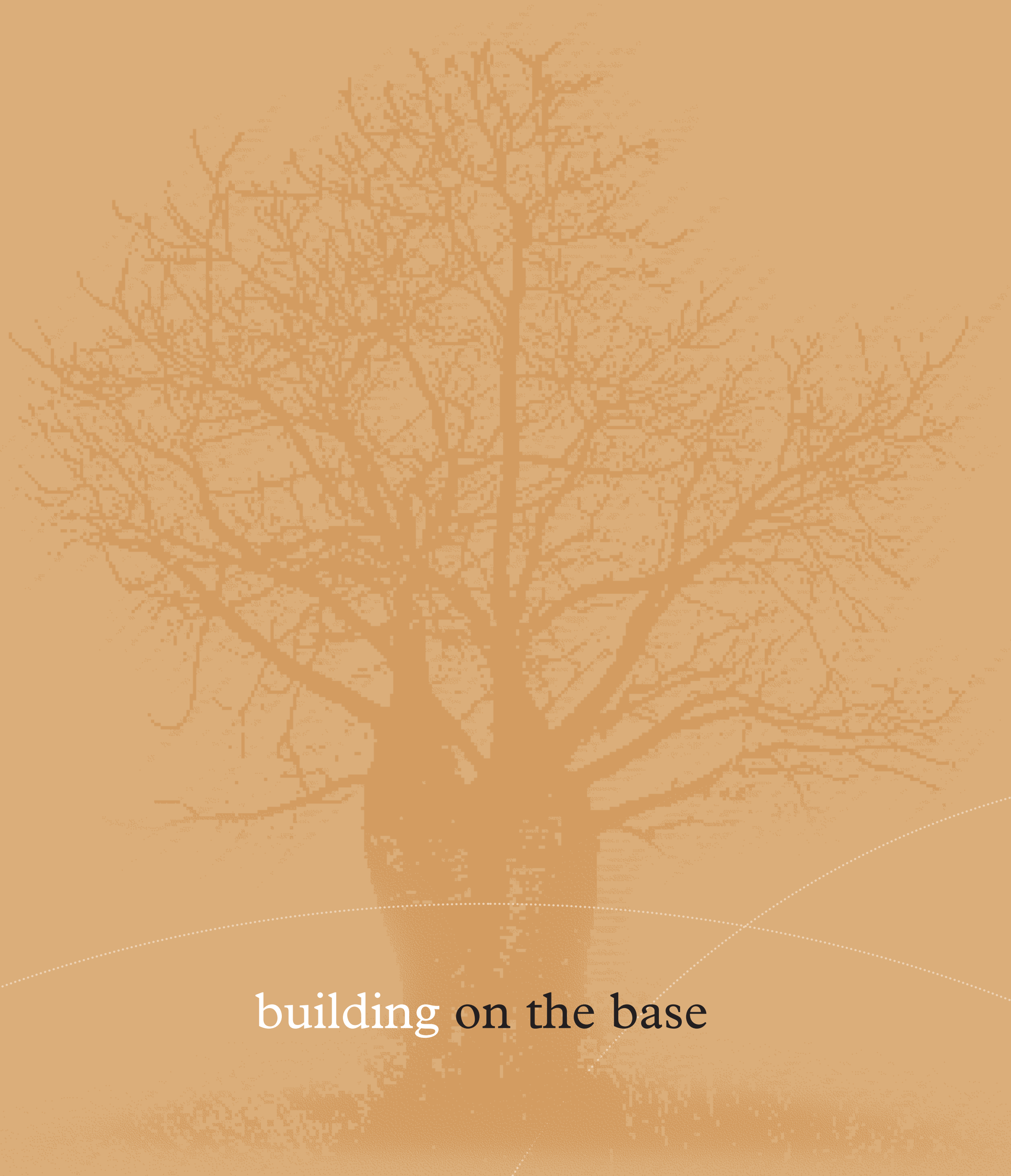
CVC Private Equity

Annual Report 2007

building on the base



Company Particulars

registered office

Level 42, 259 George Street
Sydney NSW 2000

directors

Vanda R Gould | 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

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

CVC Private Equity Limited ABN 11 059 092 198

Chairman's Report

for the year ended
30 June 2007

Dear Shareholder

Overall your Board has been disappointed with the trading results for the financial year ended 30 June 2007. From experience, there are eras when entrepreneurial investment funds face difficult markets, but then as circumstances change the tide comes their way if they are persistent, patient and wise in the deployment of funds. Louis Pasteur, the famous scientist, said it well:

"Chance favours the prepared mind."

