

**CVC Private Equity**

# Financial Report

for the year ended 30 June 2011





## **Chairman's Letter**

It is with pleasure that I present the 2011 annual report for CVC Private Equity Ltd. The Company ended the financial year with an after tax profit of \$825k.

During the financial year, the Company recovered all of its outstanding loans approximating \$4.7m previously advanced to a subsidiary of Raptis Group Limited. This recovery had been anticipated in the prior financial year.

The company retains a 25% equity interest in Ron Finemore Transport Pty Ltd (RFT) which again recorded strong top and bottom line growth for the 2011 financial year. Battery Energy Power Solutions Pty Ltd (BE), the company's other unlisted investment, also reported a profitable result. Both RFT and BE are forecasting continued profit growth for the 2012 financial year.

Subsequent to the end of the financial year, the Company sold its entire shareholding in Pro-Pac Packaging Limited which will contribute approximately \$2m in pre-tax earnings for the 2012 financial year

Following on from the previous financial year's equal access buyback plan, the Company provided a similar liquidity opportunity to shareholders and during the 2011 financial year, 1,915,595 shares were bought back and cancelled at a total cost of \$1.15m. The effect of the buyback has been to increase the net asset value for remaining shareholders.

The Company continues to review new investment opportunities and a further liquidity opportunity for shareholders by way of an equal access buyback plan is under consideration.

At the end of the financial year, the Company's net asset value per share was approximately 68 cents. On 22 August, the Board declared a fully franked dividend of 2.5 cents per share payable on 17 October, 2011.

I particularly want to thank Mr Elliott Kaplan for his commitment to the company and Mr John Hunter for his diligence and support.

We look forward to the continual growth of your company.

A handwritten signature in black ink, appearing to read 'Vanda Gould', with a long, sweeping underline.

Vanda Gould  
**Chairman**

# CVC Private Equity Limited

## Company Particulars

### REGISTERED OFFICE:

Level 42  
259 George Street  
SYDNEY NSW 2000

### DIRECTORS:

Vanda R Gould  
Alexander D H Beard  
Elliott G Kaplan  
John D Read

### SECRETARIES:

Alexander D H Beard  
John A H Hunter

### BANKERS:

Westpac Banking Corporation Limited  
Bank of Western Australia Limited  
Suncorp-Metway Limited

### SOLICITORS

Thomsons Lawyers  
Level 16, Waterfront Place  
1 Eagle Street  
Brisbane QLD 4000  
Telephone: (07) 3338 7500  
Facsimile: (07) 3338 7599

### AUDITORS:

Russell Bedford NSW  
Chartered Accountants  
Level 42, Suncorp Place  
259 George Street  
Sydney NSW 2000

### SHARE REGISTRY:

Gould Ralph Pty Limited  
Level 42  
259 George Street  
SYDNEY NSW 2000

### DOMICILE:

Australia

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2011

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The Directors present their report together with the financial report of the Company for the year ended 30 June 2011 and the Auditors' Report thereon.

### Directors

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

#### **Vanda Russell Gould B. Com. (UNSW) M. Com. (UNSW) FCA FCPA FAIM (Chairman)**

Fellow of the Institute of Chartered Accountants in Australia.

Chairman of Vita Life Sciences Limited, Cyclopharm Limited, CVC Limited, CVC Property Managers Limited which is the Responsible Entity for CVC Property Fund 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 publicly 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, and Dolomatrix International Limited, and was formerly a Director of The Environmental Group Limited.

#### **Alexander Damien Harry Beard B.Com. (UNSW) FCA AIDC**

Mr Beard is a Chartered Accountant with extensive experience in private equity investing. He is Chairman of Cellnet Limited, Director and Chief Executive Officer of CVC Limited, Director of Amadeus Energy Limited, Mnet Group Limited, Villa World Group, Cyclopharm Limited and CVC Property Managers Limited as Responsible Entity for CVC Property Fund as well as numerous private and public companies. Mr Beard is a member of the Audit Committee of the Company.

#### **John Douglas Read B.Sc. (Hons.) (Cant.), MBA (AGSM) FAICD**

Mr Read is a Fellow of the Australian Institute of Company Directors. He is the Chairman of The Environmental Group Limited, and Patrys Limited, and is a Director of CVC Limited. Mr Read was formerly Director of Pro-pac Packaging Limited. Mr Read is Chairman of the Audit Committee of the Company.

