



take a closer look



bottle tree

[*Brachychiton rupestris* : *Adansonia gregorii*]

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

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

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

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chairman's report

Vanda Gould



**'We must learn
from history.'**

The Directors of CVC are pleased to report a net profit before tax of \$30.3 million and after tax of \$23.3 million for the year ended 30 June 2006. It is encouraging to note that this result was achieved across all segments of the Company's operations and represents the progress that has been made towards the Company's objective of creating the widest possible range of recurring earnings.

Shareholders will appreciate, however, that by nature sometimes the earnings of CVC are affected by the markets into which we buy and sell so that there are times when it simply is not possible to realise an investment at a price which represents a fair value for the underlying business. Usually those are the times when we are able to buy business interests at attractive values and then move towards managing those businesses to achieve worthwhile and successful outcomes. This cycle usually never occurs within a 12-month period and often extends over many years.

In the current financial climate the market for venture capital/private equity opportunities has been very buoyant and this has been reflected in the decisions we have often made not to invest until we were confident that we were buying at a fair value.

Historia Magistra Vitae is an important precept for me, which may be translated as: *We must learn from history*. In the early 1990s there was a similar period where the market for buying investment opportunities was extremely tight with considerable competition. Ultimately many of our competitors left the industry because they failed to have the discipline to buy business interests at sustainable price levels. Whilst no two periods are directly comparable, the principles tend to be the same so that it is prudent to purchase when one is able to establish fair values according to traditional valuation techniques.

We are extremely confident that the satisfactory results that have been achieved, particularly over the past three years, will continue, at least in the medium term. This assumes of course that there is no major downturn (as is possible) whereby the market for the realisation of business interests would become extremely depressed, combined with the property market continuing in its present overall downward spiral.

It is very pleasing to note that our CEO, Sandy Beard, along with his team, has done an excellent job of being disciplined in following the investment parameters that we established for CVC and have developed over the past 20 years.

As we expect economic conditions to get more difficult, we believe the CVC Group's diversification into various forms of funds management will also provide an increasingly significant contribution to the Group's overall performance. Sandy and his team are to be particularly congratulated for their efforts in this area.

Our focus over the past six years, particularly in our related specialist funds, has been on environmental problems. We are convinced that global warming is a reality and we need to play a part by endeavouring to achieve sustainable environmental outcomes which will improve quality of life. Satisfactory returns and ethical investment are not, in our opinion, incompatible.

Assets that we own - such as the Fern Bay development in which CVC has equity of more than \$20 million and a cost base of less than \$2 million - are assets that we can hold and realise as and when circumstances are most favourable. Because of the absence of debt from our balance sheet we are under no pressure to be forced to realise any of the very valuable assets that we hold. I am also pleased to note our awards for environmental development excellence in relation to this investment.

‘...it is this active involvement in the affairs of our investees which is one of CVC's distinguishing characteristics from our peers in the venture capital/private equity industry.’

The coming year should see the commencement of confirmation that value has been returned to Vita Life Sciences Limited. Shareholders may recall the substantial fraud inflicted by the former Managing Director followed immediately by the Pan disaster which decimated the Group. We are pleased to advise that whilst CVC's shareholding in Vita Life Sciences Limited has been written down to zero, over the next several years we should again achieve restoration of substantial value. This is due to the hard work of the Vita team and the CVC policy of active involvement in our investees which has achieved this satisfactory outcome. It is this active involvement in the affairs of our investees which is one of CVC's distinguishing characteristics from our peers in the venture capital/private equity industry.

‘...we are convinced that global warming is a reality and we need to play a part by endeavouring to achieve sustainable environmental outcomes which will improve quality of life.’

Sunland Group Limited, in which CVC has a major interest, continues to perform extremely well. The leadership of Mr Soheil Abedian is inspirational for all who are in any way associated with Sunland Group Limited. CVC is extremely grateful for the hard work and dedication of the Abedian family in achieving the results that CVC has realised from their association with and continued support of Sunland Group Limited.

You may be interested to know that we have completed an agreement with CVC Asia Pacific whereby they have restricted use of our brand name and trademark "CVC". CVC Asia Pacific is a joint venture between Citibank and CVC Investment Partners of London and it is unfortunate that the press continually refers to the company as "CVC", which can be quite confusing for our shareholders. Legally, of course, we are the only party able to trade as "CVC" in Australia.

I am hopeful that we will be able to continue to reward our shareholders by maintaining our dividend level at least at current levels for the foreseeable future.

In conclusion, I would like to especially acknowledge the support of my fellow director, Mr John Leaver, and particularly note the contribution of all the senior managers under Sandy Beard's leadership. In particular, I would like to thank Michael Bower, Gaibrielle Cleary, Matthew Higgs, Bill Highland, John Hunter, Christian Jensen, Elliott Kaplan, Alex Leaver, Geoff Leaver, Ivy Liao, Louise Macklin, Christine Shean and Christine Wong for their hard work and dedication. In our associated CVC Group companies, Griff Rose, Merv Johnston, David Kennedy, Mark Fogarty and Ken Aitken have made valuable contributions.

Vanda Gould
Chairman

the year in review

enduring strength

HIGHLIGHTS

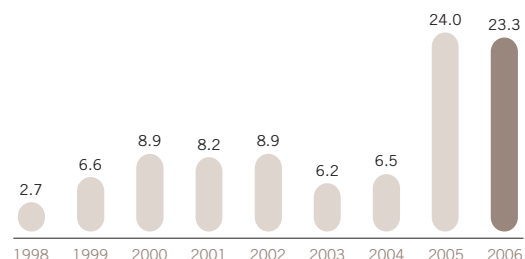
2006 was another solid step towards CVC's objective of developing a base of recurrent earnings whilst maintaining capacity for substantial capital profits. CVC has concentrated on a number of initiatives to provide the foundation for ongoing revenue and asset value appreciation. In particular:

- > Growth of the funds management segment with capital raising during the year for CVC Sustainable Investments Limited, and the acquisition of CVC Property Managers Limited to provide the platform for the launch of a CVC branded property fund;
- > Continuing sales and development of the award winning Fern Bay Seaside Village, including the approval of the Master Plan which will allow the development of approximately 950 residential lots;

- > The successful sale of the shareholding in Stargames Limited as a result of a take-over offer realising a profit of approximately \$16.5 million;
- > The acquisition of strategic stakes in ASX listed companies Cellnet Group Limited, Trinity Group and Taragon Property Fund;
- > Continued development of the Ron Finemore Transport Pty Limited regional road freight transportation business in partnership with Ron Finemore;
- > Reduction in share capital of the Company via the buy-back of approximately 11.5 million shares;
- > Successful development approvals obtained for the Belrose land joint venture which will enable its development as a bulky goods centre;

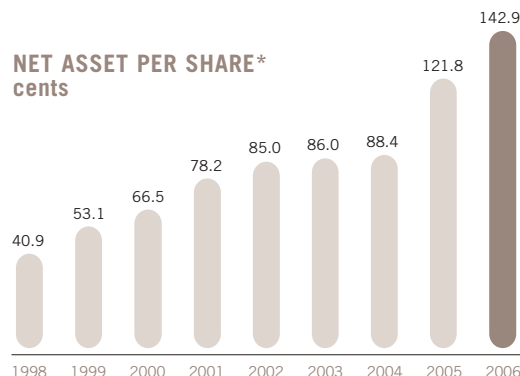
- > Further development of the investment portfolios, both listed and unlisted; and
- > Continued improvement in access to and identification of quality opportunities for potential investments.

NPAT*
\$ million



*Adjusted for the impact of AIFRS

NET ASSET PER SHARE*
cents



GROUP SUMMARY	2006	2005
Earnings per Share	18.7 cents	21.0 cents
Total Assets Employed	\$196.1 M	\$171.5 M
Shareholders Equity	\$167.4 M	\$155.2 M
Return on Closing Shareholders Equity	13.9%	15.4%
Shares on Issue at Year End	117,185,681	127,447,838
Net Assets per Share	\$1.43	\$1.22
Dividends per Share	6.0 cents	5.0 cents

management and approach

MANAGEMENT TEAM

CVC's investment performance is the result of the combined efforts of our investment management team. CVC's success and continuing growth is dependent upon the team's ability to select, add value, and then realise profitable investments. Accordingly, it is important to ensure that our employees are retained and their skill set developed. Additionally, the alignment of the management team's interests with those of CVC shareholders is vital to our sustained performance. This is achieved through the CVC Executive Long Term Incentive Plan which effectively gives staff a direct interest in the long term market performance of the Company.

Skills of the management team include:

- > Sourcing, selection, and structuring of investment opportunities;
- > Operational management of investee companies;
- > Divestments including trade sales, initial public offerings, mergers and acquisitions, management buyouts and financial restructuring;
- > Infrastructure investment capabilities including financial feasibility, negotiation of off-take agreements, negotiation of senior and mezzanine debt facilities and sourcing of equity;
- > Distressed debt recoveries;
- > Investment turn-arounds;

- > Project financing and property development capabilities including structuring, joint ventures, feasibility and mezzanine financing;
- > Financial product development and distribution;
- > Specialist investment skills in environmental industries, with a depth of expertise in renewable energy; and
- > Long term investment performance (IRR of > 15% since inception in 1985).

APPROACH

CVC's investment portfolio is structured for a balance of capital growth and income producing assets, with a particular emphasis on private equity investments. The inherent nature of private equity investment means that the opportunity for substantial returns is accompanied by factors largely beyond the control of the investment manager, including buoyancy of listed markets, the strength of the economy and negotiations between buyers and sellers. Accordingly, it is desirable to balance private equity investments with a recurrent earnings base within the CVC investment portfolio.

The CVC Group adopts a value based methodology in its investment selections, including an analysis of company fundamentals including low Price Earnings multiples, earnings growth, relativity of price to net tangible assets,

multiples of free cash flow, dividend history and arbitrage opportunities. Additionally, CVC's business is focussed on the integrity and competence of investee management teams, and our assessment of the value of investment opportunities includes an assessment of the track record and potential of the individuals within a targeted opportunity.

Sound investment decisions require a thorough methodology and the time necessary to identify, target, negotiate, conduct due diligence and structure the opportunity. CVC adopts a timely yet patient approach to these initial phases as well as the subsequent development of the business and the realisation phase of the investment lifecycle.

CVC recognises that the major challenge faced by an investment manager is the deployment of capital into quality businesses with solid growth prospects. Accordingly, when we identify a company and management team who achieve benchmark returns over a prolonged period, our intention is usually to continue to hold the investment. By way of an example, CVC's initial investment in our current holding in the Sunland Group Limited was made in 1995.

Considerable effort has been made in the last few years into strengthening the process through which CVC identifies and structures its investments. The benefits of this review have been evident in the Group's recent growth and we look forward to these returns enduring into the future.

management and approach

resilience

SPECIALISATION AND DIVERSIFICATION

It is CVC's aim to create specialisations in industries where we have developed particular expertise. We also place priority on diversifying across enough industries to achieve a portfolio that is balanced and able to achieve growth throughout various business cycles.

CVC has placed a particular emphasis on the establishment and development of a portfolio of environmentally responsible investments. CVC Sustainable Investments Limited and CVC REEF Limited demonstrate a core organisational belief that corporations should minimise their environmental footprint. These funds have shown that environmentally positive investment strategies can deliver outstanding returns. It is CVC's intention to continue to develop this growing area and raise further capital for both portfolios.

Our investee companies in these portfolios, notably Australian Farmers Limited, Biodiesel Producers Limited, Wind Corporation Australia Limited, Australian Ethanol Limited, Battery Energy Power Solutions Pty Limited, Soilwise Pty Limited and Pro-Pac Packaging Limited are continuing to develop.

CVC has developed significant abilities and a unique access to opportunities in this strategic area. We anticipate that our careful selection and management of investments will continue to create value for our shareholders and benefits for the environment.

DIVIDEND POLICY

CVC has a track record of consistently paying annual franked dividends in each year since 1996. Our dividend per share has increased in every year since 2001. Our recent emphasis on developing recurring and stable profit streams reflects our objective of continuing our dividend payments at a stable level. We will target a dividend policy of 20% of annual net profits after tax and it is our intention that, subject to available franking credits, dividends will be 100% franked. It is intended that our practice of paying both an interim and final dividend will continue into the future.

CAPITAL MANAGEMENT

The Company will continue to periodically purchase shares under the share buy-back scheme, dependent on price. Historically the buy-back scheme has enabled a better matching of assets with recurrent earnings and has achieved accretion in both Net Tangible Assets and Earnings Per Share.

CORPORATE GOVERNANCE

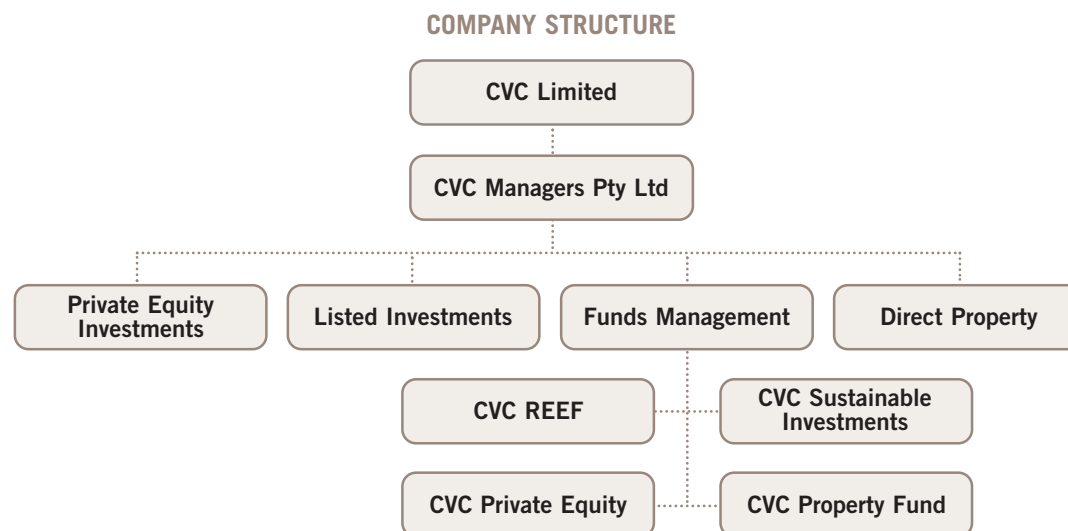
During the year the Company has reviewed its corporate governance initiatives and has taken steps to implement the policies outlined in the ASX's Best Practice Recommendations. Further information on CVC's corporate governance is provided in the corporate governance statement.

OUTLOOK AND ORGANIC GROWTH

In 2007 CVC will continue to target the growth in funds management via investment performance, fundraising activities and by acquisition if suitable opportunities emerge. The growth of these funds will provide an on-going source of management fees, to cover the overheads of CVC and allow for the attraction of additional quality staff, and performance fees which we envisage will ultimately provide significant ongoing profitability.