Mr Kaplan and his team have rigorously analysed a great many opportunities and whilst the "company-maker" opportunity has not yet been identified, patience will bring that reward. Accordingly, I am confident that the patient investor will see good results from this company over the business cycle in which it operates.

The company achieved a net profit after tax of $1.15 million without having any material investments realised.

The company's unlisted investments, Ron Finemore Transport Pty Limited and Battery Energy Power Solutions Pty Limited, both achieved substantially improved financial performances during the year.

Valuing the listed investments at market at the end of the financial year showed that the asset value per share had risen to 87 cents, but the recent market correction reduced the value to 72 cents after payment of a 2 cent per share dividend.

The company had available cash reserves of approximately $5.5 million at the end of September. Accordingly, the company is well placed to consider a further investment if a substantial opportunity that meets our investment criteria is identified.

The Board is also currently evaluating some new directions for the company with a view to enhancing shareholder value. We are optimistic that the company will produce pleasing results for patient investors and look forward to reporting progress.

Vanda Gould
Chairman

Contents

Directors' Report

for the year ended
30 June 2007

The Directors present their report together with the Financial Report of the Company for the year ended 30 June 2007 and the Auditors' Report thereon.

DIRECTORS

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

Vanda Russell Gould (Chairman)
B Com (UNSW); M Com (UNSW)
(Appointed 25 August 2006)
Fellow of the Institute of Chartered Accountants in Australia. Chairman of Vita Life Sciences Limited, Cyclopharm Limited, CVC Limited and CVC Managers Pty Limited and a Director of numerous private and public companies including educational establishments. Mr Gould 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 Cellnet Limited, Mercury Mobility Limited, Blue Energy 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, Pro-Pac Packaging Limited and Patrys Limited, and is a Director of CVC Limited and was a director of the Australian Institute for Commercialisation Limited.

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.

Neil Hallam Gamble (Non-Executive Chairperson)
(Resigned 25 August 2006)
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.

COMPANY SECRETARIES

John Andrew Hunter
B.Com. (ANU), MBA (MGSM) CA
Mr Hunter has experience in senior finance roles in the Financial Services industry in retail and wholesale funds management entities as well has holding senior finance roles in various other public and private companies.

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	1	1
E G Kaplan	5	5
V R Gould	4	4

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	1	1
V R Gould	-	1

DIRECTOR'S BENEFITS

During the year $15,000 in fees was paid to Mr Read and $5,978 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 OF THE COMPANY

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

	Ordinary Shares
E G Kaplan	45,000
A D H Beard	215,205
G P Leaver	96,927

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 $1,151,749 (2006: $2,245,761).

DIVIDENDS

A final dividend in respect of the year ended 30 June 2007 of 2 cents per share was declared on 20 August 2007. An interim dividend in respect of the year ended 30 June 2007 of 0.5 cents per share amounting to $117,974 was paid on 23 March 2007.

A final dividend in respect of the year ended 30 June 2006 of 2 cents per share amounting to $466,623 was paid on 31 August 2006. An interim dividend in respect of the year ended 30 June 2006, of 1.5 cents per share amounting to $347,249 was paid on 24 March 2006.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS OF THE COMPANY

There were no significant changes in the state of affairs of the Company that occurred during the year not otherwise disclosed in this report or the financial statements.

LIKELY DEVELOPMENTS 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

Subsequent to year end the value of shares listed on the Australian Stock Exchange experienced a decline which has affected certain investments held by the Company. On a daily basis the share market both increases and decreases in value. Considering the strategy of the Company is the long term investment in companies, this event is not expected to significantly affect the operations, the results of those operations, or the state of affairs of the Company, in future financial years.

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 20th of August 2007.

