale". After initial recognition "available-for-sale" investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques, such as discounted cash flow analysis. Where fair value cannot be reliably measured investments are measured at cost.

i) Share-Based Payment Transactions

The Company provides benefits to key management personnel in the form of share-based payments, whereby services are provided 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.

j) Income Tax

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. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

k) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

l) Investment in Associate

The Company's investment in its associate is accounted for using the equity method of accounting in the financial statements. The associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. After application of the equity method, the Company has determined that it is necessary to recognise any additional impairment loss with respect to the Company's net investment in the associate, and has reduced its carrying value to nil.

notes to the financial statements

for the year ended 30 June 2006

	2006 $	2005 $
NOTE 2: AUDITORS' REMUNERATION		
Audit services	**40,000**	30,375
Other services	**-**	-
	40,000	30,375

The auditors of the Company are Ernst & Young.

	2006 $	2005 $
NOTE 3: INCOME TAX		
(a) Income tax expense		
Prima facie income tax expense at 30% (2005: 30%) on the profit/(loss)	**676,491**	(685,979)
Decrease in income tax expense due to:		
- Franked dividends received	**(14,366)**	-
- Tax loss not previously brought to account	**(662,214)**	-
Increase in income tax expense due to:		
- Tax loss not brought to account	**-**	685,979
- Sundry items	**89**	-
Income tax expense on loss for the year	**-**	-
Income tax under-provided in prior years	**9,208**	-
Income tax attributable to loss	**9,208**	-
(b) Current tax asset		
Income tax instalments refundable	**-**	2,036
(c) Current tax liabilities		
Movements during the year:		
- Balance at beginning of year	**61**	81
- Income tax liabilities paid during year	**(61)**	(20)
	-	61

	2006 $	2005 $
NOTE 3: INCOME TAX (cont.)		
(d) Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
- Provisions and accrued expenses	**25,800**	5,490
- Revaluation of "available-for-sale" investments	**133,230**	42,064
- Other income for tax purposes	**(30,264)**	(34,606)
- Other expenses for tax purposes	**5,047**	25,573
- Deferred income tax not recognised	**(133,813)**	(38,521)
	-	-

e) Deferred tax assets and liabilities

Deferred tax assets of $745,616 (2005: $1,014,904), at 30%, in respect of tax losses have not been brought to account as their short-term realisation is not considered probable. Other deferred tax assets of $133,813 (2005: $38,521), at 30%, have not been recognised as their short-term realisation is not considered probable.

The benefit of the deferred tax asset 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.

	2006 $	2005 $
NOTE 4: DIVIDENDS		
Declared and paid during the year:		
Interim 100% fully franked dividend paid on 24 March 2006	**347,249**	-
Dividend Franking Account:		
Franking credits available to shareholders for subsequent financial years	**588,633**	568,110

The franking account is stated on a tax paid basis. The balance comprises the franking account at year end adjusted for:
(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at year end; and
(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.

notes to the financial statements

for the year ended 30 June 2006

	2006 $	2005 $
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	**1,179,675**	323,653
Cash on deposit	**7,202,450**	8,612,099
Bank bills	**1,966,383**	-
	10,348,508	8,935,752
NOTE 6: TRADE AND OTHER RECEIVABLES		
Current:		
Trade receivables	**-**	150,000
Interest receivables	**20,174**	34,645
Goods and services tax	**10,053**	-
Other debtors	**8,007**	28,296
	38,234	212,941
NOTE 7: EQUITY INVESTMENTS		
Non-current:		
Investment in associate (a)	**-**	-
“Available-for-sale” financial assets		
Unlisted shares in associated corporations (b)	**180,000**	-
Unlisted shares in other corporations	**1,575,346**	1,623,426
Listed shares at market value	**3,611,819**	785,962
	5,367,165	2,409,388

	Ownership Interest		Investment Carrying Amount	
	2006 %	2005 %	**2006 %**	2005 %
(a) Interest in ordinary shares of associate				
Battery Energy Power Solutions Pty Limited	**30.0**	-	**-**	-
(b) Investment in preference shares of associate				
Battery Energy Power Solutions Pty Limited	**38.7**	-	**180,000**	-
			180,000	-

NOTE 7: EQUITY INVESTMENTS (cont.)