### 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 as 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.

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2011

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### Directors' meetings

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

	Number of meetings attended	Number of meetings held
A D H Beard	4	4
J D Read	4	4
E G Kaplan	3	4
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:

	Number of meetings attended	Number of meetings held
A D H Beard	2	2
J D Read	2	2
V R Gould	1	2

### Director's benefits

During the year \$15,000 of remuneration was paid to Mr Read. Further information on Directors' remuneration is included in note 16 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 included in note 16.

### Principal activities

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

### Operating results

The Company derived a net profit after tax of \$ 825,069 (2010: profit of \$3,641,710).

### Dividends

A final dividend in respect of the year ended 30 June 2011 of 2.5 cents per share amounting \$454,628 was declared on 22 August 2011. No interim dividend in respect of the year ended 30 June 2011 was declared.

No dividends have been declared in respect of the year ended 30 June 2010.

### Review of Operations

During the financial year, the Company acquired further 10 million convertible redeemable notes for a total consideration of \$200,000 in ASX listed software and service company, Qanda Technology Limited (Formerly Webspy Limited).

During the financial year, \$4,729,890 was recovered in relation to the loan advanced to a subsidiary of Raptis Group Limited.

# CVC Private Equity Limited

## Directors' Report

For the Year Ended 30 June 2011

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### Review of Operations (Cont.)

Ron Finemore Transport Pty Limited returned a very pleasing result for the 2011 financial year. The company achieved strong growth in both revenue and operating profit and is well placed for continued growth in 2011.

Battery Energy Power Solutions Pty Limited also achieved a good result for the 2011 financial year.

During the financial year, the Company completed the buy back of 1,915,595 (2010:3,832,031) ordinary shares under the equal access share buy-back plan.

### 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 reporting date

A final dividend in respect of the year ended 30 June 2011 of 2.5 cents per share amounting \$454,628 was declared on 22 August 2011.

Since the end of the financial year, a conditional agreement was reached to sell the Company's investment in Pro-Pac Packaging Limited at a price of 45 cents per share subject to the successful completion of the transaction. In the event that the transaction is completed the estimated pre-tax profit will be \$2.1 million.

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 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 officer's 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

The Company appointed Russell Bedford NSW as the auditors for the 2011 financial year. A copy of the Independence Declaration is included on page 25. An associate of Russell Bedford NSW also received \$11,274 from the Company during the year for the provision of share registry services and \$3,960 for taxation services. The Directors do not consider the provision of these services to have impaired the auditor's independence.

Signed in accordance with a resolution of Directors.

Dated at Sydney 22 August 2011

**Elliott Kaplan**  
Director

**Alexander Beard**  
Director

# CVC Private Equity Limited

## Statement of Comprehensive Income For the Year Ended 30 June 2011

	Notes	2011 \$	2010 \$
<b>INCOME</b>			
Dividends received		164,981	116,991
Interest income		387,540	136,699
Net gain on sale of equity investments		99,999	-
Impairment recovery		729,890	4,000,000
Other income		25,001	40,000
<b>Total income</b>		<b>1,407,411</b>	<b>4,293,690</b>
<b>EXPENSES</b>			
Accounting fees		15,234	12,110
Audit fees	2	23,645	22,880
Legal fees		2,260	250,117
Directors fees	16	15,000	15,000
Management and consultancy		181,818	349,792
Provision for impairment of financial assets		30,000	-
Net loss on sale of equity investments		-	154,043
Other expenses		31,115	53,252
<b>Total expenses</b>		<b>299,072</b>	<b>857,194</b>
<b>Profit before income tax</b>		<b>1,108,339</b>	<b>3,436,496</b>
Income tax (expense)/benefit	3	(283,270)	205,214
<b>Net profit</b>		<b>825,069</b>	<b>3,641,710</b>
<b>Other comprehensive income</b>			
Movements in fair values of "available-for-sale" financial assets recognised directly in equity		(556,249)	1,525,973
Amount transferred from other reserves to other comprehensive income on sale		-	251,560
Income tax on items taken directly to or from equity		166,875	(533,260)
<b>Other comprehensive income for the year, net of tax</b>		<b>(389,374)</b>	<b>1,244,273</b>
<b>Total comprehensive income for the year</b>		<b>435,695</b>	<b>4,885,983</b>

The above statement of comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 8 to 23.