Elliott Kaplan
Director

Alexander Beard
Director

Income Statement

for the year ended 30 June 2007

	Notes	2007 $	2006 $
INCOME			
Dividends received		**451,297**	72,482
Interest income		**956,083**	1,044,372
Net gain on sale of equity investments		**71,835**	1,525,079
Fees for services rendered		**-**	505,182
Other income		**1,369**	82,501
Total income		**1,480,584**	3,229,616
EXPENSES			
Accounting fees		**11,262**	10,761
Audit fees	2	**32,000**	40,000
Legal fees		**1,166**	26,292
Directors fees	15	**20,978**	55,000
Management and consultancy		**551,502**	504,048
Assets impaired		**273,710**	294,126
Other expenses		**44,437**	44,420
Profit before income tax expense		**545,529**	2,254,969
Income tax (benefit)/expense	3	**(606,220)**	9,208
Net profit		**1,151,749**	2,245,761

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 2007

	Notes	2007 $	2006 $
CURRENT ASSETS			
Cash and cash equivalents	5	**5,408,555**	10,348,508
Trade and other receivables	6	**75,916**	38,234
Loans and receivables	8	**2,303,980**	-
Total current assets		**7,788,451**	10,386,742
NON-CURRENT ASSETS			
Equity investments	7	**12,128,180**	5,367,165
Loans and receivables	8	**1,493,846**	503,485
Other investments	9	**-**	306,569
Deferred tax assets	3	**715,230**	-
Total non-current assets		**14,337,256**	6,177,219
TOTAL ASSETS		**22,125,707**	16,563,961
CURRENT LIABILITIES			
Trade and other payables	10	**27,950**	102,743
Total current liabilities		**27,950**	102,743
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3	**1,360,616**	-
Total non-current liabilities		**1,360,616**	-
TOTAL LIABILITIES		**1,388,566**	102,743
NET ASSETS		**20,737,141**	16,461,218
EQUITY			
Contributed equity	11	**20,148,985**	19,921,698
Accumulated losses	12	**(2,470,441)**	(3,037,593)
Other reserves	13	**3,058,597**	(422,887)
TOTAL EQUITY		**20,737,141**	16,461,218

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 2007

	2007 $	2006 $
Income and expenses recognised directly in equity		
"Available-for-sale" investments:		
- Increase/(decrease) in fair value of investments recognised in other reserves	**4,764,719**	(303,888)
- Amount transferred from other reserves to the income statement	**47,292**	-
- Income tax on items taken directly to or from equity	**(1,310,827)**	-
Value of options expired	**(19,700)**	-
Total income and expense recognised directly in equity	**3,481,484**	(303,888)
Profit for the year	**1,151,749**	2,245,761
Total income and expense for the year	**4,633,233**	1,941,873
Transactions with shareholders in their capacity as shareholders		
Shares issued during the period	**227,287**	115,327
Dividends paid	**(584,597)**	(347,249)
Total transactions with shareholders in their capacity as shareholders	**(357,310)**	(231,922)
Net increase in equity for the period	**4,275,923**	1,709,951
Equity at the beginning of the period	**16,461,218**	14,751,267
Equity at the end of the period	**20,737,141**	16,461,218

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 2007

	Notes	2007 $	2006 $
Cash flows from operating activities			
Cash receipts in the course of operations		**1,369**	647,175
Cash payments in the course of operations		**(659,010)**	(623,583)
Interest received		**918,363**	754,665
Dividends received		**405,851**	72,482
Withholding tax paid		**(59,221)**	(7,233)
Net cash provided by operating activities	18(b)	**607,352**	843,506
Cash flows from investing activities			
Loans provided		**(7,875,000)**	(490,000)
Loans repaid		**4,636,528**	365,000
Payments for equity investments		**(2,009,470)**	(3,081,666)
Proceeds from sale of equity investments		**57,947**	1,607,838
Payments for convertible note investments		**(300,000)**	(300,000)
Proceeds from convertible note investments		**300,000**	2,700,000
Net cash (used in)/provided by investing activities		**(5,189,995)**	801,172
Cash flows from financing activities			
Dividends paid net of dividends reinvested under Dividend Reinvestment Plan		**(357,310)**	(231,922)
Net cash used in financing activities		**(357,310)**	(231,922)
Net (decrease)/increase in cash held		**(4,939,953)**	1,412,756
Cash and cash equivalents at the beginning of the financial year		**10,348,508**	8,935,752
Cash and cash equivalents at the end of the financial year	18(a)	**5,408,555**	10,348,508

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 2007

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 financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for "available-for-sale" investments, which have been measured at fair value. The financial report is presented in Australian dollars.

b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. *AASB 7 Financial Instruments: Disclosures* which has recently been issued but is effective for reporting periods commencing after 1 January 2007, has not been adopted for the annual reporting period ending 30 June 2007. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Company's financial instruments.

c) Cash and Cash Equivalents

For the cash flow statement, cash includes cash on hand and short-term deposits with an original maturity of three 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 year.