New funds planned for 2007 and beyond are dependent upon establishment of meaningful distribution, product structure and investment strategies. During 2006 significant resources were deployed towards this objective and in improving the quality of internal processes required for gaining larger scale distribution support. As foreshadowed in the 2005 annual report the initial product offering will be property orientated, with the recapitalisation of the CVC managed Taragon Property Fund in the first half of 2007.

versatility



The 2007 year will likely see the following activities:

PRIVATE EQUITY / VENTURE CAPITAL

- > Initial Public Offering of Probiotec, with an underwriting agreement signed in October 2006 for ASX Listing in November 2006. This will include a partial sell-down of CVC's holding;
- > Continued development of Ron Finemore Transport Pty Limited and its transport activities both organically and acquisitively;
- > Identification of new investment opportunities, either directly or as a co-investor with either CVC Private Equity Limited or CVC Sustainable Investments Limited and realisation of investments within portfolios;
- > Development of CVC REEF Limited investments with continued realisations and new investments and evaluating initiatives to broaden the scope of CVC REEF Limited and extend its life;
- > "Bridging" finance of transactions including pre IPO opportunities; and
- > Identification and investment in other high yielding alternative investments.

LISTED INVESTMENTS

- > Continued strategic holding of Sunland Group Limited, Green's Foods Limited, Pro-Pac Packaging Limited,

Cellnet Group, Trinity Group, Taragon Property Fund and Probiotec Limited upon its successful ASX Listing; and

- > Identification of other strategic investments to complement major holdings and contribute a source of dividends and capital growth.

PROPERTY

- > Continuation of the Fern Bay joint venture development of approximately 950 residential lots in Newcastle. The first stage commenced selling in September 2005 and has met expectations with 65 lots sold at an average price in excess of \$265,000;
- > After obtaining the development approval for a 14,100m² bulky goods site in Belrose NSW, expected in late 2006, the Company and its joint venture partners will commence its development, envisaged via a CVC branded property fund; and
- > Identification and participation in other property based transactions where they meet our investment criteria, and provide scope for significant yield, long term re-current income, and capital growth.

FUNDS MANAGEMENT

- > Initial capital raising for Taragon Property Fund which is envisaged to be branded as a CVC Property fund with the objective of growing the fund to in excess of \$100 million of assets under management by 2008;
- > Further capital raising for CVC Sustainable Investments Limited planned to ensure it achieves critical mass as a stand-alone fund;
- > Continued management and realisation of investments for CVC REEF Limited, CVC Private Equity Limited and CVC Sustainable Investments Limited with potential for realisation of performance fees;
- > Evaluation of and possible development of new investment products; and
- > Evaluation of and possible acquisition of funds management companies that provide either scale, distribution strength or synergy.

review of operations

PRIVATE EQUITY / VENTURE CAPITAL

In the past 12 months CVC's direct returns from private equity were moderate due to equity accounted losses of Ron Finemore Transport Pty Limited and deferral of the initial public offering of Probiotec Limited. However, a number of investments in CVC Sustainable Investments Limited and CVC REEF Limited demonstrated the ability of private equity investments to generate superior returns, whilst in CVC Private Equity Limited the sale of an investment in Telefix Group Limited demonstrated the rewards that can be achieved by persisting with a problematic investment and working through a successful restructure. We continue to believe private equity investments will provide a solid base for investment performance over the next 5 years, however patience must be exercised in deploying capital in the current environment wherein there is a tendency in our view that excessive prices are being paid. Increasingly, CVC Private Equity Limited will be utilised as the investment vehicle for private equity investments. This will ensure CVC is offered co investment opportunities, can better utilise its balance sheet and will receive increasing entitlements to performance fees. During the year we have continued to expend considerable effort in the management of the existing portfolio. Our active management approach has the potential to add significant value to both performing and under performing companies. This is evident in the portfolio and continues to remain an important priority for the investment team.

DIRECT PRIVATE EQUITY INVESTMENTS

Vita Life Sciences Limited

Rebuilding of Vita Life Sciences has continued during 2006 with the main initiative of management being to relist the nuclear medicine business in the 2007 financial year. Progress has been made with a rights issue of the Cyclopharm business progressing and it is envisaged that some level of value will be restored during the year. CVC currently values Vita Life Sciences at zero in its accounts.

Probiotec Limited

Probiotec is an integrated brand owner, marketer, developer and manufacturer of Over The Counter (OTC) pharmaceutical and nutraceutical products, functional foods, natural health supplements and a range of animal nutrition products. Audited group profit before tax for the year ended 30 June 2006 was \$2.6 million on sales of \$41.4 million, an increase of approximately 60% on 2005 sales of \$26 million.

Probiotec's growth is forecast to grow strongly again in the 2007 year from traditional activities and in particular from its pharmaceutical activities based in Laverton, including the Milton anti bacterial range acquired in 2005.

Probiotec has signed an under-writing agreement for the initial public offering of its shares on the ASX in November 2006. CVC will sell-down approximately 75% of its stake as part of the listing which will result in a crystallisation of approximately \$2.5 million profit.

Ron Finemore Transport Pty Limited

CVC acquired a 25% interest in Ron Finemore Transport during 2005 with key divisions of tanker, general and bulk transport and annual revenues of approximately \$45 million. 2006 has been a hard year impacted by high fuel prices, and accordingly the company incurred further losses during the year. However, the management team have continued to extract operational improvements from the business and have laid the foundations for profitable growth. 2007 will see continuing development of Ron Finemore Transport with likely further acquisitions and organic growth.

INDIRECT INVESTMENTS AND MANAGED FUNDS

CVC REEF Limited

CVC has invested \$2.9 million in, and has to date received returns of \$1.5 million from, CVC REEF (Renewable Energy Equity Fund), a \$27 million unlisted fund. Investments currently in the portfolio include: Australian Ethanol Limited, Australian Farmers Fuel Limited, BioEnergy Australia Limited, Battery Energy Power Solutions Pty Limited, Biodiesel Producers Pty Limited and Wind Corporation Australia Limited. To date the fund has performed well, with above benchmark unrealised returns.

We believe CVC REEF has the potential to play a significant role in the Australian Government's response to climate change. CVC REEF has been successful in identifying a significant pipeline of investment opportunities that either

maturity & strength

reduce or avoid CO² emissions and is seeking the support of the Australian Government to broaden the scope and life of the fund to ensure the benefits of the fund are maximised.

CVC Private Equity Limited

CVC has a \$4.7 million investment in CVC Private Equity, a \$20 million unlisted fund. Its current portfolio includes Battery Energy Power Solutions Pty Limited, Blue Chip Financial Solutions Limited, Pro-Pac Packaging Limited and Ron Finemore Transport Pty Limited.

In 2006 the performance of CVC Private Equity vastly improved, declaring a net profit of \$2.25 million after completing the sale of Telefix Group Limited and Sonic Communications Pty Limited. This is a pleasing result and facilitated the payment of a 5% dividend for the year. The Company has uninvested cash of approximately \$10 million and continues to evaluate new investment opportunities.

CVC Sustainable Investments Limited

CVC is the manager of CVC Sustainable Investments, a \$10 million unlisted fund from which it derives annual management fees, and performance fees in the form of 10 year options to acquire shares at a fixed share price. During 2006 it raised a further \$3.4 million and made a number of new investments. In 2007 it is our intention to continue to increase the size of the fund with the issue of a new prospectus prior to December 2007 and continue to make investments as appropriate opportunities arise.

STRATEGIC LISTED EQUITY INVESTMENTS

CVC owns a number of strategic investments in listed companies which have been acquired to take advantage of perceived value opportunities arising through initial public offerings, private placements and strategic investing.

CVC believes investments in small, listed companies offers diversification in the portfolio and have the ability to contribute substantially to the return objective through both yield and capital growth.

During the year CVC sold its long term holding in Stargames Limited as a result of a take-over by a US Listed Company, realising a profit of approximately \$16.5 million.

A combination of this sale and the robust balance sheet created the opportunity to acquire new strategic investments in Cellnet Group Limited, Trinity Group and Taragon Property Fund which CVC believes have the potential to provide substantial capital growth over the medium to long term. At year-end there were unrealised profits on listed investments amounting to approximately \$61.2 million.

The existing portfolio, dominated by Sunland Group Limited, continues to underpin substantial performance of the group via annual and interim dividends and substantial capital growth. Sunland continues to emerge as an outstanding investment, as demonstrated by the acquisition of a substantial shareholding during the year by CPH investments and Mr James Packer accepting a role as a Director.

Major Shareholdings as at 30 June 2006

Major Investments	No. of Shares	Valuation	Anticipated Dividends
Sunland Group Limited (SDG)	35.0 m	\$76.4 m	\$3.8 m
Pro-Pac Packaging Limited (PPG)	7.5 m	\$2.1 m	\$0.1 m
Green's Foods Limited (GFD)	15.9 m	\$9.8 m	\$0.4 m
Cellnet Group Limited (CLT)	9.9 m	\$11.2 m	-
Trinity Group (TCQ)	4.5 m	\$5.9 m	\$0.2 m
Taragon Property Fund (TPG)	2.9 m	\$0.5 m	-
		\$105.9 m	\$4.5 m

review of operations

Sunland management are continuing to evolve the income streams of the company into a more recurrent and predictable nature. Sunland declared a profit of \$72.3 million during the year – an outstanding 132% increase over the previous year.

Pro-Pac Packaging Limited continues to trade well despite the slow down in the economy. Under a new Managing Director, the company has identified several new acquisitions which is in line with its ongoing strategy.

Trinity Group, the Brisbane based property funds management group, has embarked on a growth strategy that has resulted in \$700 million funds under management since listing two years ago. The company boasts an innovative and experienced management team.

Green's Foods Limited continues to experience a difficult market with declining gross margins. Competition is intense due to the buying power of national retailers.

CVC commenced acquiring shares in Cellnet Group Limited at a time when the company was changing the senior management team. This move has proved successful with subsequent trading results improving due primarily to improved stock turnover and reduced gearing levels.

CVC purchased the Responsible Entity and Manager of the ASX listed Taragon Property Fund. Our intention is to restructure the fund and embark on a growth strategy to increase the size of the fund.

PROPERTY

CVC participates in property developments in partnership with specialist property developers. Investment in this sector has proven over time to deliver consistent and reliable returns that have served to underpin the investment portfolio and mitigate risk.

CVC Newcastle Pty Limited

CVC continued its joint venture with Winten Property Group during the year to develop the Fern Bay Seaside Village, north of Newcastle NSW. Development of the land, for which the joint venture received Masterplan approval during the year to develop approximately 950 residential lots has commenced and has the scope to provide substantial profits to CVC potentially for up to the next 10 years. The site is a unique and secluded residential community residing among master planned parks and over 100 hectares of retained bushland, including substantial wildlife corridors. To date the joint venture has sold 65 lots at an average price in excess of \$265,000 per lot.

Lauden Property Trust

CVC and its joint venture partners are expecting to receive development approval in late 2006 for the development of a 14,100m² bulky goods site at Belrose NSW. In 2007 the joint venture will seek to secure anchor tenants, construction finance and commence development. It is envisaged that the Belrose site will form the core first asset of a new CVC property fund.

Other Property Related Transactions

CVC will evaluate commercial property opportunities with incumbent tenants, long term development prospects and acceptable yields which may be capable of later being restructured into a property trust.

CVC will look to use its balance sheet to take advantage of property related opportunities which may arise and need "bridging" finance and may provide the opportunity to structure into a CVC badged property fund.

Historically CVC has provided mezzanine finance to property developers in the form of 2nd ranking mortgages or other forms of security. CVC will continue to target mezzanine finance facilities wherein it can achieve appropriate risk adjusted returns with an acceptable security and most likely an ongoing relationship with the developer.

financial report
for the year ended 30 June 2006

strong growth potential



directors' report

for the year ended 30 June 2006

Your Directors present the Financial Report of CVC Limited ("the Company") and of the Consolidated Entity ("CVC"), being the Company and its controlled entities, for the year ended 30 June 2006 together with the Auditors' Report thereon.

DIRECTORS

The names of Directors in office throughout the financial year and to the date of this report are Vanda Russell Gould (Chairman), John Scott Leaver, John Douglas Read, Alexander Damien Harry Beard and John Thomas Riedl. The names of Company Secretaries in office throughout the financial year and to the date of this report are Alexander Damien Harry Beard, Michael John Bower (resigned 20 March 2006) and John Andrew Hunter (appointed 20 March 2006). Details of qualifications, experience and special responsibilities of Directors are as follows:

Vanda Russell Gould (Chairman)

B.Com. (Uni. of NSW), M.Com (Uni. of NSW)

Fellow of the Institute of Chartered Accountants in Australia; Fellow of the CPA Australia; Fellow of the Australian Institute of Management; Australian Financial Services Licence holder.

Board member from 1984 – 1994 and from 1996 to date.

Prior to his involvement in the founding of the Company, Mr Gould was a partner of an accounting firm. He has held numerous directorships of other private and public companies including educational establishments.

John Scott Leaver (Non-Executive Director)

B.Ec. (Uni. of Sydney)

Australian Financial Services Licence holder.

Board member since 1984 and Managing Director of the Company until 2001.

Prior to his involvement in the founding of the Company, Mr Leaver had extensive experience in the stockbroking industry.

During the past three years Mr Leaver has also served as a Director of Sunland Group Limited.

John Douglas Read (Non-Executive Director)

B.Sc. (Hons) (Cant.), M.B.A. (A.G.S.M.)

Fellow of the Australian Institute of Company Directors.

Board member since 1989 and Chairman of the audit committee of the Company.

Mr Read has over 25 years experience in the venture capital industry. He is a former Director of CSIRO and is a current Director of the Australian Institute for Commercialisation Limited.

During the past three years Mr Read has also served as a Director of the following other listed companies: Chairman of The Environmental Group Limited and Chairman of Pro-Pac Packaging Limited.

Alexander Damien Harry Beard (Director & Company Secretary)

B.Com. (Uni. of NSW)

Fellow of the Institute of Chartered Accountants in Australia; Member of Australian Institute of Company Directors.

Board member since 2000 and Chief Executive Officer since 2001. Member of the audit committee.

Mr Beard has been employed by the manager of the Company since 1991.

During the past three years Mr Beard has also served as a Director of the following other listed companies: Green's Foods Limited, SMC Gold Limited and Rocklands Richfield Limited.

John Thomas Riedl (Non-Executive Director)

B.Sc, B.E. (Elect), (Hons) (Sydney)

Board member since 2002. Member of the audit committee.

Mr Riedl was the Managing Director of Techniche Limited, a venture capital company, for fifteen years which, like CVC, commenced life under the MIC act. He has a broad range of commercial and technical experience.

During the past three years Mr Riedl has also served as a Director of Eserv Global Ltd.

COMPANY SECRETARIES

John Andrew Hunter

B.Com. (ANU)

(Appointed as a Secretary on 20 March 2006)

Member of the Institute of Chartered Accountants in Australia.