# CVC Private Equity Limited

## Statement of Financial Position As at 30 June 2011

	Notes	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	5,206,561	1,385,928
Trade and other receivables	6	29,646	10,290
Financial assets – “available-for-sale”	7	2,943,667	-
<b>Total current assets</b>		<b>8,179,874</b>	<b>1,396,218</b>
<b>NON-CURRENT ASSETS</b>			
Financial assets – “available-for-sale”	7	1,888,142	5,053,130
Investments accounted for using the equity method	8	180,000	180,000
Loans and receivables	9	720,625	4,652,057
Deferred tax assets	3	1,625,077	1,735,213
<b>Total non-current assets</b>		<b>4,413,844</b>	<b>11,620,400</b>
<b>TOTAL ASSETS</b>		<b>12,593,718</b>	<b>13,016,618</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	263,000	10,900
<b>Total current liabilities</b>		<b>263,000</b>	<b>10,900</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	3	6,784	977
<b>Total non-current liabilities</b>		<b>6,784</b>	<b>977</b>
<b>TOTAL LIABILITIES</b>		<b>269,784</b>	<b>11,877</b>
<b>NET ASSETS</b>		<b>12,323,934</b>	<b>13,004,741</b>
<b>EQUITY</b>			
Contributed equity	11	17,866,883	18,983,385
Accumulated losses	12	(5,846,599)	(6,671,668)
Other reserves	13	303,650	693,024
<b>TOTAL EQUITY</b>		<b>12,323,934</b>	<b>13,004,741</b>

The above statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 8 to 23.

# CVC Private Equity Limited

## Statement of Changes in Equity For the Year Ended 30 June 2011

	Contributed equity \$	Accumulated losses \$	Other reserves \$	Total \$
<b>At 1 July 2010</b>	<b>18,983,385</b>	<b>(6,671,668)</b>	<b>693,024</b>	<b>13,004,741</b>
Profit for the year	-	825,069		825,069
Other comprehensive income	-	-	(389,374)	(389,374)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>825,069</b>	<b>(389,374)</b>	<b>435,695</b>
Transactions with shareholders:				
Share buy-back	(1,115,451)	-	-	(1,115,451)
Transaction costs of share buy-back	(1,502)	-	-	(1,502)
Income tax on costs of share buy-back	451	-	-	451
<b>At 30 June 2011</b>	<b>17,866,883</b>	<b>(5,846,599)</b>	<b>303,650</b>	<b>12,323,934</b>
<b>At 1 July 2009</b>	<b>20,355,213</b>	<b>(10,313,378)</b>	<b>(551,249)</b>	<b>9,490,586</b>
Profit for the year	-	3,641,710	-	3,641,710
Other comprehensive income	-	-	1,244,273	1,244,273
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,641,710</b>	<b>1,244,273</b>	<b>4,885,983</b>
Transactions with shareholders:				
Share buy-back	(1,367,652)	-	-	(1,367,652)
Transaction costs of share buy-back	(5,966)	-	-	(5,966)
Income tax on costs of share buy-back	1,790	-	-	1,790
<b>At 30 June 2010</b>	<b>18,983,385</b>	<b>(6,671,668)</b>	<b>693,024</b>	<b>13,004,741</b>

The above statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 8 to 23.

# CVC Private Equity Limited

## Statement of Cash Flows

For the Year Ended 30 June 2011

	Notes	2011 \$	2010 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		25,000	40,000
Cash payments in the course of operations		(266,969)	(707,820)
Interest received		299,612	161,698
Dividend received		164,981	116,991
<b>Net cash provided by/(used in) operating activities</b>	<b>17(b)</b>	<b>222,624</b>	<b>(389,131)</b>
<b>Cash flows from investing activities</b>			
Proceeds from loans recovered		4,979,890	-
Payments for equity investments		(364,928)	(656,991)
Proceeds from sale of equity investments		100,000	1,452,517
<b>Net cash provided by investing activities</b>		<b>4,714,962</b>	<b>795,526</b>
<b>Cash flows from financing activities</b>			
Share buy-back		(1,115,451)	(1,367,652)
Transaction costs of share buy-back		(1,502)	(5,966)
<b>Net cash used in financing activities</b>		<b>(1,116,953)</b>	<b>(1,373,618)</b>
<b>Net increase/(decrease) in cash held</b>		<b>3,820,633</b>	<b>(967,223)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>1,385,928</b>	<b>2,353,151</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>17(a)</b>	<b>5,206,561</b>	<b>1,385,928</b>

The above statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 8 to 23.