Dividends

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

Management Fees

Management Fees are recognised on completion of assignments.

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) 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.

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

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of investments classified as "available-for-sale", a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for "available-for-sale" financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (Cont.)

g) Investments and Other Financial Assets (Cont.)

Impairment losses recognised in the income statement on equity instruments classified as "available-for-sale" are not reversed through the income statement.

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 equity securities 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.

h) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities on the current period's taxable income at the tax rates enacted by the balance sheet date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the 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. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credit can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The carrying amount of deferred income tax assets is reviewed at each 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.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

i) Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

j) Segment Reporting

A business segment is a distinguishable component of the entity that is engaged in providing differentiated products or services.

k) Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed

l) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Notes to the Financial Statements

for the year ended
30 June 2007

	2007 $	2006 $
NOTE 2: AUDITORS' REMUNERATION		
Audit services	**32,000**	40,000
The auditors of the Company are Ernst & Young.		
NOTE 3: INCOME TAX		
(a) Income tax (benefit)/expense		
Accounting profit before income tax	**545,529**	2,254,969
Income tax expense at the statutory income tax rate of 30% (2006: 30%)	**163,659**	676,491
Decrease in income tax expense due to:		
- Franked dividends received	**(16,947)**	(14,366)
- Tax loss not previously brought to account	**(745,058)**	(662,214)
- Deferred tax items not previously brought to account	**(1,963)**	-
- Non-assessable income	**(5,911)**	-
Increase in income tax expense due to:		
- Sundry items	**-**	89
Income tax (benefit)/expense on profit for the year	**(606,220)**	-
Adjustments in respect of current income tax of previous years	**-**	9,208
Income tax (benefit)/expense	**(606,220)**	9,208
The major components of income tax expense are:		
- Current income tax charge	**140,801**	-
- Deferred income tax	**(747,021)**	-
- Adjustments in respect of current income tax of previous years	**-**	9,208
Income tax expense reported in the income statement	**(606,220)**	9,208

Notes to the Financial Statements

for the year ended
30 June 2007

	Notes	2007 $	2006 $
NOTE 3: INCOME TAX (Cont.)			
(b) Deferred income tax			
Deferred income tax at 30 June relates to the following:			
Deferred tax assets			
- Provisions and accrued expenses		**89,618**	26,254
- Revaluation of "available-for-sale" investments		**-**	133,776
- Other expenses deductible for tax purposes		**3,391**	5,973
- Prior year tax losses		**622,221**	745,058
- Deferred income tax not recognised		**-**	(911,061)
		-715,230	-
Deferred tax liabilities			
- Revaluation of "available-for-sale" investments		**1,310,827**	-
- Other income for tax purposes		**49,789**	30,264
- Deferred income tax not recognised		**-**	(30,264)
		1,360,616	-

	Cents per Share	Total $	Date of Payment	Percentage Franked
NOTE 4: DIVIDENDS				
Declared and paid during the year:				
2007 interim	0.50	117,974	23 March 2007	100%
2006 final	2.00	466,623	31 August 2006	100%
2006 interim	1.50	347,249	24 March 2006	100%

A final dividend for 2007 of 2 cents per share to be paid on 27 September 2007 was declared on 20 August 2007.

Notes to the Financial Statements

for the year ended
30 June 2007

	2007 $	2006 $
NOTE 4: DIVIDENDS (Cont.)		
Dividend Franking Account		
Franking credits available to shareholders for subsequent financial years	**203,547**	588,633

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.

	2007 $	2006 $
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash at bank	**11,796**	1,179,675
Cash on deposit	**5,396,759**	7,202,450
Bank bills	**-**	1,966,383
	5,408,555	10,348,508
NOTE 6: TRADE AND OTHER RECEIVABLES		
Current:		
Interest receivables	**8,593**	20,174
Dividend receivables	**45,446**	-
Goods and services tax	**13,717**	10,053
Other debtors	**8,160**	8,007
	75,916	38,234

Other receivables
Other receivables are non-interest bearing and are generally on 60-90 day terms.

