



CVC Limited
ABN 34 002 700 361
AFSL 239665

The background of the page is a collage of three grayscale images. On the left is a church tower with a spire. In the center is a landscape with a body of water and hills. On the right is a close-up of a person's face, looking down. A white diagonal line runs from the top left towards the bottom right, crossing over the images.

Annual Report 2004

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 Beard
John T Riedl

Management Team

Alexander D H Beard
Michael J Bower
Vanda R Gould
Christian Jensen
William J Highland
Saxon J Hill
Elliott G Kaplan
Tara S Knott
Geoffrey P Leaver
John S Leaver
Adrian W Ness
Andrew B Post

Secretaries

Alexander D H Beard
Michael J Bower

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

Domicile

Australia

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Chairman's Report



The famous Roman statesman and orator, Cicero, once said — no doubt speaking with his usual aggressive scorn: *If you do not know where you come from, you will always be a child.* In making this assertion, Cicero does not mean that as a child you will always be in a state of innocent bliss; but rather, you will live your life without the understanding and ability to act fully in the world or to understand properly how the world works. Hopefully the team at CVC will never forget this valuable principle and what I see as the outworking of it during the course of this past financial year.

The principal activity to which I have devoted myself this year has been endeavouring to come to grips with the problems of Vita Life Sciences Limited ("Vita") which has had two herculean shocks commencing with the fraudulent activity of its former Managing Director followed by the Pan Pharmaceuticals recall. The resolution of the former required me to live in Singapore for several months in order to ensure that the truth was made public in the High Court of Singapore. Many associated parties took the position that CVC should have just walked away from Vita and put it into liquidation. However, shareholders will recall a similar battle with the Australian Government in the Amann Aviation case. The simple solution in Amann's case would have been to walk away but that would have meant hiding the substantial injustice of the Commonwealth's action in relation to Amann and the same is true in relation to Vita. Nevertheless, one is always aware that there are no winners in these situations and Cicero himself met a most unfortunate end during the bloody civil war which ended the Roman republic. Marc Anthony — Cleopatra's lover and the leader of the losing side in that civil war — had Cicero assassinated and his hand cut off and brought to him. It was the hand that had so often pointed at him during debates in the Senate!

Even though Vita was successful in the High Court of Singapore, to date the ASIC has not taken any action on behalf of the beleaguered Vita shareholders.

In relation to the Pan disaster, Vita's principal insurer, Ace Insurance Limited, has refused VitaHealth's claim on the basis that it was allegedly a voluntary recall not a legally binding obligation. Moreover, the Australian Government's Therapeutic Goods Administration has refused to assist Vita by providing any evidence to rebut the assertion that it was only 'voluntary'.

Nevertheless, it is my hope that CVC will always act with integrity even though it is financially costly. This is the culture which I believe brings for our shareholders and stakeholders the greatest rewards over time.

This is the culture which I believe brings for our shareholders and stakeholders the greatest rewards over time.

I am mindful of the words of US President Theodore Roosevelt who, in his speech at the Sorbonne in Paris on 23 April 1910, said: *In the battle of life, it is not the critic who counts; nor the one who points out how the strong person stumbles, or where the doer of a deed could have done better. The credit belongs to the person who is actually in the arena; whose face is marred by dust and sweat and blood, who strives valiantly; who errs and comes up short again ... Far better it is to dare mighty things, to win glorious triumphs even though chequered by failure, than to rank with those timid spirits who neither enjoy nor suffer much because they live in the grey twilight that knows neither victory nor defeat.*

Sometimes the living out of this philosophy will mean that CVC will make mistakes. Our interest in attempting to build viable wind farms is an expression of our going against prevailing wisdom. Coal-fired power in Australia costs 2.7¢ per kWh whereas wind currently costs 6¢ per kWh. This costing, however, is not the whole story. There are social costs of coal and coal is not renewable. CVC believes that investing in wind farms will ultimately be extremely rewarding for our shareholders. Costs will change and life is more complex than an accounting equation may suggest and thus we will continue to develop CVC REEF Limited and CVC Sustainable Investments Limited.

CVC REEF Limited's winning of the *Best Early Stage Investment* for Geodynamics Limited at the 2004 Australian Venture Capital Awards was also pleasing.

Chairman's Report

Since my last report to you CVC has radically restructured its affairs so that it has now acquired the management company which provides our staff. We are hopeful that this restructuring will represent a further step towards CVC itself achieving greater stock market recognition. The emergence of CVC Private Equity Limited as a further listed public company in the next six months will assist in the overall market recognition of the CVC Group.