# CVC Private Equity Limited

## Notes to the Financial Statements For the Year Ended 30 June 2011

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### 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 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.

Management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities, that have significant risk of material adjustments in the next year and these have been disclosed in the relevant notes to the financial statements.

#### 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).

The Company has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 January 2009:

*AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective for 1 January 2010.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2011 reporting period:

*AASB 9 Financial Instruments* was released in late 2009 and is mandatory for periods beginning on or after 1 January 2013 with early adoption permitted. It represents the completion of Phase 1 of the Standards will require two measurement models: amortised cost and fair value. Application of the standard is not expected to have a significant impact on the financial statements.

#### c) Cash and Cash Equivalents

For the statement of cash flows, 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.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

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### Note 1: Statement of Accounting Policies (Cont.)

#### d) Revenue Recognition (Cont.)

##### **Sale of non-current assets**

The gain or loss on sale of non-current asset sales is included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and in the case of "available-for-sale" assets will include any amount attributable to the asset which is included in reserves.

Where an equity investment in a controlled entity is reduced and the entity ceases to be controlled, revenue from either the sale of goods or services from that investment ceases to be included in the statement of comprehensive income. If the equity investment continues to be held as an "available-for-sale asset", changes in its fair value will be recognised directly in other comprehensive income. This may impact the ability to directly compare financial information.

##### **Dividends**

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

##### **Other Income**

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

#### e) Trade and Other Payables

Trade payables and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

#### f) Trade and Other Receivables

Receivables are recognised and carried at original invoice amount less a provision for impairment. Trade receivables are generally settled within 30 days.

A provision for impairment 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 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. The classification depends on the purpose for which the investments were acquired. 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 at initial recognition and re-evaluates this designation at each financial year-end.

The purchase and sale of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

The Company assesses at each reporting 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 the statement of comprehensive income – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as "available-for-sale" are not reversed through the statement of comprehensive income.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

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### Note 1: Statement of Accounting Policies (Cont.)

#### g) Investments and Other Financial Assets (Cont.)

##### *Associates*

Associates are those entities, other than partnerships, over which the Company exercises significant influence but not control. The Company generally deems it has significant influence if it has over 20% of the voting rights.

Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Company's share of net assets in the associates. Following initial recognition the Company assesses whether it is necessary to recognise any impairment loss with respect to the investment in the associate.

The Company's equity accounted share of the associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Company's statement of comprehensive income as a component of other income.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

##### *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 the statement of comprehensive income 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 the statement of comprehensive income.

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 reporting 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 reporting 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 reporting date.

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 reporting 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.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

### Note 1: Statement of Accounting Policies (Cont.)

#### h) Income Tax and Other Taxes (Cont.)

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 comprehensive income.

#### 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 statement of financial position.

Cash flows are included in the statement of cash flows 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 or cancellation of 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.

### Note 2: Auditors' Remuneration

The auditors of the Company are Russell Bedford NSW.

No other services are provided by Russell Bedford NSW.

	2011	2010
	\$	\$
<i>Amounts received or due and receivable by Russell Bedford NSW for:</i>		
Audit and review of financial report	23,645	20,000
<i>Amounts received or due and receivable by an associate of Russell Bedford NSW for:</i>		
Share registry services	11,274	12,110
Taxation services	3,960	-
	<u>38,879</u>	<u>32,110</u>
<i>Amounts received or due and receivable by non Russell Bedford NSW audit firm for:</i>		
Assurance related	-	2,880
	<u>-</u>	<u>2,880</u>

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued) For the Year Ended 30 June 2011

	2011 \$	2010 \$
<b>Note 3: Income Tax</b>		
<b>(a) Income tax expense/(benefit)</b>		
Accounting profit/(loss) before income tax	<u>1,108,339</u>	<u>3,436,496</u>
Income tax expense/(benefit) at the statutory income tax rate of 30%	<b>332,502</b>	1,030,949
Adjustment to income tax benefit due to:		
- Franked dividends received	<b>(49,495)</b>	(35,097)
- Non-deductible items	<b>19</b>	120
- Recognition of deferred tax assets relating to impairment recovery	-	(1,200,000)
<b>Income tax expense/(benefit) on profit/(loss) for the year</b>	<b>283,026</b>	(204,028)
Adjustments in respect of current income tax of previous years	<b>244</b>	(1,186)
Income tax expense/(benefit)	<u><b>283,270</b></u>	<u>(205,214)</u>
The major components of income tax expense/(benefit) are:		
- Deferred income tax	<b>283,026</b>	(204,028)
- Adjustments in respect of current income tax of previous years	<b>244</b>	(1,186)
Income tax expense/(benefit) reported in the statement of comprehensive income	<u><b>283,270</b></u>	<u>(205,214)</u>