	2007 $	2006 $
NOTE 7: EQUITY INVESTMENTS		
Non-current:		
Investment in associate (a)	**-**	-
"Available-for-sale" financial assets		
Unlisted shares in associated corporations (b)	**180,000**	180,000
Unlisted shares in other corporations (c)	**1,875,346**	1,575,346
Listed shares at market value	**10,072,834**	3,611,819
	12,128,180	5,367,165

	Ownership Interest		Investment Carrying Amount	
	2007 %	2006 %	**2007 %**	2006 %
(a) Interest in ordinary shares of associate				
Battery Energy Power Solutions Pty Limited	**30.0**	30.0	**-**	-
(b) Investment in preference shares of associate				
Battery Energy Power Solutions Pty Limited	**38.7**	38.7	**180,000**	180,000

Battery Energy Power Solutions Pty Limited is a manufacturer of Gel batteries. The investment at 30 June 2007 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.

(c) Unlisted shares in other corporations:

- 1,875,000 (2006: 1,575,000) shares in Ron Finemore Transport Pty Limited at a cost of $1,875,000 (2006: $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 $346.

Notes to the Financial Statements

for the year ended
30 June 2007

	2007 $	2006 $
NOTE 8: LOANS AND RECEIVABLES		
Current:		
Secured loans	**2,303,980**	-
Non-Current:		
Secured loans	**1,493,846**	503,485

Loans are secured against the assets of the companies that funds are provided to. The current balance represents the balance of the loans to be repaid within 12 months.

	2007 $	2006 $
NOTE 9: OTHER INVESTMENTS		
Non-current:		
Convertible Notes	**-**	306,569

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

	2007 $	2006 $
NOTE 10: TRADE AND OTHER PAYABLES		
Current:		
Trade creditors	**-**	12,952
Sundry creditors and accruals	**27,950**	89,791
	27,950	102,743

Trade and sundry creditors are non-interest bearing and are generally on 60-90 day terms.

	2007 No. of shares	2007 $	2006 No. of shares	2006 $
NOTE 11: CONTRIBUTED EQUITY				
Issued and paid up share capital:				
Ordinary shares fully paid	**23,653,811**	**20,148,985**	23,331,159	19,921,698
Ordinary shares:				
Balance at the beginning of the year	**23,331,159**	**19,921,698**	23,149,942	19,806,371
New shares issued	**322,652**	**227,287**	181,217	115,327
Balance at the end of the year	**23,653,811**	**20,148,985**	23,331,159	19,921,698

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of shares held.

	2007 $	2006 $
NOTE 12: ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	**(3,037,593)**	(4,936,105)
Net profit attributable to members	**1,151,749**	2,245,761
Dividends paid	**(584,597)**	(347,249)
Accumulated losses at the end of the year	**(2,470,441)**	(3,037,593)

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 13: OTHER RESERVES

	Share options reserve $	Market value reserve $	Total other reserves $
Year ending 30 June 2007:			
At the beginning of the year	**19,700**	**(442,587)**	**(422,887)**
Increase in fair value of investments	**-**	**4,764,719**	**4,764,719**
Amount transferred from reserves to the income statement	**-**	**47,292**	**47,292**
Income tax on items not previously recognised	**-**	**132,776**	**132,776**
Income tax on items taken directly to or from equity	**-**	**(1,443,603)**	**(1,443,603)**
Value of options expired	**(19,700)**	**-**	**(19,700)**
At the end of the year	**-**	**3,058,597**	**3,058,597**
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)

Nature and purpose of reserves

Market value reserve

The market value reserve is used to record increments and decrements in the fair value of "available-for-sale" financial assets to the extent that they offset one another.

Share options reserve

This reserve is used to record the value of equity benefits provided in relation to share options on issue. During the year, the share options were cancelled and the reserve was reversed to the profit and loss.

NOTE 14: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

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	Fixed Interest Rate 1 year or less	Fixed Interest Rate 1 to 5 years	Non-interest bearing	Total
2007						
Financial assets						
Cash and cash equivalents	5	**5,408,555**	**-**	**-**	**-**	**5,408,555**
Trade and other receivables	6	**-**	**-**	**-**	**75,916**	**75,916**
Loans and receivables	8	**-**	**2,303,980**	**1,493,846**	**-**	**3,797,826**
Weighted average interest rate		**6.3%**	**25.0%**	**18.3%**	**-**	
Financial liabilities						
Trade and other payables	10	**-**	**-**	**-**	**27,950**	**27,950**
Weighted average interest rate		**-**	**-**	**-**	**-**	
2006						
Financial assets						
Cash and cash equivalents	5	10,348,508	-	-	-	10,348,508
Trade and other receivables	6	-	-	-	38,234	38,234
Weighted average interest rate		5.9%	-	-	-	
Financial liabilities						
Trade and other payables	10	-	-	-	102,743	102,743
Weighted average interest rate		-	-	-	-	

NOTE 14: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (Cont.)