Michael John Bower

B.Sc. (Hons.) (Dunelm)

(Resigned as a Secretary on 20 March 2006)

Member of the Institute of Chartered Accountants in Australia; Member of the Institute of Chartered Accountants in England and Wales.

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

DIRECTORS' MEETINGS

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	Directors' Meetings	
	No. of meetings attended	No. of meetings held
V R Gould	6	6
J S Leaver	4	6
J D Read	5	6
A D H Beard	6	6
J T Riedl	6	6

The Company has an audit committee. The number of meetings and the number of meetings attended by each of the Directors on the audit committee during the financial year were:

	Audit Committee Meetings	
	No. of meetings attended	No. of meetings held
J D Read	2	3
A D H Beard	3	3
J T Riedl	3	3

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company as at the date of this report is as follows:

	Ordinary Shares
V R Gould	21,145,526
J S Leaver	22,104,611
J D Read	523,956
A D H Beard	2,388,636
J T Riedl	30,000

At the date of this report, Messrs Gould and Leaver have an indirect interest in 297 shares in Stinoc Limited, a controlled entity of CVC.

OVERVIEW OF ACTIVITIES

The sections below provide details on the results, dividends, activities, operations, changes in state of affairs and expectations for the future. Further details and commentaries are also provided in the Chairman's Report and Review of Operations sections of the annual report.

CONSOLIDATED RESULTS

The Directors of CVC are pleased to announce that the 2006 financial year has seen another strong performance by the Company, including:

- > Profit before tax of \$30.3 million (2005: \$33.5 million);
- > Net profit after tax of \$23.3 million (2005: \$24.6 million);
- > Earnings per share of 18.7 cents (2005: 21.0 cents).

The consolidated profit for the year attributable to the members of the Company is calculated as follows:

	2006	2005
	\$	\$
Net profit after income tax	23,305,111	24,573,750
Minority interests	(5)	(607,995)
Net profit after income tax attributable to members	23,305,106	23,965,755

directors' report

for the year ended 30 June 2006

directors' report

for the year ended 30 June 2006

DIVIDENDS

A final dividend in respect of the year ended 30 June 2006 of 3 cents per share was declared on 6 September 2006. An interim dividend in respect of the year ended 30 June 2006, of 3 cents per ordinary share amounting to \$3,705,002, was paid on 17 March 2006.

A final dividend in respect of the year ended 30 June 2005 of 3 cents per share amounting to \$3,823,435 was paid on 30 September 2005. An interim dividend in respect of the year ended 30 June 2005, of 2 cents per share was paid on 10 March 2005.

PRINCIPAL ACTIVITIES

The principal activities of entities within CVC during the year were:

- > the provision of investment, development and venture capital;
- > property finance and development;
- > investment in listed entities; and
- > funds management.

REVIEW OF OPERATIONS

Highlights for the year of the main operating segments are as follows:

Listed Investments

At 30 June 2006 CVC held a number of investments in listed organisations, which provided a significant share of the return for the year. During the year a \$16.5 million profit was generated from the sale of shares in Stargames Limited, whilst a number of significant new investments have been made. Listed investments also provided a source of dividends and capital growth during the year which included the following:

Shareholding	Shares held	Valuation	Dividends	Ownership
Sunland Group Limited	35.0 million	\$76.4 million	\$3.8 million	13.95%
Green's Foods Limited	15.9 million	\$9.8 million	\$0.4 million	14.18%
Trinity Group	4.5 million	\$5.9 million	\$0.2 million	4.17%
Cellnet Group Limited	9.9 million	\$11.2 million	-	19.14%
Pro-Pac Packaging Limited	7.5 million	\$2.1 million	\$0.1 million	18.24%
		\$105.4 million	\$4.5 million	

Property

At 30 June 2006 CVC was involved in two major property projects, and also provided mezzanine finance to a number of select property developments.

- > Fern Bay is a residential property development north of Newcastle, NSW, which has experienced strong sales during a period of downturn in the property market. The project has been independently valued at \$54.8 million and has a debt facility of \$32.9 million. CVC's 50% investment has a carrying value of \$1.7 million. Subsequent to year end, approval was granted for the Masterplan to develop a total of approximately 950 residential lots on the site.

- > Lauden Property Trust is a property development in Belrose, NSW, which is seeking approval to develop a 14,100m² bulky goods centre. The Company has advanced loan funds to secure the site and fund development approvals and has a significant profit share entitlement to the ultimate development profits.

Private Equity

During the year the profit from private equity activities was principally derived from investments in the unlisted funds, CVC Private Equity Limited, CVC REEF Limited and CVC Sustainable Investments Limited. Investments in Ron Finemore Transport Pty Limited and Probiotec Limited did not contribute to profits during the year, the former because equity accounting of current year operating losses has reduced the carrying value of the investment, and the latter because its planned initial public offering on the ASX was deferred until late 2006.

Funds Management

CVC Sustainable Investments Limited raised new capital during the year which has increased management fee income while the Company acquired CVC Property Managers to create a platform for a CVC branded property fund. The Company plans to continue to build its funds under management and in turn the profitability of this segment of the business.

STATE OF AFFAIRS

30 June 2006 is the first financial year that CVC has adopted Australian Equivalents to International Financial Reporting Standards, and all comparatives have been restated to reflect the new accounting standards.

Significant changes in the state of affairs of CVC during the financial year included:

- > Increase in net assets of \$12.2 million;
- > Share buy-back of \$15.5 million;
- > Dividend payment of \$5.9 million;
- > Disposal of the investment in Stargames Limited for a total consideration of approximately \$26.2 million; and
- > Increase in the value of listed investments by \$10.3 million (2005: \$10.9 million).

LIKELY DEVELOPMENTS

As explained in previous reports, the total level of profit for any period, notwithstanding the recurrent earnings, is largely determined by the timing of the realisation of investments that result in capital gains. Accordingly, at this stage, it is not possible to meaningfully forecast the level of profitability for 2006-07 or future periods. CVC has however, continued to direct resources to building its recurrent earnings base and has a robust balance sheet as at 30 June 2006. The Company believes the strong balance sheet and continual evaluation of investment opportunities by its management team will enable the identification and execution of suitable investment opportunities during the course of the year.

ENVIRONMENTAL REGULATION

CVC's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Directors are not aware of any breaches of any particular environmental regulation affecting the group's operations.

ENVIRONMENTAL MANAGEMENT

CVC is committed to achieving a high standard of environmental performance.

directors' report

for the year ended 30 June 2006

directors' report

for the year ended 30 June 2006

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any other matter or circumstance that has affected or may significantly affect the operations of CVC, the results of those operations, or the state of affairs of CVC, in future financial years.

SHARE OPTIONS

There were no options issued during the year or to the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

a) Indemnification

CVC has not, during or since the end of the financial year, indemnified or made any relevant agreement for indemnifying any person who is or has been an officer or auditor of CVC or a related body corporate against a liability, including costs and expenses in successfully defending legal proceedings.

b) Insurance Premiums

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

The Company has paid insurance premiums in respect of Directors' and Officers' liability and legal expense insurance for Directors and Officers of the Company.

In accordance with s.300(9) of the *Corporations Act 2001* further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for Directors and Executives of CVC.

REMUNERATION PHILOSOPHY

The performance of CVC depends upon its ability to attract and retain quality people. CVC is committed to developing a remuneration philosophy of paying sufficient competitive 'base' rewards to attract and retain high calibre management personnel and providing the opportunity to receive superior remuneration tied directly to the creation of value for shareholders.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate and distinct.

Non-executive Directors' remuneration is solely in the form of fees and has been set by shareholders at a maximum aggregate amount of \$550,000, to be allocated amongst the Directors as they see fit. It has been set to balance the need to attract and retain Directors of the highest calibre at a cost that is acceptable to shareholders.

Key management personnel remuneration consists of: base salary, fees, superannuation contributions, short term performance bonuses and participation in the CVC Executive Long Term Incentive Plan.

The Company does not have a remuneration committee. The remuneration of the Chief Executive Officer is proposed by the Chairman and is determined following discussion with the non-executive Directors.

Short term performance bonuses permit CVC to reward individuals for superior personal performance or contribution towards components of CVC's performance for which they have direct responsibility.

directors' report

for the year ended 30 June 2006

The objectives of the CVC Executive Long Term Incentive Plan are to directly align the opportunity to achieve superior employment rewards with the wealth generated for shareholders whilst providing a mechanism to retain key employees over the longer term. In general terms, under the plan:

- > key employees are invited by the Directors to acquire shares in the Company subject to certain conditions;
- > the conditions specify performance hurdles and time periods in which they are required to be achieved;
- > all shares issued under the plan to date cover a three year period and require that the total return to shareholders over the three year period exceeds the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index;
- > shares are issued at market value and the Company provides a loan to the participant to cover the cost of the shares;
- > interest is charged on the loan equivalent to dividends paid on the shares;
- > the shares are restricted and cannot be dealt with by the participant during the period;
- > shares are forfeited and the loans are cancelled if the performance hurdles have not been met or the share price at the end of the period is below the issue price;
- > if shares are not forfeited, at the end of the period the participant is required to repay the loan, the restrictions on the shares are removed and the shares are taken out of the plan; and
- > a maximum of 5 million shares can be issued under the plan.

At the date of this report the following shares have been issued under the plan:

Name	No. of Shares	Loan Provided		Interest Charged	End of Period
		Opening	Closing		
Alexander Beard	1,000,000	\$1,150,000	\$1,150,000	\$60,000	27th October 2007
Elliott Kaplan	1,000,000	\$1,150,000	\$1,150,000	\$60,000	27th October 2007
Geoffrey Leaver	500,000	\$575,000	\$575,000	\$30,000	27th October 2007
Christian Jensen	200,000	\$230,000	\$230,000	\$12,000	27th October 2007
Gaibrielle Cleary	200,000	-	\$262,000	\$6,000	22nd November 2008
	2,900,000	\$3,105,000	\$3,367,000	\$168,000	

Individual remuneration disclosures:

The only remuneration paid by CVC Limited is Directors' fees paid to Messrs Read and Riedl. All other remuneration disclosed relate to the consolidated group.

Remuneration of key management personnel:

The only key management personnel of the Company are the Directors.

directors' report

for the year ended 30 June 2006

Remuneration of Directors for the year ended 30 June 2006

		Primary benefits Base Salary and Fees	Post- employ't Super	Equity Based (d)	Other	Total	Base % (e)
ADH Beard (a) (Director)	2006	\$183,653	\$16,529	\$37,918	\$9,948	\$248,048	86%
	2005	\$121,333	\$10,920	\$25,556	-	\$157,809	84%
VR Gould (a)(b)(c) (Chairman and Non-Executive Director)	2006	\$200,000	-	-	-	\$200,000	100%
	2005	\$150,000	-	-	-	\$150,000	100%
JS Leaver (a)(b)(c) (Non-Executive Director)	2006	\$200,000	-	-	-	\$200,000	100%
	2005	\$150,000	-	-	-	\$150,000	100%
JD Read (Non-Executive Director)	2006	\$25,000	-	-	-	\$25,000	100%
	2005	\$25,000	-	-	-	\$25,000	100%
JT Riedl (Non-Executive Director)	2006	\$25,000	-	-	-	\$25,000	100%
	2005	\$25,000	-	-	-	\$25,000	100%
	2006	\$633,653	\$16,529	\$37,918	\$9,948	\$698,048	
	2005	\$471,333	\$10,920	\$25,556	-	\$507,809	

Notes:

- (a) The 2005 comparative remuneration above represent the 8 month period from the acquisition of CVC Managers Pty Limited.
- (b) Messrs Gould and Leaver continue to have service arrangements with CVC Managers Pty Limited requiring them to remain with CVC until at least 6 October 2006.
- (c) CVC paid management fees of \$200,000 (2005: \$150,000) each to entities associated with Messrs Gould and Leaver that covers the cost of their services.
- (d) Shares and loans issued under the CVC Executive Long Term Incentive Plan have been valued as though they were options based on the following assumptions:
- > 3 year life
 - > Risk free interest rate of 6%
 - > Volatility factor of 10%
 - > A dividend yield of 3.5%
- This gives a value per share granted of 11.5 cents. The figures above assume this cost is spread evenly over thirty six months.
- (e) Base % reflects the amount of base level remuneration that is not dependent on individual or CVC performance.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

During the year, CVC Managers Pty Limited paid \$8,500 to HLB MANN JUDD (NSW Partnership) in respect of advice provided in relation to the capital raisings of CVC Sustainable Investments Limited. The Directors are satisfied that the provision of non-audit service is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of the non-audit service provided means that auditor independence was not compromised. No other amounts were paid by CVC for non-audit services to HLB MANN JUDD (NSW Partnership) during the year.

The Directors have received the following declaration from the auditor of CVC Limited:

Auditor's Independence Declaration to the Directors of CVC Limited

As lead auditor for the audit of CVC Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney 6 September 2006.

P Meade
Partner

HLB MANN JUDD (NSW Partnership)
Chartered Accountants

This Directors' Report is signed in accordance with a resolution of the Board of Directors.
Dated at Sydney 6 September 2006.