### (b) Deferred income tax

Deferred income tax at 30 June relates to the following:

	2011 Included in income	2011 Included in equity	Total	2010 Included in income	2010 Included in equity	Total
<b>Deferred tax assets</b>						
Provisions and accrued expenses	<b>3,900</b>	-	<b>3,900</b>	3,000	-	3,000
"Available-for-sale" investments	<b>(65,460)</b>	<b>(130,135)</b>	<b>(195,595)</b>	(65,460)	(297,010)	(362,470)
Impairment expenses	<b>1,390,492</b>	-	<b>1,390,492</b>	1,527,333	-	1,527,333
Tax losses	<b>679,007</b>	-	<b>679,007</b>	822,472	-	822,472
Tax losses not recognised	<b>(257,045)</b>	-	<b>(257,045)</b>	(257,045)	-	(257,045)
Other	<b>4,318</b>	-	<b>4,318</b>	1,923	-	1,923
	<u><b>1,755,212</b></u>	<u><b>(130,135)</b></u>	<u><b>1,625,077</b></u>	<u>2,032,223</u>	<u>(297,010)</u>	<u>1,735,213</u>
<b>Deferred tax liabilities</b>						
Other	<b>6,784</b>	-	<b>6,784</b>	977	-	977
	<u><b>6,784</b></u>	<u>-</u>	<u><b>6,784</b></u>	<u>977</u>	<u>-</u>	<u>977</u>

The net deferred tax assets of \$1,618,293 (2010: \$1,734,236) have been recognised as certain equity investments included in notes 7 and 8, if sold in the future, are expected to have a realisable value that will utilise the deferred tax assets.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued) For the Year Ended 30 June 2011

### Note 4: Dividends

A final fully franked dividend in respect of the year ended 30 June 2011 of 2.5 cents per share was declared on 22 August 2011. No interim dividend in respect of the year ended 30 June 2011 was declared.

	2011 \$	2010 \$
Dividend franking account:		
Franking credits available to shareholders for subsequent financial years	<u>206,177</u>	<u>135,471</u>

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 equity to declare dividends.

### Note 5: Cash and Cash Equivalents

Cash at bank	2,974,610	585,928
Cash on deposit	2,231,951	800,000
	<u>5,206,561</u>	<u>1,385,928</u>

### Note 6: Trade and Other Receivables

Current:

Interest receivables	22,614	3,253
Goods and services tax	3,644	3,093
Other debtors	3,388	3,944
	<u>29,646</u>	<u>10,290</u>

*Other receivables*

Other receivables are non-interest bearing and are generally on 30 day terms.

### Note 7: Financial assets – “available-for-sale”

	2011 \$	2010 \$
Current:		
Listed shares at market value (b)	2,243,667	-
Convertible notes in other corporations (a)	700,000	-
	<u>2,943,667</u>	<u>-</u>
Non-Current:		
Listed shares at market value (b)	12,796	2,677,784
Convertible notes in other corporations (a)	-	500,000
Unlisted shares in other corporations (c)	1,875,346	1,875,346
	<u>1,888,142</u>	<u>5,053,130</u>



# CVC Private Equity Limited

## Notes to the Financial Statements (Continued) For the Year Ended 30 June 2011

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### Note 8: Investments accounted for using the equity method (Cont)

#### Summarised financial information

The following table illustrates summarised financial information relating to the Company's associate:

	2011 \$'000	2010 \$'000
Extract from associate's statement of financial position:		
Current assets	5,656	4,448
Non-current assets	3,404	3,557
	<u>9,060</u>	<u>8,005</u>
Current liabilities	2,915	706
Non-current liabilities	1,042	3,674
	<u>3,957</u>	<u>4,380</u>
Net assets	<u><u>5,103</u></u>	<u><u>3,625</u></u>
Extract from the associate's statement of comprehensive income:		
Revenue	11,258	8,614
Net profit	1,145	477

The unrecognised share of losses of Battery Energy Power Solutions Pty Ltd both for the period and cumulatively are \$516,566.