Battery Energy Power Solutions Pty Limited is a manufacturer of Gel batteries. The investment at 30 June 2006 has been valued at nil to reflect the initial investment cost less the Company's share of losses incurred since acquisition.

The preference shares are not entitled to a vote and carry preferential payment in relation to dividends and repayment of capital.

Unlisted shares in other corporations include:

- 1,575,000 shares in Ron Finemore Transport Pty Limited at a cost of $1,575,000 representing a 25% ownership. The investment is not accounted for in accordance with AASB 128 *Investment in Associates* as there is no influence exerted on the operations of the Company.
- 55 units in the RCW Unit Trust at a cost of $34.

The carrying amount of the investments are at cost as insufficient information is available to reliably determine the fair value of the investments using other valuation techniques.

	2006 $	2005 $
NOTE 8: LOANS AND RECEIVABLES		
Non-current:		
Secured loans	**503,485**	555,000
NOTE 9: OTHER INVESTMENTS		
Non-current:		
Convertible notes	**306,569**	2,700,000

Convertible notes represent secured redeemable convertible notes in Azurn International Limited.

	2006 $	2005 $
NOTE 10: TRADE AND OTHER PAYABLES		
Current:		
Trade creditors	**12,952**	20,963
Goods and services tax	**-**	17,785
Sundry creditors and accruals	**89,791**	25,041
	102,743	63,789

	2006 No. of shares	2006 $	2005 No. of shares	2005 $
NOTE 11: CONTRIBUTED EQUITY				
Issued and paid up share capital:				
Ordinary shares fully paid	**23,331,159**	**19,921,698**	23,149,942	19,806,371
Ordinary shares:				
Balance at beginning of the year	**23,149,942**	**19,806,371**	22,865,942	19,607,571
New shares issued	**181,217**	**115,327**	284,000	198,800
Balance at end of the year	**23,331,159**	**19,921,698**	23,149,942	19,806,371

	2006 $	2005 $
NOTE 12: ACCUMULATED LOSSES		
Accumulated losses at beginning of year	**(4,936,105)**	(2,649,507)
Net profit/(loss) attributable to members	**2,245,761**	(2,286,598)
Dividends paid	**(347,249)**	-
Accumulated losses at the end of the year	**(3,037,593)**	(4,936,105)

	Share options reserve $	Market value reserve $	Total other reserves $
NOTE 13: OTHER RESERVES			
Year ending 30 June 2006:			
At the beginning of the year	**19,700**	**(138,699)**	**(118,999)**
Change in fair value of "available-for-sale" assets	**-**	**(303,888)**	**(303,888)**
At the end of the year	**19,700**	**(442,587)**	**(422,887)**
Year ending 30 June 2005:			
At the beginning of the year	-	-	-
Change in fair value of "available-for-sale" assets	-	(138,699)	(138,699)
Grant of options	19,700	-	19,700
At the end of the year	19,700	(138,699)	(118,999)

Nature and purpose of reserves

Market value reserve

The market value reserve is used to record increments and decrements in value of "available-for-sale" listed investments.

Share options reserve

This reserve is used to record the value of equity benefits provided to Mr Gamble as part of his remuneration.

NOTE 14: 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
2006						
Financial assets						
Cash and cash equivalents	5	**10,348,508**	**-**	**-**	**-**	**10,348,508**
Trade and other receivables	6	**-**	**-**	**-**	**38,234**	**38,234**
Loans and receivables	8	**-**	**-**	**503,485**	**-**	**503,485**
Other investments	9	**-**	**306,569**	**-**	**-**	**306,569**
Weighted average interest rate		**5.9%**	**15.6%**	**10.0%**	**-**	
Financial liabilities						
Trade and other payables	10	**-**	**-**	**-**	**102,743**	**102,743**
Weighted average interest rate		**-**	**-**	**-**	**-**	
2005						
Financial assets						
Cash and cash equivalents	5	8,935,752	-	-	-	8,935,752
Trade and other receivables	6	-	-	-	212,941	212,941
Loans and receivables	8	-	-	500,000	55,000	555,000
Other investments	9	-	-	2,700,000	-	2,700,000
Weighted average interest rate		5.6%	-	10.4%	-	
Financial liabilities						
Trade and other payables	10	-	-	-	63,789	63,789
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 balance sheet, is the carrying amount, net of any provision for doubtful debts.