Alexander Beard
Director

Vanda Gould
Director

directors' report

for the year ended 30 June 2006

income statements

for the year ended
30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
INCOME					
Revenue from sale of goods		-	17,417,264	-	-
Revenue from sale of services		5,015,778	745,777	-	-
Net gain on sale of equity investments		16,762,359	15,042,228	3,542,470	5,500,688
Interest revenue		5,176,410	2,848,171	5,645,259	2,780,078
Dividend revenue		5,298,658	2,534,747	4,636,918	4,376,187
Recoveries of loans		1,694,436	-	2,160,085	-
Other income		331,846	286,073	63,399	112,001
Total income	3	34,279,487	38,874,260	16,048,131	12,768,954
Share of net profits of associates accounted for using the equity method	13	764,955	2,962,799	-	-
Share of net profits of joint ventures accounted for using the equity method	12	26,350	15,740,758	26,350	15,740,758
EXPENSES					
Amortisation of intangibles		117,000	87,750	-	-
Finance costs		149,590	-	36,059	-
Cost of goods sold		-	9,979,635	-	-
Depreciation expense		30,001	229,404	-	-
Employee expenses		1,374,250	3,868,758	109,228	71,556
Management and consultancy fees		1,052,261	1,828,218	2,938,221	1,507,458
Impairment expenses on loans		730,899	4,155,538	671,181	4,150,297
Impairment expenses on investments		-	558,335	-	1,167,714
Other expenses	4	1,325,481	3,322,461	355,928	587,735
Profit before related income tax expense		30,291,310	33,547,718	11,963,864	21,024,952
Income tax expense	5	6,986,199	8,973,968	6,317,319	8,964,785
Net profit		23,305,111	24,573,750	5,646,545	12,060,167
Net profit attributable to minority interests	22	5	607,995	-	-
Net profit attributable to members of the parent entity		23,305,106	23,965,755	5,646,545	12,060,167
Basic and diluted earnings per share	6	0.1866	0.2099		

The income statements are to be read in conjunction with the notes to the financial statements set out on pages 24 to 55.

balance sheets

as at 30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
CURRENT ASSETS					
Cash and cash equivalents	24	24,194,797	41,277,130	23,594,683	40,270,010
Trade and other receivables	8	15,799,635	17,316,946	16,500,654	19,242,380
Other financial assets	9	-	3,471,482	-	3,471,482
Current tax assets	5	304,864	1,007	304,864	-
Other assets	10	89,531	102,633	48,038	83,323
Total current assets		40,388,827	62,169,198	40,448,239	63,067,195
NON-CURRENT ASSETS					
Trade and other receivables	8	5,422,656	3,515,142	6,580,250	6,031,622
Financial assets	9	126,588,621	85,269,379	130,011,759	78,565,721
Investments accounted for using the equity method	11	11,157,964	9,454,221	6,905,656	5,282,463
Property, plant and equipment	14	19,424	22,292	-	-
Investment properties	15	2,818,637	-	-	-
Intangible assets	16	8,686,354	8,611,914	-	-
Deferred tax assets	5	1,039,109	2,500,741	722,542	2,447,290
Total non-current assets		155,732,765	109,373,689	144,220,207	92,327,096
TOTAL ASSETS		196,121,592	171,542,887	184,668,446	155,394,291
CURRENT LIABILITIES					
Trade and other payables	17	2,145,874	921,794	1,685,655	533,189
Provisions	18	323,985	135,789	163,950	-
Current tax liabilities	5	4,641,279	639,219	4,642,639	639,219
Total current liabilities		7,111,138	1,696,802	6,492,244	1,172,408
NON-CURRENT LIABILITIES					
Trade and other payables	17	-	-	54,551,380	35,812,844
Other financial liabilities	19	2,113,032	-	-	-
Deferred tax liabilities	5	19,491,298	14,627,569	17,347,941	11,348,612
Total non-current liabilities		21,604,330	14,627,569	71,899,321	47,161,456
TOTAL LIABILITIES		28,715,468	16,324,371	78,391,565	48,333,864
NET ASSETS		167,406,124	155,218,516	106,276,881	107,060,427
EQUITY					
Contributed equity	20	38,633,426	52,509,394	38,633,426	52,509,394
Retained profits	21	98,077,668	82,300,999	26,929,753	28,811,645
Other reserves	23	30,694,856	20,407,954	40,713,702	25,739,388
Total parent entity interest		167,405,950	155,218,347	106,276,881	107,060,427
Minority interest	22	174	169	-	-
TOTAL EQUITY		167,406,124	155,218,516	106,276,881	107,060,427

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 24 to 55.

CVC Limited and its Controlled Entities

statements of changes in equity

for the year ended
30 June 2006

Notes	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
Income and expenses recognised directly in equity				
“Available-for-sale” investments:				
- Increase in fair values recognised in other reserves	22,251,917	(2,379,960)	21,008,645	8,999,965
- Amounts transferred from other reserves to the income statement on sale	(7,712,384)	17,849,138	227,192	(53,845)
- Income tax on fair value movements taken to or from other reserves	(4,361,859)	(4,640,753)	(6,370,751)	(2,683,836)
Value of equity based remuneration recognised in other reserves	109,228	71,556	109,228	71,556
Value of associates equity based remuneration recognised in other reserves	-	35,271	-	-
Net income reflected directly in equity	10,286,902	10,935,252	14,974,314	6,333,840
Profit for the year	23,305,111	24,573,750	5,646,545	12,060,167
Total recognised income and expense for the year	33,592,013	35,509,002	20,620,859	18,394,007
Attributable to				
Shareholders	33,592,008	34,901,007	20,620,859	18,394,007
Minority interests	5	607,995	-	-
	33,592,013	35,509,002	20,620,859	18,394,007
Transactions with shareholders in their capacity as shareholders				
Shares issued during the period:				
- share placement	-	28,050,000	-	28,050,000
- transaction cost of share placement	-	(785,400)	-	(785,400)
- through the dividend reinvestment plan	1,575,503	907,794	1,575,503	907,794
- acquisition of CVC Managers Pty Limited	-	8,500,000	-	8,500,000
- under the executive and non-executive long term incentive plan	1,000	-	1,000	-
Payments for share buy-backs	(15,452,471)	(4,400,527)	(15,452,471)	(4,400,527)
Dividends paid to shareholders	(7,528,437)	(3,873,695)	(7,528,437)	(3,873,695)
Total transactions with shareholders in their capacity as shareholders	(21,404,405)	28,398,172	(21,404,405)	28,398,172
Other equity movements				
Decrease in minority interest from sale of controlled entity	-	(3,066,027)	-	-
Net increase in equity for the year	12,187,608	60,841,147	(783,546)	46,792,179
Equity at the beginning of the year	155,218,516	94,377,369	107,060,427	60,268,248
Equity at the end of the year	167,406,124	155,218,516	106,276,881	107,060,427

The statements of changes in equity are to be read in conjunction with the notes to the financial statements as set out on pages 24 to 55.

cash flow statements

for the year ended
30 June 2006

	Notes	Consolidated		The Company	
		2006 \$	2005 \$	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts in the course of operations		1,109,228	19,880,244	63,399	112,001
Cash payments in the course of operations		(2,982,360)	(24,816,546)	(2,361,099)	(5,740,727)
Interest received		2,273,750	1,295,159	2,217,681	1,172,844
Dividends received		5,298,658	4,993,863	4,636,918	4,376,187
Interest paid		(136,558)	-	(36,059)	-
Income taxes paid		(1,265,789)	(1,570,492)	(1,265,437)	(603,431)
Net cash provided by/(used in) operating activities	24	4,296,929	(217,772)	3,255,403	(683,126)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		(2,845,770)	(583,500)	-	-
Receipts for property, plant and equipment		-	20,455	-	-
Payments for equity investments		(40,684,497)	(27,040,173)	(41,023,000)	(22,980,734)
Proceeds on disposal of equity investments		37,063,961	28,313,365	20,618,461	10,155,856
Payments for acquisition of controlled entities net of cash acquired		(191,440)	(372,271)	-	(355,639)
Proceeds for sale of controlled entities net of cash disposed		-	6,493,051	-	7,000,504
Loans provided		(6,397,057)	(21,584,363)	(9,768,351)	(27,187,287)
Loans repaid		10,806,946	24,956,126	31,473,565	45,153,206
Net cash (used in)/provided by investing activities		(2,247,857)	10,202,690	1,300,675	11,785,906
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		2,100,000	-	-	-
Dividends paid to members of parent entity		(5,778,933)	(3,260,428)	(5,778,933)	(3,260,428)
Dividends paid to minority interests		-	(637,051)	-	-
Shares bought-back on market		(15,452,472)	(4,008,000)	(15,452,472)	(4,008,000)
Issue of shares		-	28,050,000	-	28,050,000
Cost of share issue		-	(1,122,000)	-	(1,122,000)
Net cash (used in)/provided by financing activities		(19,131,405)	19,022,521	(21,231,405)	19,659,572
Net (decrease)/increase in cash held		(17,082,333)	29,007,439	(16,675,327)	30,762,352
Cash at the beginning of the financial year		41,277,130	12,269,691	40,270,010	9,507,658
CASH AT THE END OF THE FINANCIAL YEAR	24	24,194,797	41,277,130	23,594,683	40,270,010

The cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 24 to 55.

notes to the financial statements

for the year ended
30 June 2006

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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:

1.1 Basis of Preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. It has been prepared on the basis of historical cost and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in CVC and, except where a change in accounting policy is indicated, are consistent with those of the previous year. 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.

1.2 Statement of Compliance

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

This is the first Financial Report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial reports and at transition to AIFRS are detailed in note 31.

AASB 7 Financial Instruments: Disclosure which has recently been issued but is not effective until 1 January 2007 has not been adopted for the annual reporting period ending 30 June 2006. Application of the standard will not 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.

1.3 Principles of Consolidation

Controlled entities

The financial statements of controlled entities are included in the results only from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (cont.)

Associates

Associates are those entities, other than partnerships, over which CVC exercises significant influence but not control. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. CVC's equity accounted share of the associates' net profit or loss is recognised in the consolidated income statement from the date significant influence commences until the date significant influence ceases. CVC's equity accounted share of movements in retained profits from changes in accounting policies by associates is recognised directly in consolidated retained profits (note 21). CVC's equity accounted share of other movements in reserves of associates is recognised directly in consolidated reserves.

Joint ventures

CVC's interests in joint venture partnerships are accounted for using equity accounting principles. Investments in joint venture partnerships are carried at the lower of the equity accounted amount and recoverable amount. CVC's equity accounted share of the joint venture partnerships' net profit or loss is recognised in the consolidated income statement from the date joint control commences to the date joint control ceases. CVC's share of other movements in reserves is recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Goodwill

Goodwill is considered to have an indefinite life and represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill has been determined as the savings arising from the purchase of the intra-group management agreements. Goodwill is reviewed annually for impairment or more frequently if events or changes in circumstance indicate that the carrying value may be impaired.

1.4 Impairment

If there is objective evidence that a financial asset's recoverable value is less than its carrying value then the carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of the future cash flows discontinued at the financial asset's original effective interest rate. The amount of the loss is recognised in profit or loss.

1.5 Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associated companies

In the Company's financial statements investments in shares of associates are carried at the lower of cost and recoverable amount.

Joint ventures

The Company's interests in joint venture partnerships are accounted for using equity accounting principles. Investments in joint venture partnerships are carried at the lower of the equity accounted amount and recoverable amount. The Company's equity accounted share of the joint venture partnerships' net profit or loss is recognised in the income statement from the date joint control commences to the date joint control ceases. The Company's share of other movements in reserves is recognised directly in reserves.

Set-off of financial assets and liabilities

For investments with direct associated debt, the financial assets and liabilities are reflected on a net basis where this reflects a right, and an intention, to set-off the expected future cash flows from settling those assets and liabilities.

1.6 Income Tax

Current and deferred 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, the tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by 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 assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

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

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

notes to the financial statements

*for the year ended
30 June 2006*

notes to the financial statements

for the year ended
30 June 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (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.

1.7 Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

1.8 Trade and Other Payables

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

1.9 Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, 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 CVC will not be able to collect the debts. Bad debts are written off when identified.

1.10 Property, Plant and Equipment

Acquisition

Items of property, plant and equipment are recorded at cost and depreciated as outlined below.

Investment property

Investment property is initially measured at cost, including transaction costs and depreciated as outlined below.

Leased plant and equipment

Lease of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the income statement. Contingent rentals are expensed as incurred.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

Depreciation and amortisation

Property, plant and equipment are depreciated/amortised using the straight line and diminishing value methods over the estimated useful lives, with the exception of finance lease assets. Finance lease assets are amortised over the term of the relevant lease, or where it is likely CVC will obtain ownership of the asset, the life of the asset. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The current depreciation rates for each class of assets are as follows:

Plant and equipment	5% to 50%
Leased assets	15% to 25%
Buildings	2.5%

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

1.11 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, in the case of investments not at fair value through profit or loss, transaction costs. CVC determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that CVC commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

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.

notes to the financial statements

for the year ended
30 June 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (cont.)

“Available-for-sale” investments

“Available-for-sale” investments are those non-derivative financial assets that are designated as “available-for-sale” or are not classified as any of the three preceding categories. After initial recognition “available-for-sale” investments are measured at fair value with gains or losses being recognised as separate components of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same and discounted cash flow analysis.

All other non-current investments were carried at the lower of cost and recoverable amount.

1.12 Intangible Assets other than Goodwill

Intangible assets are initially recorded at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets in relation to intra-group management agreements are eliminated on consolidation thereby increasing the amount of goodwill arising.

Intangible assets are amortised on a straight line basis over the period during which benefits are expected to be received. The period in use during the year was 10 years.

1.13 Revenue and Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to CVC and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial

asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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 income statement. If the equity investment continues to be held as an “available-for-sale” asset, changes in its fair value will be recognised directly in equity. This may impact the ability to directly compare financial information.

Provision of services

Revenue from the provision of services represents management fees charged to associated entities and is recognised when the terms or the agreement are satisfied.

Where a financial asset has been issued in exchange for services, the market value of that asset is included as income at the date an unconditional contract is signed.

Dividends

Revenue from dividends and other distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Revenue from dividends from associates is recognised by the parent entity when dividends are received.

Revenue from dividends from other investments is recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

1.14 Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

notes to the financial statements

for the year ended
30 June 2006

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (cont.)

1.15 Employee Entitlements

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Share based payment transactions

CVC provides benefits to employees (including senior executives) of CVC in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted, and amortised over the term of the plan.

1.16 Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Shares issued under the CVC Executive Long Term Incentive Plan are treated as an option grant. The Black Scholes model is applied to calculate any equity based compensation amount arising from the assessed value of the shares issued exceeding the amount which the employee is required to pay for those shares. Such amounts are amortised over the relevant period during which the shares become available on an unrestricted basis. An increase in the value of contributed equity is also only recognised at the end of the period when the shares become available on an unrestricted basis.

1.17 Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

1.18 Goods and Services Tax (GST)

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

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

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

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

1.19 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 2006

NOTE 2: CONTROLLED ENTITIES

2.1 Composition of Consolidated Group

The consolidated financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity. All companies are incorporated in Australia.

	Interest Held by Consolidated Entity	
	2006 %	2005 %
CVC Limited		
Direct Controlled Entities		
Biomedical Systems Pty Limited	100	100
CVC Fairfield Pty Limited	100	100
CVC Investment Managers Pty Limited (formerly Kingarow Pty Limited)	100	100
CVC Leasing Pty Limited	100	100
CVC Managers Pty Limited	100	100
CVC Mezzanine Finance Pty Limited	100	100
CVC (Newcastle) Pty Limited	100	100
CVC Property Managers Limited	100	-
CVC Technologies Pty Limited	100	100
Energy Technology Holding Pty Limited	100	-
Laserex Pty Limited	100	100
Renewable Energy Managers Pty Limited	100	-
Stinoc Pty Limited	99	99
Skyline Investments Australia Pty Limited	100	-
The Eco Fund Pty Limited	100	100
Controlled Entities Owned 100% by Laserex Pty Limited		
CVC Communication and Technology Pty Limited	100	100

2.2 Acquisition and Disposals of Controlled Entities – CVC Property Managers Limited

On 23 December 2005, CVC acquired 100% of CVC Property Managers Limited (formerly Taragon Management Limited) for a consideration of \$271,440.

A summary of the acquisition is as follows:

	\$
Assets and Liabilities of CVC Property Managers at Acquisition	
Cash assets	80,000
Tangible assets	4,227
Payables	(4,227)
	80,000
Goodwill arising	191,440
	271,440

For the period from acquisition to the end of the financial year, CVC Property Managers Limited recorded revenues of \$21,233 and loss before tax of \$69,976. If CVC Property Managers Limited had been owned for the whole of the financial year the revenue included would have been \$279,437, and profit before tax would have been \$124,759.

notes to the financial statements

for the year ended
30 June 2006

NOTE 2: CONTROLLED ENTITIES (cont.)