### Note 9: Loans and Receivables

	2011 \$	2010 \$
Non-Current:		
Secured loan to related entities	720,625	652,057
Secured loan to other corporation	-	4,856,818
Provision for impairment	-	(856,818)
	<u>720,625</u>	<u>4,652,057</u>

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued) For the Year Ended 30 June 2011

### Note 10: Trade and Other Payables

Current:

Sundry creditors and accruals	13,000	10,900
Loan repayment unallocated	250,000	-
	<u>263,000</u>	<u>10,900</u>

Trade and sundry creditors are non-interest bearing and are generally on 30 day terms.

### Note 11: Contributed Equity

	2011		2010	
	Number of shares	\$	Number of shares	\$
Issued and paid up share capital:				
Ordinary shares fully paid	<u>18,185,108</u>	<u>17,866,883</u>	<u>20,100,703</u>	<u>18,983,385</u>
<b>Ordinary shares:</b>				
Balance at the beginning of the year	20,100,703	18,983,385	23,932,734	20,355,213
Share buy-back (a)	(1,915,595)	(1,115,451)	(3,832,031)	(1,367,652)
Transaction costs on share buy-back	-	(1,502)	-	(5,966)
Income tax on costs of share buy-back	-	451	-	1,790
Balance at the end of the year	<u>18,185,108</u>	<u>17,866,883</u>	<u>20,100,703</u>	<u>18,983,385</u>

(a) The Company bought back 1,915,595 shares at a price of \$0.5823 per share at 28 February 2011.

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.

Total capital of the Company is as follows:

	2011	2010
	\$	\$
Total equity	<u>12,323,934</u>	<u>13,004,741</u>
Net assets per share (cents)	<u>67.77</u>	<u>64.70</u>

The Company is not subject to any externally imposed capital requirements. Management's objective is to achieve returns for shareholders commensurate with the risks associated with private equity investing in Australia. A final dividend in respect of the year ended 30 June 2011 of 2.5 cents per share amounting \$454,628 was declared on 22 August 2011 (2010: Nil).

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued) For the Year Ended 30 June 2011

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### Note 12: Accumulated Losses

Accumulated losses at the beginning of the year	<b>(6,671,668)</b>	(10,313,378)
Net profit attributable to members	<b>825,069</b>	3,641,710
	<hr/>	<hr/>
Accumulated losses at the end of the year	<b>(5,846,599)</b>	(6,671,668)
	<hr/> <hr/>	<hr/> <hr/>

### Note 13: Other Reserves

#### Market Value Reserve

At the beginning of the year	<b>693,024</b>	(551,249)
(Decrease)/increase in fair value of investments	<b>(556,249)</b>	1,525,973
Amount transferred from reserves to other comprehensive income	-	251,560
Income tax on items taken directly to or from equity	<b>166,875</b>	(533,260)
	<hr/>	<hr/>
<b>At the end of the year</b>	<b>303,650</b>	693,024
	<hr/> <hr/>	<hr/> <hr/>

#### Nature and purpose of reserve

##### *Market value reserve*

The market valuation 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.

### Note 14: Financial Instruments

The Company's activities expose it to a variety of financial risks: market risk (including market price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The Company uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and price risk.

The responsibility for operational risk management resides with the Board of Directors who seeks to manage the exposure of the Company. There have been no significant changes in the types of financial risks or the Company's risk management program (including methods used to measure the risks) since the prior year.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

### Note 14: Financial Instruments (Cont.)

#### (a) Interest Rate Risk

The Company's exposure to interest rate risks and the effective interest rates of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

	Note	Floating interest rate	Fixed interest rate		Non- interest bearing	Total
		\$	1 year or less	1 to 5 years	\$	\$
			\$			
<b>2011</b>						
<b>Financial assets</b>						
Cash and cash equivalents	5	2,974,610	2,231,951	-	-	5,206,561
Trade and other receivables	6	-	-	-	29,646	29,646
Loans and receivables	9	-	-	720,625	-	720,625
Convertible notes	7	-	700,000	-	-	700,000
		<u>2,974,610</u>	<u>2,931,951</u>	<u>720,625</u>	<u>29,646</u>	<u>6,656,832</u>
<b>Financial liabilities</b>						
Trade and other payables	10	-	-	-	263,000	263,000
		<u>-</u>	<u>-</u>	<u>-</u>	<u>263,000</u>	<u>263,000</u>
<b>2010</b>						
<b>Financial assets</b>						
Cash and cash equivalents	5	585,928	800,000	-	-	1,385,928
Trade and other receivables	6	-	-	-	10,290	10,290
Loans and receivables	9	-	-	652,057	4,000,000	4,652,057
Convertible notes	7	-	-	500,000	-	500,000
		<u>585,928</u>	<u>800,000</u>	<u>1,152,057</u>	<u>4,010,290</u>	<u>6,548,275</u>
<b>Financial liabilities</b>						
Trade and other payables	10	-	-	-	10,900	10,900
		<u>-</u>	<u>-</u>	<u>-</u>	<u>10,900</u>	<u>10,900</u>