Apart from the Vita issue mentioned above (the costs of this investment having been fully written off), CVC has had another extremely successful year and we are very confident that this performance will continue into the 2005 financial year.

It was with great pleasure that subsequent to the financial year the CVC Group was able to provide 50% of the necessary equity capital to enable one of our long-standing business partners, Ron Finemore, to re-establish himself in the transport arena. Shareholders will recall that Ron was previously the Managing Director of Finemore Holdings Limited, a large transport group which was very successfully sold to Toll Holdings Limited three years ago. The CVC team has been actively working with Ron for the past year on several possible acquisitions and a number of our team have been working full-time at Lewingtons Transport (now known as Ron Finemore Transport) as part of our contribution. We look forward to a very successful partnership.

CVC is very excited by the continued success of our major investment in Sunland Group Limited. Soheil Abedian, the Managing Director, has proven himself to be a truly outstanding entrepreneur and we are very proud of our association and CVC's involvement in providing him with the capital to enable his company to grow from a small private company into one of the most significant property groups in Australia. John Leaver remains Chairman of Sunland Group Limited and he too is to be congratulated on his contribution to the partnership with Soheil in building Sunland into the formidable group it has become.

Another partnership we have is with Jonathan Kahn, the Managing Director of the Pro-Pac Group, and CVC's Elliott Kaplan has been working with Jonathan in building a company of considerable substance in the packaging arena with special emphasis on environmentally friendly products. We are grateful to Jonathan for his continued dedication and hard work and we look forward to Pro-Pac's emergence as a public company in the near future and we hope the opportunity will be given to CVC shareholders to participate directly in Pro-Pac at that time.

CVC has had another extremely successful year and we are very confident that this performance will continue into the 2005 financial year.

During the year CVC also bought back 5,600,000 shares and a further 3,500,000 after year end and we believe this further tightening of our issued capital continues to represent good deployment of our surplus funds as well as providing liquidity for shareholders. Some shareholders have criticised our conservatism and pointed out that our results would have been even better if we had carried debt as the cost of interest is cheaper than equity capital. CVC's position, as a generalisation, is that debt is not appropriate in a venture capital business because our investment assets are usually highly illiquid, especially in depressed markets which will come again when lenders are prone to recall their loans.

Our team of fund managers continues to expand, led by our Managing Director, Sandy Beard. John Leaver and I particularly want to thank Sandy, along with the rest of the team – Michael Bower, Gaibrielle Cleary, Michelle Higgins, Bill Highland, Saxon Hill, Christian Jensen, Jim Kane, Elliott Kaplan, Geoff Leaver, Adrian Ness, Andrew Post, Christine Shean, Tara Knott and Christine Wong – for their hard work and dedication. In our associated CVC Group companies, Griff Rose, Merv Johnston and David Kennedy have made valuable contributions.

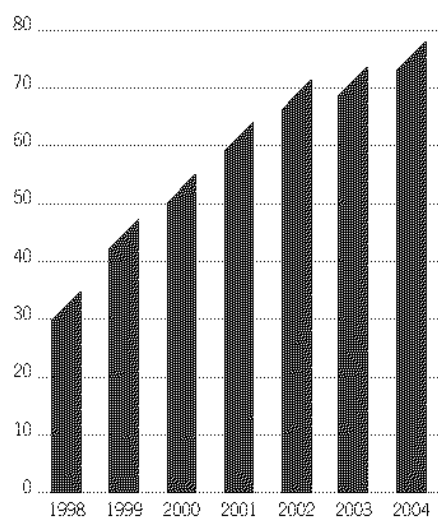
We appreciate the continued support of our shareholders and it gives me great pleasure meeting many shareholders who express their appreciation for CVC having been a very worthwhile investment for them. Whilst no doubt there will be difficult times ahead, at this point we remain extremely optimistic about the results we should be able to achieve in the foreseeable future.

Hopefully we will always learn from history – *historia magistra vitae*, as the ancient Romans would say!