2.3 Acquisition and Disposals of Controlled Entities – CVC Managers Pty Limited

On 8 October 2004, CVC acquired 100% of CVC Managers Pty Limited in exchange for 7,391,304 shares in the Company for a consideration of \$8,500,000. A summary of the acquisition is as follows:

	\$
Assets and Liabilities of CVC Managers at Acquisition	
Cash assets	181,483
Tangible assets	126,867
Investments accounted for using the equity method	76,944
Intangible assets (i)	1,170,000
Payables	(38,317)
Provisions	(160,783)
Deferred tax liabilities	(385,858)
	970,336
Goodwill arising (i)	7,529,664
	8,500,000

(i) Intangible assets in relation to intra-group management agreements have not been recognised in the consolidated entity thereby increasing the component of the consideration paid allocated to goodwill arising.

For the period from acquisition to the end of the financial year, CVC Managers Pty Limited recorded revenues of \$2,614,985 and profit before tax and amortisation of intangibles of \$399,148.

2.4 Acquisition and Disposals of Controlled Entities – Pro-Pac Group Limited

On 28 April 2005, CVC sold its shares in Pro-Pac Group Limited to Pro-Pac Packaging Limited, as part of the IPO of the Pro-Pac business, for a consideration of \$7,922,689, comprising \$4,785,940 cash and 6,273,498 shares (at a valuation of \$3,136,749) in Pro-Pac Packaging Limited. A summary of the disposal is as follows:

Assets and Liabilities of Pro-Pac at Date of Loss of Control

Cash and cash equivalents	507,453
Trade and other receivables	3,483,610
Inventory	1,260,771
Other current assets	110,406
Property, plant and equipment	1,005,445
Intangible assets	7,441,382
Deferred income tax assets	136,446
Trade and other payables	(2,141,586)
Provisions	(357,520)
Current tax liabilities	(27,529)
Intra-group loans	(18,293)
Total assets and liabilities	11,400,585
Less: minority interests	(5,791,394)
Carrying value at date of disposal	5,609,191
Profit on disposal	2,313,498
	7,922,689

For the period from the start of the financial year to the date of loss of control, Pro-Pac Group recorded revenues of \$17,545,217 and profit before tax and amortisation of intangibles of \$2,143,528.

notes to the financial statements

*for the year ended
30 June 2006*

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 3: INCOME				
Revenue from sale of goods	-	17,417,264	-	-
Revenue from sale of services	5,015,778	745,777	-	-
Net gain on sales of equity investments	16,762,359	15,042,228	3,542,470	5,500,688
Interest:				
Controlled entities	-	-	548,697	54,636
Related parties	669,641	461,190	669,641	461,190
Other parties	4,506,769	2,386,981	4,426,921	2,264,252
Dividends:				
Other parties	5,298,658	2,534,747	4,636,918	4,376,187
Recoveries of loans	1,694,436	-	2,160,085	-
Other income	331,846	286,073	63,399	112,001
Total income	34,279,487	38,874,260	16,048,131	12,768,954
NOTE 4: PROFIT BEFORE INCOME TAX EXPENSE				
Profit before income tax expense has been arrived at after charging the following items:				
Other expenses:				
Audit fees	113,927	100,510	75,500	66,500
Directors fees	62,002	50,000	50,000	50,000
Freight costs	-	338,014	-	-
Insurance	95,969	115,627	26,971	26,802
Legal costs	49,976	277,975	61,643	235,002
Operating lease rental expense	358,781	657,191	-	-
Royalty costs	-	461,166	-	-
All other expenses	644,826	1,321,978	141,814	209,431
Total other expenses	1,325,481	3,322,461	355,928	587,735

notes to the financial statements

for the year ended
30 June 2006

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 5: TAXATION				
5.1 Income Tax Expense				
Prima facie income tax expense calculated at 30% (2005: 30%) on the profit from operations	9,087,393	10,064,315	3,589,159	6,307,485
Increase in income tax expense due to:				
Prima facie income tax on profit from subsidiaries within tax consolidation group	-	-	4,582,978	4,299,545
Tax losses not recognised	-	361,281	-	-
Sundry items	21,504	70,885	48,694	57,453
Decrease in income tax expense due to:				
Franked dividends received	(1,565,087)	(1,472,920)	(1,565,087)	(1,656,805)
Recovery of tax losses not previously recognised	(4,982)	(6,815)	-	-
	7,538,828	9,016,746	6,655,744	9,007,678
Prior year over provision	(552,629)	(42,778)	(338,425)	(42,893)
Income tax expense attributable to profit	6,986,199	8,973,968	6,317,319	8,964,785
Comprises:				
Current tax	4,963,993	639,219	4,963,993	639,219
Deferred tax	2,574,835	8,377,527	1,691,751	8,368,459
Over provision in respect of prior year	(552,629)	(42,778)	(338,425)	(42,893)
	6,986,199	8,973,968	6,317,319	8,964,785
5.2 Current Tax Assets				
Income tax instalments refundable				
Balance at the end of the year	304,864	1,007	304,864	-
5.3 Current Tax Liabilities				
Income tax payable				
Balance at the end of the year	4,641,279	639,219	4,642,639	639,219

notes to the financial statements

for the year ended
30 June 2006

	Included in Income \$	Consolidated Included in Equity \$	Total \$	Included in Income \$	The Company Included in Equity \$	Total \$
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NOTE 5: TAXATION (cont.)

5.4 Deferred Tax Assets

Deferred income tax at 30 June related to the following deferred tax assets:

Year ended 30 June 2006

Provisions and accrued expenses	153,428	-	153,428	90,321	-	90,321
Loan impairment	683,721	-	683,721	430,261	-	430,261
Share raising costs	(134,640)	336,600	201,960	(134,640)	336,600	201,960
	702,509	336,600	1,039,109	385,942	336,600	722,542

Year ended 30 June 2005

Provisions and accrued expenses	71,452	-	71,452	18,000	-	18,000
Loan impairment	1,008,071	-	1,008,071	1,008,071	-	1,008,071
Share raising costs	(67,320)	336,600	269,280	(67,320)	336,600	269,280
Tax losses	1,151,938	-	1,151,938	1,151,939	-	1,151,939
	2,164,141	336,600	2,500,741	2,110,690	336,600	2,447,290

5.5 Deferred Tax Liabilities

Deferred income tax at 30 June related to the following deferred tax liabilities:

Year ended 30 June 2006

"Available-for-sale" investments	-	12,990,476	12,990,476	-	17,117,862	17,117,862
Receivables	1,137,545	-	1,137,545	230,079	-	230,079
Equity accounted income	5,038,527	-	5,038,527	-	-	-
Property, plant and equipment	4,136	-	4,136	-	-	-
Intangible assets	289,575	-	289,575	-	-	-
Other	31,039	-	31,039	-	-	-
	6,500,822	12,990,476	19,491,298	230,079	17,117,862	17,347,941

Year ended 30 June 2005

"Available-for-sale" investments	-	8,817,911	8,817,911	-	11,017,869	11,017,869
Receivables	331,566	-	331,566	330,743	-	330,743
Equity accounted income	5,097,242	-	5,097,242	-	-	-
Property, plant and equipment	4,136	-	4,136	-	-	-
Intangible assets	376,714	-	376,714	-	-	-
	5,809,658	8,817,911	14,627,569	330,743	11,017,869	11,348,612

5.6 Tax Consolidation

The Company and its applicable wholly owned subsidiaries have adopted the provisions of the tax consolidation regime on 30 June 2003. Tax balances within this financial report reflect the effects of the tax consolidation regime and formal tax sharing arrangements between subsidiaries, and a tax funding arrangement exists where the group members ensure that any tax liability is paid by CVC Limited.

notes to the financial statements

for the year ended
30 June 2006

	Consolidated	
	2006 \$	2005 \$
NOTE 6: EARNINGS PER SHARE		
Basic and diluted earnings per share (dollars per share)	0.1866	0.2099
Reconciliation of earnings used in the calculation of earnings per share		
Profit after income tax	23,305,111	24,573,750
Less: minority interests	(5)	(607,995)
Earnings	23,305,106	23,965,755
	Number of Shares	
Weighted average number of ordinary shares*	124,918,058	114,181,399
Number of shares on issue at the end of the year*	117,185,681	127,447,838

* Includes shares issued under the CVC Executive Long Term Incentive Plan.

NOTE 7: DIVIDENDS

Dividends proposed or paid and not provided for in previous years by the Company are:

Declared during the financial period and included within the balance sheet

	Cents Per Share	Total \$	Date of Payment	Tax Rate for Franking Credit	Percentage Franked
2005 Final on ordinary shares	3.00	3,823,435	30 September 2005	30%	100%
2006 Interim on ordinary shares	3.00	3,705,002	17 March 2006	30%	100%

Declared after the end of the financial period and not included in the balance sheet

A final dividend for 2006 of 3 cents per share to be paid on 29 September 2006 was declared on 6 September 2006.

	The Company	
	2006 \$	2005 \$
Dividend franking account		
Franking credits available to shareholders for subsequent financial years	14,012,996	3,587,642

The franking account is stated on a tax paid basis. The balance comprises the franking account at year-end adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax
- franking debits that will arise from the payment of dividends recognised as a liability at year-end
- franking credits that the entity may be prevented from distributing in subsequent years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends.

notes to the financial statements

*for the year ended
30 June 2006*

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 8: TRADE AND OTHER RECEIVABLES				
Current				
Trade and other receivables	648,235	1,072,045	587,691	1,044,337
Loans to other corporations	11,735,465	15,871,480	11,361,301	15,871,480
Provision for non-recovery of loans to other corporations	-	(5,446,510)	-	(5,446,510)
Loans to controlled entities	-	-	4,551,662	3,786,166
Loans to related entities	3,415,935	5,819,931	-	3,986,907
	15,799,635	17,316,946	16,500,654	19,242,380
Non-current				
Loans to other corporations	2,559,452	30,000	2,559,452	30,000
Loans to controlled entities	-	-	1,157,594	3,638,871
Provision for non-recovery of loans to controlled entities	-	-	-	(1,122,391)
Loans to Director related entities	1,848,688	3,731,166	1,848,688	3,731,166
Provision for non-recovery of loans to Director related entities	-	(246,024)	-	(246,024)
Loans to related entities	1,014,516	-	1,014,516	-
	5,422,656	3,515,142	6,580,250	6,031,622
Further details of loans to related entities are set out in Note 28.				
NOTE 9: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE”				
Current				
Shares in listed corporations at market value	-	3,471,482	-	3,471,482
	-	3,471,482	-	3,471,482
Non-current				
Unlisted controlled entities – at cost	-	-	9,413,943	9,102,492
Shares in listed corporations – at market value	110,764,571	78,341,301	106,539,825	64,134,717
Other investments - at cost*	12,222,396	6,928,078	10,456,337	5,328,512
Other investments - at fair value	3,601,654	-	3,601,654	-
	126,588,621	85,269,379	130,011,759	78,565,721

* Of the above investments Probiotec Limited is the only investment where a greater than 20% interest is held which is not accounted for in accordance with AASB 128 *Investment in Associates*. CVC has a 21% interest recorded at a cost of \$5,752,384 (2005: \$5,252,384) as there is no influence exerted on the operations of Probiotec Limited.

notes to the financial statements

for the year ended
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	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 10: OTHER ASSETS				
Current				
Prepayments and deposits	44,972	26,202	12,011	13,345
Goods and services tax	44,559	76,431	36,027	69,978
	89,531	102,633	48,038	83,323
NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Non-current				
Equity accounted interests in joint ventures (Note 12)	115,560	89,210	115,560	89,210
Equity accounted shares in listed associated companies (Note 13)	516,386	-	516,750	-
Equity accounted shares in other associated companies (Note 13)	10,526,018	9,365,011	6,273,346	5,193,253
	11,157,964	9,454,221	6,905,656	5,282,463
NOTE 12: INTERESTS IN JOINT VENTURES				
Joint Venture Partnerships				
Interests in joint venture partnerships	115,560	89,210	115,560	89,210
The Company and CVC hold 50% interests (2005: 50%) in three joint venture partnerships: Chevron Developments, Bel Air Real Estate and Skyline Investments Australia.				
The principal activities of the joint ventures are property ownership, operation and finance.				
Movements in interests in joint venture partnerships are as follows:				
At beginning of the year	89,210	8,055,334	89,210	8,055,334
Share of profit for the year	26,350	15,740,758	26,350	15,740,758
Profit distributions	-	(23,706,882)	-	(23,706,882)
Balance at the end of the year	115,560	89,210	115,560	89,210
The interests in joint venture partnerships at the end of the financial year are split as follows:				
Current assets	115,830	149,922	115,830	149,922
Current liabilities	(270)	(60,712)	(270)	(60,712)
Net assets	115,560	89,210	115,560	89,210
Retained profits	115,560	89,210	115,560	89,210
The share of the profit for the year from interests in joint venture partnerships is split as follows:				
Income	42,137	45,201,829	42,137	45,201,829
Expenses	(15,787)	(29,461,071)	(15,787)	(29,461,071)
Operating profit	26,350	15,740,758	26,350	15,740,758

NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES

Details of material interests in associated entities are as follows:

	Type	Ownership Interest				Investment Carrying Amount			
		Consolidated		The Company		Consolidated		The Company	
		2006	2005	2006	2005	2006	2005	2006	2005
		%	%	%	%	\$	\$	\$	\$
CVC Private Equity Limited	Ords	28.5	24.5	28.5	24.5	4,729,024	3,649,287	4,698,346	3,618,253
CVC Reef Investment Managers Limited	Ords	50.0	50.0	-	-	32,048	89,059	-	-
Lauden CVC Property Trust	Units	45.0	45.0	-	-	3,604,087	3,735,725	-	-
Ron Finemore Transport Pty Limited	Ords	25.0	25.0	25.0	25.0	508,061	1,327,426	1,575,000	1,575,000
Taragon Property Fund	Ord Units	19.5	-	19.5	-	516,386	-	516,750	-
Winten (No.20) Pty Limited	Ords	50.0	50.0	-	-	1,652,798	563,514	-	-
						11,042,404	9,365,011	6,790,096	5,193,253

	Dividends Received/Receivable			
	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
CVC Private Equity Limited	86,780	-	86,780	-
CVC Reef Investment Managers Limited	-	-	-	-
Lauden CVC Property Trust	-	-	-	-
Ron Finemore Transport Pty Limited	-	-	-	-
Taragon Property Fund	-	-	-	-
Winten (No.20) Pty Limited	-	-	-	-
	86,780	-	86,780	-

Information on associated entities

- CVC Private Equity Limited - CVC Private Equity Limited is a private equity investment company.
- CVC Reef Investment Managers Pty Limited - CVC Reef Investment Managers Pty Limited was acquired as part of the acquisition of CVC Managers Pty Limited. It is the investment manager for the CVC REEF Limited renewable energy investment company.
- Lauden CVC Property Trust - Laudan CVC Property Trust owns a property at Belrose, NSW to be used as a bulky goods site.
- Ron Finemore Transport Pty Limited - Ron Finemore Transport Pty Limited is a regional road transport and logistics group.
- Winten (No.20) Pty Limited - Winten (No.20) Pty Limited is developing a residential site at Fern Bay, NSW.
- Taragon Property Fund - Taragon Property Fund holds property investments in Australia. CVC Property Managers Limited which is 100% owned by CVC Limited is the Responsible Entity and Investment Manager of the fund.