At times the Company may hold a significant amount of cash balances which is exposed to movements in interest rates. To reduce the risk the Company typically deposits uncommitted cash with financial institutions at fixed rates with maturity of between 30 – 90 days. Interest bearing loans and receivables are made at fixed rates.

#### Sensitivity

At reporting date, if interest rates had been 50 basis points lower (2010: 50 basis points higher) and the other variables were held constant, then the impact on the Company would be:

	Decrease of 50 bp 2011	Increase of 50 bp 2010
	\$	\$
Net profit	(14,468)	5,222
Equity increase	(14,468)	5,222

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

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### Note 14: Financial Instruments (Cont.)

#### (b) Market Price Risk

At reporting date the Company has investments in listed securities which could be adversely affected if general equity markets were to decline. The Company also has investments in unlisted securities however these are less susceptible to movements in value as a result of market sentiment as they are valued based on operational fundamentals.

#### *Sensitivity*

##### **Listed Securities--Current**

Since the end of the financial year, a conditional agreement was reached to sell the Company's investment in Pro-Pac Packaging Limited at a price of 45 cents per share subject to the successful completion of the transaction, the impact will be:

	\$
<b>2011</b>	
Net profit/(loss)	1,451,873
Equity increase/(decrease)	<u>1,147,721</u>

##### **Listed Securities—Non-Current**

If equity prices had been 10% higher/ (lower) while all other variables were held constant the impact would be:

	Increase of 10%	Decrease of 10%
	\$	\$
<b>2011</b>		
Net profit/(loss)*	-	-
Equity increase/(decrease)*	-	-
	<u>          </u>	<u>          </u>
<b>2010</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	187,445	(187,445)
	<u>          </u>	<u>          </u>

\*Considering the quantum of the investments in absolute terms as well as relative terms, compared to the Company's total investments in listed securities the impact of equity price changes is not considered material for current financial year and for the financial year 2010.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

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### Note 14: Financial Instruments (Cont.)

#### (b) Credit Risk Exposure

Credit risk refers to the loss that the Company would incur if a debtor or counterparty fails to perform under its obligations. The carrying amounts of financial assets recognised in the statement of financial position best represent the Company's maximum exposure to credit risk at reporting date. The Company seeks to limit its exposure to credit risk by performing appropriate background investigations on counterparties before entering into arrangements with them and seek collateral with a value in excess of the counterparty's obligations to the Company, providing a "margin of safety" against loss.

The Company minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a number of counterparties, and is managed through normal payment terms of 30 days. At reporting date there are no overdue trade debtors.

#### (c) Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash balances and holding liquid investments that could be realised to meet commitments. The Company continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details the Company's contractual liabilities.

	Less than 6 months \$	Total \$
<b>2011</b>		
Trade and other payables	<u>263,000</u>	<u>263,000</u>
<b>2010</b>		
Trade and other payables	<u>10,900</u>	<u>10,900</u>

#### (d) Fair Value of Financial Assets and Liabilities

The Company uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset that are not based on observable market data.

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

### Note 14: Financial Instruments (Cont.)

#### (d) Fair Value of Financial Assets and Liabilities (Cont.)

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price (Level 1) \$	Valuation technique – market observable inputs (Level 2) \$	Valuation technique – non market observable inputs (Level 3) \$	Total \$
<b>Year ending 30 June 2011</b>				
<b>Financial assets</b>				
<b>“Available-for-sale” investments</b>				
Listed shares at market value	2,256,463	-	-	2,256,463
Unlisted shares in associated corporation	-	-	180,000	180,000
Unlisted shares in other corporations	-	-	1,875,346	1,875,346
Convertible Notes			700,000	700,000
<b>Loans and receivables</b>				
Secured loan to related entities	-	-	720,625	720,625
	<u>2,256,463</u>		<u>3,475,971</u>	<u>5,732,434</u>
<b>Year ending 30 June 2010</b>				
<b>Financial assets</b>				
<b>“Available-for-sale” investments</b>				
Listed shares at market value	2,677,784	-	-	2,677,784
Unlisted shares in associated corporation	-	-	180,000	180,000
Unlisted shares in other corporations	-	-	1,875,346	1,875,346
Convertible Notes	-	-	500,000	500,000
<b>Loans and receivables</b>				
Secured loan to related entities	-	-	652,057	652,057
Secured loan to other corporation	-	-	4,000,000	4,000,000
	<u>2,677,784</u>		<u>7,207,403</u>	<u>9,885,187</u>