NOTE 14: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (cont.)

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 basis:

Recognised financial instruments

Listed shares included in "Equity Investments" 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 and cash equivalents, 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.

Liquidity risk

The Company's objective is to maintain sufficient cash reserves to meet the demands of operating expenses and be able to invest in appropriate investments. This is achieved through short-term cash investments such as bank bills and term deposits.

NOTE 15: KEY MANAGEMENT PERSONNEL

The Company has no employees. The total income paid or payable or otherwise made available, to all key management personnel of the Company directly or indirectly from the entity or any related party include:

	2006 $	2005 $
J D Read – Director's fees	15,000	15,000
N H Gamble – Director's fees	40,000	36,667
N H Gamble – Equity Based Remuneration (a)	-	19,700
	55,000	71,367

(a) Mr Gamble has been issued 500,000 options to acquire shares in the Company. 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 2005 year.

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

NOTE 16: SEGMENTAL INFORMATION

The Company operates in Australia as an investment company.

NOTE 17: RELATED PARTY INFORMATION

Key management personnel
The only key management personnel of the Company are the Directors. Persons holding office as Directors of CVC Private Equity Limited during the financial year were:

A D Beard
J D Read
N H Gamble
E G Kaplan
G P Leaver

Details of key management personnel remuneration are set out in Note 15.

Transactions with related parties
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 $Nil (2005: $124,769) were paid to CVC Investment Managers Pty Limited and $504,048 (2005: $374,307) were paid to CVC Managers Pty Limited.

Mr Beard was a director of the Company, 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 key management personnel
There were no loans to key management personnel during the year or existing at the end of the financial year.

Key management personnel holding of shares and share options
The relevant shareholding interests of key management personnel at year-end were as follows:

	No. of Shares		No. of Options	
	2006	2005	**2006**	2005
N H Gamble	291,717	285,000	500,000	500,000
E G Kaplan	45,000	45,000	-	-
J D Read	6,668,655	5,678,316	-	-
A D Beard	7,029,675	5,881,316	-	-
G P Leaver	93,584	91,429	-	-

Relevant shareholding interests of two or more Directors may include common shareholdings where both are also Directors of a corporate shareholder. For example, Messrs Read and Beard are both directors of CVC Limited and each of their relevant interests above includes the CVC shareholding in the Company of 6,658,655 shares.

NOTE 18: NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short-term deposits with an original maturity of 3 months or less. Cash and cash equivalents as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2006 $	2005 $
Cash at bank	**1,179,675**	323,653
Cash on deposit	**7,202,450**	8,612,099
Bank bills	**1,966,383**	-
	10,348,508	8,935,752

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

	2006 $	2005 $
Profit/(loss) after income tax	**2,245,761**	(2,286,598)
Add/(less) non-cash items:		
Movement in provisions	**-**	2,441,563
Loans written-off	**-**	762,149
Equity based remuneration	**-**	19,700
Net gain on sale of equity investments	**(1,607,838)**	(184,863)
Change in assets and liabilities:		
(Increase)/decrease in receivables	**170,289**	(169,965)
Increase in interest receivables	**14,471**	(15,768)
Increase in interest capitalised	**(10,053)**	(264,501)
Increase in GST payable	**(27,838)**	30,672
Decrease in accounts payable	**(8,011)**	(6,080)
Increase/(decrease) in income tax liabilities	**1,975**	1,810
Decrease in sundry creditors and accruals	**64,750**	(3,509)
Net cash provided by operating activities	**843,506**	324,610

NOTE 19: 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 2006, no such performance fee is payable.

NOTE 20: 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 21: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with Australian Generally Accepted Accounting Principles (AGAAP). These financial statements for the year ended 30 June 2006 are the first the Company is required to prepare in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the Company has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in note 1. In preparing these financial statements, the Company has started from an opening balance sheet as at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

This note explains the principal adjustments made by the Company in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Explanation of material adjustments to the cash flow statement
There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 1 July 2004
There were no impacts on the balance sheet as at 1 July as a result of adopting AIFRS.