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.

Price risk
The company is exposed to equity securities price risk. This arises from investments held by the company and classified on the balance sheet as "available-for-sale". The company is not exposed to commodity price risk.

Interest rate risk
The company has interest-bearing assets that expose it to changes in variable interest rates.

Fair values
All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

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:

	2007 **$**	2006 $
John D Read – Director's fees	**15,000**	15,000
Neil H Gamble – Director's fees	**5,978**	40,000
	20,978	55,000

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:

V R Gould
A D H 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 $506,928 (2006: $504,048) were paid to CVC Managers Pty Limited.

Mr Beard is 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	
	2007	2006
E G Kaplan	**45,000**	45,000
A D H Beard	**215,205**	207,784
G P Leaver	**96,927**	93,584

Notes to the Financial Statements

for the year ended
30 June 2007

NOTE 18: NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

	2007 $	2006 $
Cash at bank	**11,796**	1,179,675
Cash on deposit	**5,396,759**	7,202,450
Bank bills	**-**	1,966,383
	5,408,555	10,348,508

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

(b) Reconciliation of net profit after income tax to net cash from operations

	2007 $	2006 $
Net profit after tax	**1,151,749**	2,245,761
Adjustments for:		
Financial assets impaired	**273,710**	-
Assets written-off	**31,819**	-
Equity based remuneration	**(19,700)**	-
Net gain on sale of equity investments	**(11,835)**	(1,607,838)
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(153)**	170,289
Decrease in interest receivables	**11,581**	14,471
Increase in interest capitalised	**(49,301)**	(10,053)
Increase in dividend receivables	**(45,446)**	-
Increase in GST receivables	**(3,664)**	(27,838)
Decrease in accounts payable	**(4,126)**	(8,011)
Increase/(decrease) in deferred tax assets and liabilities	**(665,441)**	1,975
(Increase)/decrease in sundry creditors and accruals	**(61,841)**	64,750
Net cash provided by operating activities	**607,352**	843,506

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 2007, no such performance fee is payable, however if unrealised profits were considered the performance fee payable would be $109,123 which has not been included in the financial report.

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, 259 George Street, Sydney NSW 2000.

NOTE 21: SUBSEQUENT EVENTS

Subsequent to year end the value of shares listed on the Australian Stock Exchange experienced a decline which has affected certain investments held by the Company. On a daily basis the share market both increases and decreases in value. Considering the strategy of the Company is the long term investment in companies, this event is not expected to significantly affect the operations, the results of those operations, or the state of affairs of the Company, in future financial years.

Directors' Declaration

for the year ended
30 June 2007

In accordance with a resolution of the Directors of CVC Private Equity Limited, we state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(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 20th of August 2007.

Elliott Kaplan
Director

Alexander Beard
Director

Auditor's Independence Declaration

to the Directors of CVC Private Equity Limited

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 2007 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* any applicable code of professional conduct.

Ernst & Young

Ian Campbell
Partner

Sydney
20 August 2007

Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

to the Members of CVC Private Equity Limited

We have audited the accompanying financial report of CVC Private Equity Limited (the Company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1b), the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration.

AUDITOR'S OPINION

In our opininion:

1. the financial report of CVC Private Equity Limited is in accordance with:
   a) the Corporations Act 2001
      (i) giving a true and fair view of the financial position of CVC Private Equity Limited at 30 June 2007 and of its performance for the year ended on that date; and
      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
   (b) other mandatory financial reporting requirements in Australia.
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1b).

Ernst & Young

Ian Campbell
Partner

Sydney
20 August 2007

Liability limited by a scheme approved under Professional Standards Legislation.

CVC
Private Equity

Level 42, 259 George Street
Sydney NSW 2000
Telephone +612 9087 8000
Facsimile +612 9087 8088
www.cvcpe.com.au

Design by Kettle of Fish Design