The balance date of all the associated entities is 30 June 2006 and all were incorporated in Australia.

notes to the financial statements

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NOTE 13: INVESTMENTS IN ASSOCIATED ENTITIES (cont.)

Reconciliations

Movements in the carrying amount of the investments in associated entities under the equity accounting method are as follows:

	CVC Private Equity \$	CVC Reef Inv. Managers \$	Lauden CVC Prop. Trust \$	Ron Finemore Transport \$	Sunland Group \$	Taragon Property Fund \$	Winten (No. 20) \$	Total \$
Year ended 30 June 2006								
Balance at the start of the year	3,649,287	89,059	3,735,725	1,327,426	-	-	563,514	9,365,011
New interests acquired	690,207	-	69,300	-	-	516,750	-	1,276,257
Share of associates profits/(losses) before tax	553,107	(44,691)	1,562	(819,365)	-	(364)	1,089,284	779,533
Share of associates tax (expense)/benefit	(2,258)	(12,320)	-	-	-	-	-	(14,578)
Share of associates reserves	(74,539)	-	-	-	-	-	-	(74,539)
Dividends received during the year	(86,780)	-	-	-	-	-	-	(86,780)
Interests disposed during the year	-	-	(202,500)	-	-	-	-	(202,500)
Balance at the end of the year	4,729,024	32,048	3,604,087	508,061	-	516,386	1,652,798	11,042,404
Year ended 30 June 2005								
Balance at the start of the year	4,196,355	-	-	-	33,602,193	-	847,457	38,646,005
New interests acquired	39,506	-	3,754,894	1,575,000	-	-	4,545	5,373,945
Acquired with acquisition of controlled entity	-	76,944	-	-	-	-	-	76,944
Share of associates profits/(losses) before tax	(554,742)	11,842	(19,169)	(247,574)	5,577,040	-	(288,488)	4,478,909
Share of associates tax (expense)/benefit	-	273	-	-	(1,516,383)	-	-	(1,516,110)
Share of associates reserves	(28,870)	-	-	-	-	-	-	(28,870)
Interests disposed during the year	(2,962)	-	-	-	(7,427,169)	-	-	(7,430,131)
Dividends received during the year	-	-	-	-	(2,459,129)	-	-	(2,459,129)
Reclassification of investments	-	-	-	-	(27,776,552)	-	-	(27,776,552)
Balance at the end of the year	3,649,287	89,059	3,735,725	1,327,426	-	-	563,514	9,365,011

notes to the financial statements

*for the year ended
30 June 2006*

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 14: PROPERTY, PLANT AND EQUIPMENT				
Plant and equipment				
At cost	194,125	1,089,699	-	-
Accumulated depreciation	(174,701)	(1,067,407)	-	-
Total property, plant and equipment	19,424	22,292	-	-
Reconciliation				
Carrying amount at the beginning of the year	22,292	670,692	-	-
Assets acquired in business acquisition	-	23,404	-	-
Additions	11,776	583,500	-	-
Disposals through sale of controlled entities	-	(1,005,445)	-	-
Disposals	-	(20,455)	-	-
Depreciation	(14,644)	(229,404)	-	-
Carrying amount at the end of the year	19,424	22,292	-	-
NOTE 15: INVESTMENT PROPERTIES				
Investment properties				
At cost	2,833,994	-	-	-
Accumulated depreciation	(15,357)	-	-	-
Total investment properties	2,818,637	-	-	-
Reconciliation				
Carrying amount at the beginning of the year	-	-	-	-
Additions	2,833,994	-	-	-
Depreciation	(15,357)	-	-	-
Carrying amount at the end of the year	2,818,637	-	-	-
NOTE 16: INTANGIBLE ASSETS				
Goodwill	7,721,104	7,529,664	-	-
Management agreements and licences	1,170,000	1,170,000	-	-
Accumulated amortisation	(204,750)	(87,750)	-	-
Total management agreements and licences	965,250	1,082,250	-	-
Total intangible assets	8,686,354	8,611,914	-	-

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for the year ended
30 June 2006

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 16: INTANGIBLE ASSETS (cont.)				
Reconciliations				
Goodwill				
Carrying amount at the beginning of the year	7,529,664	5,157,691	-	-
Arising on acquisitions of interests in controlled entities	191,440	9,812,348	-	-
Disposed with sale of interests in controlled entities	-	(7,441,382)	-	-
Other	-	1,007	-	-
Carrying amount at the end of the year	7,721,104	7,529,664	-	-
Management agreements and licences				
Carrying amount at the beginning of the year	1,082,250	-	-	-
Acquired in business acquisition	-	1,170,000	-	-
Amortisation	(117,000)	(87,750)	-	-
Carrying amount at the end of the year	965,250	1,082,250	-	-
NOTE 17: TRADE AND OTHER PAYABLES				
Current				
Trade and other payables	1,558,713	232,423	1,462,088	189,206
Loans from joint venture entities	75,000	7,986	75,000	7,986
Sundry creditors and accruals	428,986	681,385	148,567	335,997
Goods and services tax payable	83,175	-	-	-
Total current accounts payable	2,145,874	921,794	1,685,655	533,189
Non-current				
Loan from controlled entities	-	-	54,551,380	35,812,844
NOTE 18: PROVISIONS				
Current				
Contingent consideration	163,950	-	163,950	-
Employee entitlements	160,035	135,789	-	-
	323,985	135,789	163,950	-
Non-current				
Employee entitlements	-	-	-	-
NOTE 19: OTHER FINANCIAL LIABILITIES				
Non-current				
Secured bank loan	2,113,032	-	-	-

7.55% Secured Bank Loan

This loan is secured by a first registered mortgage over industrial premises at 96 Fairfield Street, Fairfield. The term of the facility is 10 years, maturing on 31 October 2015.

notes to the financial statements

*for the year ended
30 June 2006*

	The Company			
	Number	2006 \$	Number	2005 \$
NOTE 20: CONTRIBUTED EQUITY				
Issued and paid-up ordinary share capital				
Balance at the beginning of the year	127,447,838	52,509,394	103,994,456	20,237,527
Shares issued during the year:				
- acquisition of CVC Managers Pty Limited	-	-	7,391,304	8,500,000
- executive and non-executive long term incentive plan	200,800	1,000	2,800,000	-
- dividend reinvestment plan	1,134,399	1,575,503	270,850	515,267
- share placement	-	-	16,500,000	28,050,000
- cancellation of shares	(100,000)	-	-	-
- transaction cost of share placement, net of tax	-	-	-	(785,400)
Shares bought back on market	(11,497,356)	(15,452,471)	(3,508,772)	(4,008,000)
Balance at the end of the year	117,185,681	38,633,426	127,447,838	52,509,394

On 19 August 2004 the Company commenced an on-market share buy-back scheme for an unlimited duration but limited to 20,000,000 ordinary shares. At the date of this report 15,015,128 shares had been bought back under this scheme.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 21: RETAINED PROFITS				
Retained profits at the beginning of the year	82,300,999	62,208,939	28,811,645	20,625,173
Net profit attributable to members of the parent company	23,305,106	23,965,755	5,646,545	12,060,167
Dividends	(7,528,437)	(3,873,695)	(7,528,437)	(3,873,695)
Retained profits at the end of the year	98,077,668	82,300,999	26,929,753	28,811,645
NOTE 22: MINORITY INTEREST				
Reconciliation of minority interest in controlled entities				
Balance at the beginning of the year	169	2,458,201	-	-
Share of net profit	5	607,995	-	-
Created on partial sale of controlled entities	-	1,783,323	-	-
Sale of controlled entities	-	(5,791,394)	-	-
Dividends paid	-	(637,051)	-	-
Shares issued by controlled entity	-	1,579,095	-	-
Balance at the end of the year	174	169	-	-
The minority interest at the end of the year comprises interests in				
Share capital	7,506	7,506	-	-
Accumulated losses	(7,332)	(7,337)	-	-
	174	169	-	-

notes to the financial statements

for the year ended
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	Consolidated			The Company		
	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Total	Asset Revaluation Reserve	Employee Equity Benefit Reserve	Total
	\$	\$	\$	\$	\$	\$

NOTE 23: OTHER RESERVES

Year ending 30 June 2006

Reserves at the beginning of the year	20,301,127	106,827	20,407,954	25,667,832	71,556	25,739,388
Share based payments	-	109,228	109,228	-	109,228	109,228
Net unrealised gain/(loss) on "available-for-sale" investments	22,251,917	-	22,251,917	21,008,645	-	21,008,645
Realised gain/(loss) on "available-for-sale" investments reclassified to the income statement	(7,712,384)	-	(7,712,384)	227,192	-	227,192
Tax effect of net gain/(loss) on "available-for-sale" investments	(4,361,859)	-	(4,361,859)	(6,370,751)	-	(6,370,751)
Reserves at the end of the year	30,478,801	216,055	30,694,856	40,532,918	180,784	40,713,702

Year ending 30 June 2005

Reserves at the beginning of the year	9,472,702	-	9,472,702	19,405,548	-	19,405,548
Share based payments	-	106,827	106,827	-	71,556	71,556
Net unrealised gain/(loss) on "available-for-sale" investments	(2,379,960)	-	(2,379,960)	8,999,965	-	8,999,965
Realised gain/(loss) on "available-for-sale" investments reclassified to the income statement	17,849,138	-	17,849,138	(53,845)	-	(53,845)
Tax effect of net gain/(loss) on "available-for-sale" investments	(4,640,753)	-	(4,640,753)	(2,683,836)	-	(2,683,836)
Reserves at the end of the year	20,301,127	106,827	20,407,954	25,667,832	71,556	25,739,388

NOTE 24: NOTES TO THE CASH FLOW STATEMENT

24.1 Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short-term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
Cash and cash equivalents	24,194,797	41,277,130	23,594,683	40,270,010

notes to the financial statements

for the year ended
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	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 24: NOTES TO THE CASH FLOW STATEMENT (cont.)				
24.2 Reconciliation of Profit after Income Tax to the Net Cash Provided by Operating Activities				
Profit after income tax	23,305,111	24,573,750	5,646,545	12,060,167
Add/(less) non-cash items:				
Share of equity accounted profits	(791,305)	(18,703,557)	(26,350)	(15,740,758)
Dividends received from equity accounted associates	-	2,459,129	-	-
Depreciation and amortisation of property, plant and equipment	30,001	229,404	-	-
Amortisation of intangibles	117,000	87,750	-	-
Impairment expenses on loans	730,899	4,155,538	671,181	4,150,297
Impairment expenses on investments	-	558,335	-	1,167,714
Recoveries of loans	(1,694,436)	-	(2,160,085)	-
Profit on disposal of investments	(16,762,359)	(15,042,228)	(3,542,470)	(5,500,688)
Interest income not received	(2,889,628)	(1,553,012)	(3,427,577)	(1,607,234)
Movement in current tax assets and liabilities	3,698,203	(285,764)	3,698,556	37,954
Movement in deferred tax assets and liabilities	2,022,206	7,689,227	1,353,326	8,323,400
Equity remuneration	110,228	71,556	110,228	71,556
Share option income	(166,494)	-	-	-
Changes in assets and liabilities:				
Trade and other receivables	(4,071,902)	(263,876)	(188,681)	41,000
Inventories	-	(128,758)	-	-
Trade and other payables	617,830	(3,909,002)	1,085,445	(3,634,082)
Provisions	24,246	(19,510)	-	-
Other assets	17,329	(136,754)	35,285	(52,452)
Net cash (used in)/provided by operating activities	4,296,929	(217,772)	3,255,403	(683,126)
24.3 Financing Facilities				
At 30 June 2006, CVC had access to the following specific lines of credit				
Total facilities available:				
Secured bank loan	2,113,032	-	-	-
Bank facility	5,000,000	5,000,000	5,000,000	5,000,000
	7,113,032	5,000,000	5,000,000	5,000,000
Total facilities used:				
Secured bank loan	2,113,032	-	-	-
Bank facility	-	-	-	-
	2,113,032	-	-	-

notes to the financial statements

for the year ended
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	Consolidated		The Company	
	2006	2005	2006	2005
	\$	\$	\$	\$
NOTE 25: AUDITORS' REMUNERATION				
The auditor of the Company is HLB Mann Judd (NSW Partnership).				
Amounts received or due and receivable to Auditors of the Company:				
Audit or review of the financial report	79,500	100,510	73,000	66,500
Other services – CVC Sustainable Investments Limited capital raising				
- assurance service	7,500	5,800	-	-
- tax opinion	1,000	-	-	-
	88,000	106,310	73,000	66,500
Amounts received or due and receivable by non HLB Mann Judd (NSW Partnership) audit firm:				
Audit or review of the financial report	15,750	-	-	-
Other services - Financial Services Licence audit	6,300	-	-	-
	22,050	-	-	-
The Auditors received no other benefits.				
NOTE 26: COMMITMENTS AND CONTINGENCIES				
26.1 Operating Lease Commitments				
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
- within one year	367,593	343,230	-	-
- later than one year but not later than five years	124,762	419,399	-	-
	492,355	762,629	-	-
26.2 Other Commitments				
The Company has no other commitments for expenditure.				
NOTE 27: OPERATIONS BY SEGMENTS				
27.1 Primary Segments - Business Segments				
Information for each business segment is shown in the following tables, in round thousands, as permitted under class order 98/100.				
Composition of each business segment is as follows:				
<ul style="list-style-type: none"> > Private Equity and Venture Capital involves equity and debt investments in non-listed entities not classified as property or funds management. It includes shares, debt, convertible notes and other investments. > Listed Investments comprises investments listed on recognised stock exchanges. > Property comprises property finance and equity accounted property interests. > Funds Management comprises the business and assets of the investment funds management operations. 				