NOTE 21: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont.)

Balance sheet reflecting reconciliation of adjustments to AIFRS as at 30 June 2005

	Notes	AGAAP $	Adjustment $	AIFRS $
CURRENT ASSETS				
Cash assets and cash equivalents		8,935,752	-	8,935,752
Trade and other receivables		212,941	-	212,941
Current tax assets		2,036	-	2,036
Total current assets		9,150,729	-	9,150,729
NON-CURRENT ASSETS				
Equity investments		-	2,409,388	2,409,388
Loans and receivables		555,000	-	555,000
Other investments		5,109,388	(2,409,388)	2,700,000
Total non-current assets		5,664,388	-	5,664,388
TOTAL ASSETS		14,815,117	-	14,815,117
CURRENT LIABILITIES				
Trade and other payables		63,789	-	63,789
Current tax liabilities		61	-	61
Total current liabilities		63,850	-	63,850
TOTAL LIABILITIES		63,850	-	63,850
NET ASSETS		14,751,267	-	14,751,267
EQUITY				
Contributed equity		19,806,371	-	19,806,371
Accumulated losses		(5,055,104)	118,999	(4,936,105)
Other reserves		-	(118,999)	(118,999)
Impact on accumulated losses				
Equity based remuneration	(ii)	-	(19,700)	-
Reclassification of market value adjustment of listed investments to other reserves	(i)	-	138,699	-
Impact on other reserves				
Equity based remuneration	(ii)	-	19,700	-
Reclassification of market value adjustment of listed investments to other reserves	(i)	-	(138,699)	-
TOTAL EQUITY		14,751,267	-	14,751,267

NOTE 21: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (Cont.)

Income Statement for the year ended 30 June 2005

	Notes	AGAAP $	Adjustment $	AIFRS $
INCOME				
Dividends received		163,000	-	163,000
Interest income		825,001	-	825,001
Net gain on sale of equity investments	(i)	2,119,406	(1,934,543)	184,863
Fees for services rendered		427,827	-	427,827
Total income		3,535,234	(1,934,543)	1,600,691
EXPENSES				
Audit, legal and consultancy		53,078	-	53,078
Cost of shares sold	(i)	1,934,543	(1,934,543)	-
Director's fees		51,667	-	51,667
Equity based remuneration	(ii)	-	19,700	19,700
Loans written-off		762,149	-	762,149
Management and consultancy		508,848	-	508,848
Loans written-off and provisions for non-recovery		2,441,563	-	2,441,563
Unrealised loss on investments	(i)	138,699	(138,699)	-
Other expenses		50,284	-	50,284
Loss before related income tax expense		(2,405,597)	118,999	(2,286,598)
Income tax expense		-	-	-
Net loss		(2,405,597)	118,999	(2,286,598)

Notes

(i) Under AGAAP an expense was recognised to reflect the unrealised loss in market values of listed investments. Under AIFRS, where those investments are classified as "available-for-sale" and are not considered to be impaired, the movement in fair value is recognised directly in equity and is not an expense of the period.

Under AGAAP the proceeds on the sale of an equity investment was included in income and the cost of the investment was included as an expense. Under AIFRS the net gain is included in income.

(ii) Under AGAAP no expense was recognised for the cost of options issued. Under AIFRS the fair value of the options granted is considered to be an expense of the period, recognised in the income statement.

NOTE 22: SUBSEQUENT EVENTS

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has 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.

directors' declaration

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

   a) the financial statements and notes, set out on pages 4 to 21, 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 2006 and of its 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 4th of August 2006.

Elliott Kaplan	**Alexander Beard**
Director	*Director*

auditor's independence declaration

for the year ended 30 June 2006

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 2006, 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

4 August 2006

independent audit report

to the Members of CVC Private Equity Limited

SCOPE

The financial report and directors responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for CVC Private Equity Limited (the company), for the year ended 30 June 2006.

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 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.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion:

1. 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 2006 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, 4 August 2006

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 | John A Hunter

bankers

Suncorp-Metway Limited
Westpac Banking Corporation Limited

auditors

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

share registry

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