Reconciliation of Level 3 fair value movements:

	2011 \$	2010 \$
<b>Balance at the beginning of the year</b>	<b>7,207,403</b>	2,731,051
Impairment recovery	729,890	4,000,000
Interest income	68,568	66,439
Convertible notes issued	200,000	500,000
Settlement	<b>(4,729,890)</b>	(90,087)
<b>Balance at the end of the year</b>	<b><u>3,475,971</u></b>	<u>7,207,403</u>

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

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### Note 15: Segmental Information

The Company operates in Australia as an investment company.

### Note 16: Related Party Information

#### Key management personnel

The Company has no employees and the only key management personnel of the Company are the Directors. 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:

	2011	2010
	\$	\$
John D Read		
Post employment benefits – superannuation	<u>15,000</u>	<u>15,000</u>

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.

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

V R Gould  
A D Beard  
J D Read  
E G Kaplan

#### Transactions with related parties

The Company pays management fees to its 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. Following the completion of the equal access share buy-back at 31 December 2010 the investment manager agreed to reduce the annual management fees to a pro rata \$200,000 per annum until 30 June 2011. During the year management fees of \$181,818(2010: \$349,792) were paid to CVC Managers Pty Limited.

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

The Company received a dividend payment from Pro-Pac Packaging Limited of \$164,928 (2010: \$116,991) during the year. Messrs Kaplan and Read were directors of the Company and of Pro-Pac Packaging Limited during the year.

An amount of \$250,000 was received from Battery Energy Power Solutions Pty Limited during the financial year as an instalment payment in relation to the loan. Interest revenue of \$68,568 (2010: \$66,438) has been capitalised 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	
	2011	2010
E G Kaplan	65,000	65,000
A D Beard	221,026	221,026

# CVC Private Equity Limited

## Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2011

### Note 17: Notes to the Statement of Cash Flows

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following at 30 June

	2011	2010
	\$	\$
Cash at bank	2,974,610	585,928
Cash on deposit	2,231,951	800,000
	<u>5,206,561</u>	<u>1,385,928</u>

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

Net profit after tax	825,069	3,641,710
<i>Adjustments for:</i>		
Recovery of loan impairment	(729,890)	(4,000,000)
Net (gain)/loss on sale of equity investments	(99,999)	154,043
Impairment of financial assets	30,000	-
<i>Change in operating assets and liabilities:</i>		
Decrease in receivables	556	66
(Increase)/decrease in interest receivables	(19,362)	1,350
(Increase)/decrease in interest capitalised	(68,569)	23,649
(Increase)/decrease in GST receivables	(551)	8,965
Decrease/(increase) in deferred tax assets and liabilities	283,270	(205,214)
Increase/(decrease) in sundry creditors and accruals	2,100	(13,700)
	<u>222,624</u>	<u>(389,131)</u>

### Note 18: Contingent Liabilities

A performance fee is payable to CVC Managers Pty Limited where the Company realises individual investments and achieves a return on the total investment cost which is higher than a hurdle rate of return, being CPI plus 2%. 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.

No such performance fee is payable for the 2011 financial year.

### Note 19: Other Information

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

### Note 20: Subsequent Events

Since the end of the financial year, a conditional agreement was reached to sell the Company's investment in Pro-Pac Packaging Limited at a price of 45 cents per share subject to the successful completion of the transaction, the impact will be a pre-tax profit of \$2.1 million.

A final dividend in respect of the year ended 30 June 2011 of 2.5 cents per share amounting \$454,628 was declared on 22 August 2011.

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 future financial years.

# CVC Private Equity Limited

## Directors' Declaration

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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 *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) that the financial statements are founded on a sound system of risk management and internal compliance and control which is operating efficiently and effectively in all material respects.

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

Dated at Sydney 22nd of August 2011.

**Elliott Kaplan**  
Director

**Alexander Beard**  
Director