NOTE 27: OPERATIONS BY SEGMENTS (cont.)**27.2 Secondary Segments - Geographical Segments**

CVC operates predominantly in Australia.

notes to the financial statements

*for the year ended
30 June 2006*

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Unallocated, Corporate and Tax \$'000's	Eliminations \$'000's	Consolidated \$'000's
Year Ended 30 June 2006							
Income							
Revenues from external customers	3,158	22,025	5,667	1,262	2,167	-	34,279
Inter-segment revenue	549	-	-	4,459	-	(5,008)	-
Operating revenues	3,707	22,025	5,667	5,721	2,167	(5,008)	34,279
Equity accounted income	(269)	-	1,117	(57)	-	-	791
Total income	3,438	22,025	6,784	5,664	2,167	(5,008)	35,070
Results							
Result before non-cash items	2,890	22,025	6,784	1,109	(8,625)	-	24,183
Depreciation	-	-	(15)	(15)	-	-	(30)
Amortisation of intangibles	-	-	-	(117)	-	-	(117)
Impairment expenses	(731)	-	-	-	-	-	(731)
Segment result	2,159	22,025	6,769	977	(8,625)	-	23,305
Assets							
Segment assets excluding equity accounted investments	22,787	110,765	16,700	9,046	25,666	-	184,964
Equity accounted investments	5,239	-	5,887	32	-	-	11,158
Segment assets	28,026	110,765	22,587	9,078	25,666	-	196,122
Liabilities							
Segment liabilities	1,803	-	2,435	345	24,133	-	28,716

notes to the financial statements

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NOTE 27: OPERATIONS BY SEGMENTS (cont.)

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Unallocated, Corporate and Tax \$'000's	Eliminations \$'000's	Consolidated \$'000's
Year Ended 30 June 2005							
Income							
Revenues from external customers	22,208	14,476	67	936	1,187	-	38,874
Inter-segment revenue	-	-	-	1,763	-	(1,763)	-
Operating revenues	22,208	14,476	67	2,699	1,187	(1,763)	38,874
Equity accounted income	(802)	4,061	15,433	12	-	-	18,704
Total income	21,406	18,537	15,500	2,711	1,187	(1,763)	57,578
Results							
Result before non-cash items	6,221	18,537	15,500	412	(11,066)	-	29,604
Depreciation	(218)	-	-	(11)	-	-	(229)
Amortisation of intangibles	-	-	-	(88)	-	-	(88)
Impairment expenses	(4,155)	(558)	-	-	-	-	(4,713)
Segment result	1,848	17,979	15,500	313	(11,066)	-	24,574
Assets							
Segment assets excluding equity accounted investments	17,002	82,847	9,022	9,309	43,909	-	162,089
Equity accounted investments	4,978	-	4,387	89	-	-	9,454
Segment assets	21,980	82,847	13,409	9,398	43,909	-	171,543
Liabilities							
Segment liabilities	1,386	-	8	303	14,627	-	16,324

NOTE 28: RELATED PARTY INFORMATION

28.1 Key Management Personnel

The only key management personnel of the Company are the Directors.

The names of each person holding the position of Director of CVC during the financial year are:

Vanda Russell Gould
John Scott Leaver
John Douglas Read
Alexander Damien Harry Beard
John Thomas Riedl

Details of Directors' remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report. Apart from the details disclosed in this financial report, no Director has entered into a contract with the Company or CVC since the end of the previous financial year and there were no contracts involving Directors' interests existing at year-end.

28.2 Loans to Key Management Personnel

The details of the loans to Directors and key management personnel have been included in the Remuneration Report.

28.3 Other Transactions

The following represent management fees paid and received from related parties to CVC and its controlled entities during the financial year.

	2006		2005	
	Paid \$	Received \$	Paid \$	Received \$
CVC Private Equity Limited	-	504,048	-	374,310
CVC Sustainable Investments Limited	-	152,560	-	87,670
Wenola Services Pty Limited *	200,000	-	150,000	-
Southseas Nominees Pty Limited **	100,000	-	75,000	-
Melbourne Corporation of Australia Pty Limited **	100,000	-	75,000	-
<i>Other services</i>				
Melbourne Corporation of Australia Pty Limited **				
- Taxation	110,182	-	103,466	-
- Secretarial	22,039	-	46,923	-

* Private company associated with Mr Leaver.

** Private companies associated with Mr Gould.

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*for the year ended
30 June 2006*

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for the year ended
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NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

29.1 Interest Rate Risk

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

	Notes	Floating Interest Rate \$	Fixed Interest Rate 1 Year or Less \$	Fixed Interest Rate 1 to 5 Years \$	Fixed Interest Rate Over 5 Years \$	Non-Interest Bearing \$	Total \$	Weighted Average Interest Rate
At 30 June 2006								
Financial assets								
Cash and cash equivalents	24	2,217,403	21,930,567	-	-	46,827	24,194,797	5.9%
Trade and other receivables	8	-	12,592,460	3,237,368	-	5,392,463	21,222,291	14.4%
Financial liabilities								
Trade and other payables	17	-	-	-	-	2,145,874	2,145,874	0.0%
Other financial liabilities	19	-	-	-	2,113,032	-	2,113,032	7.6%
At 30 June 2005								
Financial assets								
Cash and cash equivalents	24	4,429,323	36,793,407	-	-	54,400	41,277,130	5.6%
Trade and other receivables	8	-	14,440,875	3,485,142	-	2,906,071	20,832,088	11.8%
Financial liabilities								
Trade and other payables	17	-	-	-	-	921,794	921,794	0.0%

29.2 Credit Risk Exposure

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

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

Collateral is obtained on longer-term receivables.

notes to the financial statements

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NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (cont.)

29.3 Fair Value of Financial Assets and Liabilities

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, accounts receivable, loans receivable accounts payable, dividends payable and employee entitlements approximate net fair value.

	Consolidated		The Company	
	2006 \$	2005 \$	2006 \$	2005 \$
NOTE 30: EMPLOYEE ENTITLEMENTS				
Aggregate liability for employee entitlements including on-costs:				
Current	160,035	135,789	-	-
Non-current	-	-	-	-
Number of employees at the end of the year	9	8	-	-

NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

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

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

Exemptions applied

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

CVC has taken the exemption under AASB 3 *Business Combinations* which has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.

Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statements presented under AIFRS and the cash flow statements presented under previous AGAAP.

notes to the financial statements

for the year ended
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NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Income statements for the year ended 30 June 2005

	Notes	Previous AGAAP \$	Consolidated AIFRS Changes \$	Revised AIFRS \$	Previous AGAAP \$	The Company AIFRS Changes \$	Revised AIFRS \$
INCOME							
Revenue from sale of goods		17,417,264	-	17,417,264	-	-	-
Revenue from sale of services		745,777	-	745,777	-	-	-
Realised profit on sale of investments	a	39,373,654	(24,331,426)	15,042,228	21,210,904	(15,710,216)	5,500,688
Interest revenue	l	3,022,171	(174,000)	2,848,171	2,954,078	(174,000)	2,780,078
Dividend revenue	d	913,512	1,621,235	2,534,747	4,376,187	-	4,376,187
Other income		286,073	-	286,073	112,001	-	112,001
Total income		61,758,451	(22,884,191)	38,874,260	28,653,170	(15,884,216)	12,768,954
Share of net profits of associates accounted for using the equity method	d,e,g	8,447,973	(5,485,174)	2,962,799	-	-	-
Share of net profits of joint ventures accounted for using the equity method	c	11,696,101	4,044,657	15,740,758	11,696,101	4,044,657	15,740,758
EXPENSES							
Amortisation of intangibles	f	934,120	(846,370)	87,750	-	-	-
Cost or carrying value of shares sold	a	25,406,791	(25,406,791)	-	15,750,216	(15,750,216)	-
Cost of goods sold		9,979,635	-	9,979,635	-	-	-
Depreciation expense		229,404	-	229,404	-	-	-
Employee expenses	h	3,797,202	71,556	3,868,758	-	71,556	71,556
Impairment expenses on loans	l	4,329,538	(174,000)	4,155,538	4,324,297	(174,000)	4,150,297
Management and consultancy fees		1,828,218	-	1,828,218	1,507,458	-	1,507,458
Unrealised loss on investments	a	1,535,200	(976,865)	558,335	2,144,579	(976,865)	1,167,714
Other expenses		3,322,461	-	3,322,461	587,735	-	587,735
Profit before related income tax expense		30,539,956	3,007,762	33,547,718	16,034,986	4,989,966	21,024,952
Income tax expense	b,i,j,k	1,110,425	7,863,543	8,973,968	463,828	8,500,957	8,964,785
Net profit		29,429,531	(4,855,781)	24,573,750	15,571,158	(3,510,991)	12,060,167
Net profit attributable to minority interests		427,749	180,246	607,995	-	-	-
Net profit attributable to members of the parent entity		29,001,782	(5,036,027)	23,965,755	15,571,158	(3,510,991)	12,060,167

NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Balance sheets reflecting reconciliation of adjustments to AIFRS as at 1 July 2004

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for the year ended
30 June 2006

	Notes	Previous AGAAP \$	Consolidated AIFRS Changes \$	Revised AIFRS \$	Previous AGAAP \$	The Company AIFRS Changes \$	Revised AIFRS \$
CURRENT ASSETS							
Cash and cash equivalents		12,269,691	-	12,269,691	9,507,658	-	9,507,658
Trade and other receivables		7,615,477	-	7,615,477	4,409,449	-	4,409,449
Inventories		1,132,013	-	1,132,013	-	-	-
Financial assets	a	4,922,116	5,578,130	10,500,246	4,922,116	5,578,130	10,500,246
Current tax assets		40,152	-	40,152	-	-	-
Other assets		238,692	-	238,692	30,871	-	30,871
Total current assets		26,218,141	5,578,130	31,796,271	18,870,094	5,578,130	24,448,224
NON-CURRENT ASSETS							
Trade and other receivables		2,889,908	-	2,889,908	3,479,281	-	3,479,281
Financial assets	a	11,861,444	7,954,302	19,815,746	27,133,430	(13,152,858)	13,980,572
Investments accounted for using the equity method	d	49,524,380	(2,823,041)	46,701,339	12,099,991	31,252,282	43,352,273
Property, plant and equipment		670,692	-	670,692	-	-	-
Intangible assets		5,157,691	-	5,157,691	-	-	-
Deferred tax assets	i,j,k	139,700	264,283	403,983	-	1,769,312	1,769,312
Total non-current assets		70,243,815	5,395,544	75,639,359	42,712,702	19,868,736	62,581,438
TOTAL ASSETS		96,461,956	10,973,674	107,435,630	61,582,796	25,446,866	87,029,662
CURRENT LIABILITIES							
Trade and other payables		11,714,568	-	11,714,568	26,160,149	-	26,160,149
Provisions		208,830	-	208,830	-	-	-
Current tax liabilities		991,657	-	991,657	601,265	-	601,265
Total current liabilities		12,915,055	-	12,915,055	26,761,414	-	26,761,414
NON-CURRENT LIABILITIES							
Provisions		143,206	-	143,206	-	-	-
Deferred tax liabilities	a,b,e	177,557	(177,557)	-	177,557	(177,557)	-
Total non-current liabilities		320,763	(177,557)	143,206	177,557	(177,557)	-
TOTAL LIABILITIES		13,235,818	(177,557)	13,058,261	26,938,971	(177,557)	26,761,414
NET ASSETS		83,226,138	11,151,231	94,377,369	34,643,825	25,624,423	60,268,248
EQUITY							
Contributed equity		20,237,527	-	20,237,527	20,237,527	-	20,237,527
Retained profits	c,d,e,i,k	60,530,410	1,678,529	62,208,939	14,406,298	6,218,875	20,625,173
Other reserves	a,b	-	9,472,702	9,472,702	-	19,405,548	19,405,548
Total parent entity interest		80,767,937	11,151,231	91,919,168	34,643,825	25,624,423	60,268,248
Minority interest		2,458,201	-	2,458,201	-	-	-
TOTAL EQUITY		83,226,138	11,151,231	94,377,369	34,643,825	25,624,423	60,268,248

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NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

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

	Notes	Previous AGAAP \$	Consolidated AIFRS Changes \$	Revised AIFRS \$	Previous AGAAP \$	The Company AIFRS Changes \$	Revised AIFRS \$
CURRENT ASSETS							
Cash and cash equivalents		41,277,130	-	41,277,130	40,270,010	-	40,270,010
Trade and other receivables		17,316,946	-	17,316,946	19,242,380	-	19,242,380
Financial assets	a	3,367,533	103,949	3,471,482	3,367,533	103,949	3,471,482
Current tax assets		1,007	-	1,007	-	-	-
Other assets		102,633	-	102,633	83,323	-	83,323
Total current assets		62,065,249	103,949	62,169,198	62,963,246	103,949	63,067,195
NON-CURRENT ASSETS							
Trade and other receivables	m	6,735,142	(3,220,000)	3,515,142	9,251,622	(3,220,000)	6,031,622
Financial assets	a	56,986,919	28,282,460	85,269,379	46,177,729	32,387,992	78,565,721
Investments accounted for using the equity method	d	8,979,518	474,703	9,454,221	89,210	5,193,253	5,282,463
Property, plant and equipment		22,292	-	22,292	-	-	-
Intangible assets	g	7,959,142	652,772	8,611,914	-	-	-
Deferred tax assets	i,j,k	-	2,500,741	2,500,741	-	2,447,290	2,447,290
Total non-current assets		80,683,013	28,690,676	109,373,689	55,518,561	36,808,535	92,327,096
TOTAL ASSETS		142,748,262	28,794,625	171,542,887	118,481,807	36,912,484	155,394,291
CURRENT LIABILITIES							
Trade and other payables		921,794	-	921,794	533,189	-	533,189
Provisions		135,789	-	135,789	-	-	-
Current tax liabilities		639,219	-	639,219	639,219	-	639,219
Total current liabilities		1,696,802	-	1,696,802	1,172,408	-	1,172,408
NON-CURRENT LIABILITIES							
Trade and other payables		-	-	-	35,812,844	-	35,812,844
Deferred tax liabilities	a,b,e	-	14,627,569	14,627,569	-	11,348,612	11,348,612
Total non-current liabilities		-	14,627,569	14,627,569	35,812,844	11,348,612	47,161,456
TOTAL LIABILITIES		1,696,802	14,627,569	16,324,371	36,985,252	11,348,612	48,333,864
NET ASSETS		141,051,460	14,167,056	155,218,516	81,496,555	25,563,872	107,060,427
EQUITY							
Contributed equity	j,m	55,392,794	(2,883,400)	52,509,394	55,392,794	(2,883,400)	52,509,394
Retained profits	a,b,c,d,e,g,h,i,j,k	85,658,497	(3,357,498)	82,300,999	26,103,761	2,707,884	28,811,645
Other reserves	a,b,h	-	20,407,954	20,407,954	-	25,739,388	25,739,388
Total parent entity interest		141,051,291	14,167,056	155,218,347	81,496,555	25,563,872	107,060,427
Minority interest		169	-	169	-	-	-
TOTAL EQUITY		141,051,460	14,167,056	155,218,516	81,496,555	25,563,872	107,060,427

NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

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*for the year ended
30 June 2006*

	Notes	Consolidated 2005 \$	The Company 2005 \$
Reconciliations of net profit			
Net profit attributable to members as previously reported		29,001,782	15,571,158
Unrealised losses on shares	a	1,016,865	1,016,865
Tax thereon	b	(305,060)	(305,060)
Sale of depreciated investment properties in joint ventures	c	4,044,657	4,044,657
Changes in equity accounting for associate investments	d	(2,532,814)	-
Tax expense on equity accounted profits	e	786,624	-
Amortisation of goodwill	f	846,370	-
Reduced profit on sale of controlled interests	g	(476,006)	-
Equity based remuneration	h	(71,556)	(71,556)
Utilisation of deferred tax assets in respect of tax losses	i	(8,183,588)	(7,996,067)
Utilisation of deferred tax assets in respect of costs of share issue	j	(67,320)	(67,320)
Utilisation of other deferred tax assets previously unrecognised	k	(94,199)	(132,510)
Net profit attributable to members under AIFRS		23,965,755	12,060,167

notes to the financial statements

for the year ended
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NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

	Notes	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Reconciliations of total equity					
Total equity/net assets as previously reported		141,051,460	83,226,138	81,496,555	34,643,825
Impact on contributed equity:					
Deferred tax assets in respect of share raising costs	j	336,600	-	336,600	-
Share issued under Executive Long Term Incentive Plan	m	(3,220,000)	-	(3,220,000)	-
Impact on retained earnings:					
Tax benefit in respect of share raising costs	j	(67,320)	-	(67,320)	-
Depreciation of investment properties in joint ventures	c	-	(4,044,657)	-	(4,044,657)
Future income tax asset in respect of carried forward tax losses	i	891,821	9,075,414	2,754,795	10,263,532
Other deferred income tax items not previously recognised	k	918,767	1,012,962	(619,840)	-
Changes in equity accounting for associate investments	d	(1,311,211)	1,221,616	-	-
Deferred income tax liability in respect of equity accounted investments	e	(4,800,181)	(5,586,806)	-	-
Reclassification of market value adjustment of listed investments to other reserves	a	1,016,865	-	1,016,865	-
Tax benefit in respect of value adjustment of listed investments to other reserves reclassified to other reserves	b	(305,060)	-	(305,060)	-
Equity based remuneration	h	(71,556)	-	(71,556)	-
Accumulated goodwill amortisation	g	370,377	-	-	-
Impact on other reserves:					
Increases in market values of listed investments	a	29,001,610	13,532,432	36,668,331	27,722,211
Deferred income tax liability in respect of unrealised increases in market values of listed investments	b	(8,700,483)	(4,059,730)	(11,000,499)	(8,316,663)
Equity based remuneration in relation to equity accounted investments	h	35,271	-	-	-
Equity based remuneration	h	71,556	-	71,556	-
Total equity/net assets under AIFRS		155,218,516	94,377,369	107,060,427	60,268,248

NOTE 31: THE EFFECTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

Notes:

- (a) Under AGAAP listed investments are written down to market value where this was lower than cost. Under AIFRS, where the investment is classified as “available-for-sale” and the reduction is not the result of a long-term impairment, such movements are reflected directly in a revaluation type reserve and not through the income statement. This adjustment reverses the amounts previously charged in the income statement under AGAAP.
- (b) In accordance with matching principles, as the expense in point (a) above has been transferred to reserves the deferred tax credit in relation to these items is also transferred from the income statement to reserves.
- (c) Previously, investment properties were not depreciated. Under AIFRS, such properties must be either depreciated or regularly revalued. CVC has decided to depreciate such property.
- (d) The effect of AIFRS on the carrying value of equity accounted associate investments comprises the following components:
- > the effects of adopting all AIFRS changes for the financial information of each equity accounted investment;

CVC equity accounts for its share of the results and assets of its associate investment. Each of these associates must also apply AIFRS and CVC must account for its share of any changes. The significant changes that have impacted CVC arise in this respect from the timing of the recognition of emerging profits on developments in Sunland Group Limited and of a discount on acquisition by Ron Finemore Transport Pty Limited.
 - > the cessation of amortisation of goodwill arising on acquisitions of equity accounted investments;
 - > the treatment of dividends received after an investment ceases to be equity accounted;

CVC ceased to equity account for Sunland Group Limited with effect from January 2005. In March 2005, CVC received a dividend from Sunland Group Limited. Under AGAAP this dividend was offset against the carrying value of the investment; under AIFRS the amount is shown as income and the carrying value is not adjusted.

- > aligning the equity accounting for Sunland Group Limited with CVC; Under AGAAP, CVC equity accounted for Sunland Group Limited based on financial information six months in arrears; under AIFRS the information must be restated such that the reporting dates of both companies are the same.
- (e) Under AIFRS, deferred income tax must be provided in respect of, and matched with, all equity accounted profits. This was not required under AGAAP.
- (f) Under AIFRS goodwill is no longer amortised but instead subject to regular testing for impairment. In the absence of impairment, goodwill amortisation expensed under AGAAP is no longer required.
- (g) As goodwill is not amortised under AIFRS, as explained for point (f) above, its carrying value is higher than it would have been under AGAAP. Accordingly, where goodwill is disposed of as part of the sale of a subsidiary during the period, the profit on sale is lower than it would have been under AGAAP.
- (h) Under AIFRS, an expense is calculated and charged for employee share based remuneration, particularly share options. The CVC Executive Long Term Incentive Plan has characteristics of an option plan and an expense has been calculated on this basis.
- (i) Under AIFRS, CVC is required to reflect deferred tax assets in respect of tax losses brought forward. However, the consequence of this is that the utilisation of previously recognised losses during a period reduces the tax asset carried forward and CVC must reflect a tax expense for the ‘cost’ of the losses used. Under AGAAP, the losses were not recognised.
- (j) Under AIFRS a deferred tax asset is recognised for the costs associated with share raisings that can be deducted from future taxable income.
- (k) The test for the recognition of deferred tax assets in respect of timing differences other than tax losses is less strict under AIFRS, and the tax charge is reduced where such assets are recognised where they were written-off under AGAAP.
- (l) Under AIFRS at each reporting date assets are reviewed for impairment. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Under AGAAP a provision for uncollectible amounts was expensed.
- (m) Under AIFRS the value of the shares issued under the CVC Executive Long Term Incentive Plan is not recognised until the terms of the plan have been satisfied.

notes to the financial statements

*for the year ended
30 June 2006*

directors' declaration

for the year ended 30 June 2006

In the opinion of the Directors of CVC Limited:

- (a) the financial statements and notes, set out in pages 20 to 55, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Company and CVC as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with s.295A of the *Corporations Act 2001* for the financial period ending 30 June 2006.
- (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) the audited remuneration disclosures set out on pages 16 to 18 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

Dated at Sydney 6 September 2006.

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

ADH Beard
Director

VR Gould
Director

SCOPE

The Financial Report and Directors' responsibility

The Financial Report comprises the balance sheets as at 30 June 2006, and the income statements, cash flow statements, statements of changes in equity, accompanying notes to the financial statements, and the Directors' declaration for the year ended 30 June 2006 for both CVC Limited ("the Company") and the CVC Limited group ("CVC") as set out on pages 20 to 56. CVC comprises both the Company and the entities it controlled during that year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the Financial Report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates within the financial report.

Audit approach

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

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

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

- > examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the Financial Report; and

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

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

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

AUDIT OPINION

In our opinion, the Financial Report of CVC Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and CVC's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia; and
- (c) the audited remuneration disclosures that are contained in pages 16 to 18 of the Directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the Corporations Regulations 2001.

Dated at Sydney 6 September 2006.

P Meade
Partner

HLB MANN JUDD
(NSW Partnership)
Chartered Accountants

independent auditors' report

*to the Members of
CVC Limited*

corporate governance statement

The Board of Directors of the Company is responsible for the corporate governance of CVC. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. At the date of this report the Directors in office are as follows:

Vanda Russell Gould (Chairman)

Appointed 31 October 1996

Also a Director from 1984 to 1994

Alexander Damien Harry Beard (Managing Director)

Appointed 17 August 2000, member of the audit committee

John Scott Leaver

Appointed 29 May 1984

John Douglas Read

Appointed 20 March 1989, member of the audit committee

John Thomas Riedl (Independent Director)

Appointed 27 November 2002, member of the audit committee

Details of skills, experience and other qualifications of Directors and of numbers and attendances of Board and audit committee meetings are included in the Directors' report.

In March 2003, the ASX Corporate Governance Council issued "*Principles of Good Corporate Governance and Best Practice Recommendations*". In this report, the Council suggested "best practices" for running companies. However, it acknowledged that "a one size fits all" approach is inappropriate and that it is unwise to require all companies to apply the same rules because different companies face different circumstances hence some recommendations are unnecessary or may even be counter-productive. In particular it acknowledged that it may be inappropriate or uneconomic for smaller companies, such as CVC, to follow the same rules as Australia's largest listed companies. Instead the Council chose to issue a full suite of recommendations and require companies to adopt an 'if not why not' approach to reporting compliance with the recommendations. Companies are at liberty to determine whether each recommendation is appropriate to them. They are required to disclose in the Corporate Governance Statement of their annual reports

those recommendations which they have not adopted during each reporting period and provide explanations for their decisions.

The Company did not adopt all the recommendations throughout the financial year ended 30 June 2006, in particular those discussed in detail below.

Board Composition and Directors' Experience

Mr Gould is Chairman of the Company. Given his stewardship over almost the whole of the life and the growth of the Company, the Board believes Mr Gould remains an appropriate Chairman for the Company.

The Board of the Company comprises five Directors. Messrs Gould and Leaver are the founding Directors of the Company, have significant ownership interests in the Company and bring invaluable experience and expertise to the Company. Mr Beard is the Chief Executive Officer. Mr Read is Chairman of the audit committee, but because he has been on the Board of the Company for more than fifteen years, he is not considered independent. Accordingly, only Mr Riedl is considered to be an independent Director.

The Board believes that a Board of five Directors operates effectively, generally allows the Board to collectively exercise its authority without the need for many sub-committees and is appropriate for the size of the Company. Further, the Board has considered the competencies and experience of each of the Directors and believes that it is not in the interests of shareholders to seek to replace any of the current Board members.

For these reasons, the Company did not adopt the following best practice recommendations throughout the financial year ended 30 June 2006:

- > having a majority of independent Directors;
- > having an Independent Chairman;
- > having an audit committee with an independent Chairman, a majority of independent Directors or non-executive Directors;
- > having a nomination committee of the Board; and
- > having a remuneration committee of the Board.

corporate governance statement

Costs and Benefits of Compliance

A number of the best practice recommendations require the creation of formal documentation for policies and procedures that the Company already substantially performs. The Company considered that to create such documentation independently and specifically for the Company would have had minimal additional benefit but substantial additional expense. The Company is also mindful to not adopt such procedures solely for the sake of adoption or where they could actually inhibit the proper function or opportunities of the Company. However, as the Company holds an AFS licence, it recognises that it has to put in place a compliance program which includes the documentation of its compliance policies and procedures.

The Board has determined that the adoption of such formal policies and procedures must be tailored to the Company at minimal expense and must be appropriate for the Company, taking into account the size and complexity of its operations. The Company is currently in the process of preparing such documentation for consideration by the Board before dissemination through the CVC group of companies. Although the Company did not adopt the following best practice recommendations throughout the financial year ended 30 June 2006, they are currently under consideration for implementation:

- > a formal code of conduct to promote ethical and responsible decision making;
- > a formal policy for trading in the Company's securities;
- > a formal charter for the audit committee of the Company;
- > written policies and procedures to ensure compliance with ASX listing rule disclosure requirements;
- > having documented a 'communications strategy' to promote effective communication with shareholders;
- > policies on risk oversight and management;
- > having disclosed the process for performance evaluation of the Board, its committees and individual Directors; and
- > having established, distinguished and disclosed a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

Other Information

The Company has a policy of allowing Directors to take reasonable independent legal advice in the furtherance of their duties at the expense of the Company.

The Company did not perform a performance evaluation of the Board and its members during the year ended 30 June 2006.

Remuneration of non-executive Directors is in accordance with resolutions of shareholders in the general meeting. The Company does not have any schemes for retirement benefits, other than statutory superannuation for non-executive Directors.

Dated at Sydney 6 September 2006.

additional information

The following information is current as at 31 August 2006.

Distribution Schedule

The distribution of shareholders and their shareholdings was as follows:

Category (size of holding)	No. of ordinary shareholders
1 - 1,000	47
1,001 - 5,000	175
5,001 - 10,000	130
10,001 - 100,000	208
100,001 - over	79
Total	639

Substantial Holders

The names of the Company's substantial holders and the number of ordinary shares in which each has a relevant interest as disclosed in substantial holder notices given to the Company are as follows:

Shareholder	No. of ordinary shares in which interest held
Leagou Pty Limited	20,704,611
Penalton Pty Limited	15,575,978
Southsea (Aust.) Pty Limited	13,346,138
Abasus Investments Limited	6,256,000
Wenola Pty Limited	700,000

Unmarketable parcels	Minimum parcel size	No. of shareholders
Minimum \$500.00 parcel at \$1.40 per share	357	16

20 largest shareholders - ordinary shares

As at 31 August 2006, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
Leagou Pty Limited	20,704,611	17.78
Penalton Pty Limited	15,575,978	13.37
Southsea (Aust.) Pty Limited	13,346,138	11.46
Abasus Investments Limited	6,256,000	5.37
Southgate Investment Funds Limited	5,500,000	4.72
Derin Brothers Properties Limited	4,899,259	4.21
Huang Xiao Sheung Limited	4,264,368	3.66
LJK Nominees Pty Limited	4,132,114	3.55
Chemical Trustee Limited	3,566,556	3.06
Dr Joseph David Ross	2,359,356	2.03
Mr Alexander Damien Beard	2,293,136	1.97
UBS Nominees Pty Limited	2,044,115	1.76
Kirman Traders Pty Limited	1,500,000	1.29
Tifu Pty Limited	1,435,544	1.23
Pacific Securities Inc	1,295,185	1.11
Brian Sherman	1,073,860	0.92
Nigel Cameron Stokes	1,006,363	0.86
Elliott Kaplan	1,000,000	0.86
Warman Investments Pty Limited	1,000,000	0.86
Indo-Suez Investments Pty Limited	832,144	0.71
	94,084,727	80.78

Voting Rights

The Company's constitution details the voting rights of members and states that every member, present in person or by proxy, shall have one vote for every ordinary share registered in his or her name.

Registered Office

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

company particulars

registered office

Level 42, AAP Centre
259 George Street
Sydney NSW 2000

directors

Vanda R Gould | John S Leaver | John D Read
Alexander D H Beard | John T Riedl

management team

Alexander D H Beard | Vanda R Gould
John D Read | William J Highland
Christian T Jensen | John A Hunter | Elliott G Kaplan
Geoffrey P Leaver | John S Leaver

secretary

Alexander D H Beard | John A Hunter

bankers

Suncorp-Metway Limited
Westpac Banking Corporation Limited

auditors

HLB Mann Judd (NSW Partnership)
Chartered Accountants
Level 19, 207 Kent Street
Sydney NSW 2000

share registry

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



CVC Limited

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