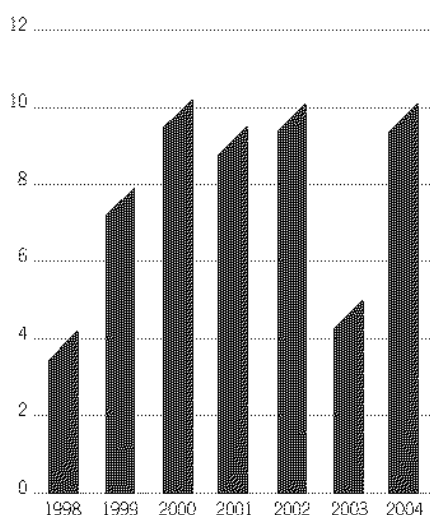
Vanda Gould
Chairman

The Year in Review

Net Asset Per Share (cents)



NPAT (\$m)



Highlights

- Operating profit after tax of \$10.1 million, after providing for the \$4 million one-off settlement to extinguish performance fee liabilities, and the \$3 million write off of the investment in Vita Life Sciences.
- Earnings per share 9.4 cents in 2004, an increase of 100% on 2003.
- First interim dividend, of 1.5 cents per share, for ten years paid on 25 March 2004. Final Dividend of 1.5 cents per share to be paid on 14th December 2004 giving total dividends for the year of 3.0 cents per share, representing an increase of 50% over 2003.
- Growth of \$6.6 million in unrealised profits of ASX listed portfolio during the year.
- Record profit from Sunland Group Limited who continue to develop as a significant Australian Property Company.
- Continued profit and sales growth of Pro Pac Group Limited and preparation for a proposed listing on ASX.
- Continued strong contribution from Renaissance Shopping Centre and commencement of a realisation strategy.
- Commencement of Joint venture with Winten Developments for development of Fern Bay residential sub division following resolution of long standing dispute with Howship Holdings.
- Recapitalisation and restructuring of CVC Private Equity (formerly CVC Biz-Vision Limited) with anticipated listing on the ASX prior to December 2004.
- Indirect investment in Renewable Energy portfolio continuing to perform well with strong market performance by Geodynamics and continued development of Wind Corporations NSW wind farm projects.
- Groundwork for the post 30 June 2004 acquisition of a 25% equity interest in Ron Finemore Transport and the agreement to acquire the investment management business of CVC Investment Managers.
- 5.7 million shares bought-back on market at a cost of \$6.4 million and a further 3.5 million shares bought-back after June 30, 2004 for \$4.0 million.

Group Summary

	2004	2003
Earnings Per Share	9.4 cents	4.6 cents
Total Assets Employed	\$96.5 M	\$88.3 M
Shareholders' Equity	\$80.8 M	\$80.8M
Return on Closing Shareholders' Equity	12.6%	6.2%
Shares on Issue at Year End	103,994,456	109,736,000
NTA per Share	\$0.78	\$0.74
Dividends per Share	3.0 cents	2.0 cents

Management and Approach

Management Team

Since the inception of CVC in 1985, the original management team of Vanda Gould and John Leaver has been strengthened by the addition of industry hardened investment managers. The team's collective experience continues to be refined by our experience with both successful and under-performing investments, as there is no substitute for the confirmation of investment methodology gained by either success or under-performance.

CVC is dependent upon its management team for continued selection, value-add and harvesting of successful investments. It is the dedication of our management team and their individual networks that will facilitate the continued growth of CVC. Concerted efforts are made to retain and develop the skills of our employees and to ensure that there is an appropriate alignment of the interests with the management team and our shareholders. To this end the employee share scheme approved at the August general meeting will be a key initiative in the retention and attraction of quality employees.

In the case of investment under-performance the management team does not 'walk away' from an under performing investment, as we believe that optimal realisation of an under-performing investment has significant portfolio impact. This approach was highlighted during the 2004 financial year when CVC's Chairman Vanda Gould spent a number of months in Singapore pursuing the first steps in the restoration of value to Vita Life Sciences. We believe this is part of the unique strengths of CVC.

Skills of the management team include:

- Sourcing and structuring of investments across a diverse industry range.
- Operational management of investees, encompassing organic growth, acquisitive growth, licensing, tendering, product development, regulatory issues, distribution and human resources.
- Divestment strengths including trade sales, initial public offerings, mergers and acquisitions, management buy-outs 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.
- Extensive litigation experience utilised to both protect and recover investments.
- Financial product development and distribution.
- Specialist investment skills in environmental industries with a depth of expertise in renewable energy.
- Long term investment performance (IRR of > 15% since inception in 1985)¹.

Approach

CVC's portfolio is structured to provide a blend of growth and income producing assets, including a particular focus on private equity/venture capital assets. Whilst value attributable to the individual components of the portfolio have not always been adequately reflected in the share price of CVC, we believe that the portfolio is stronger for its diversity.

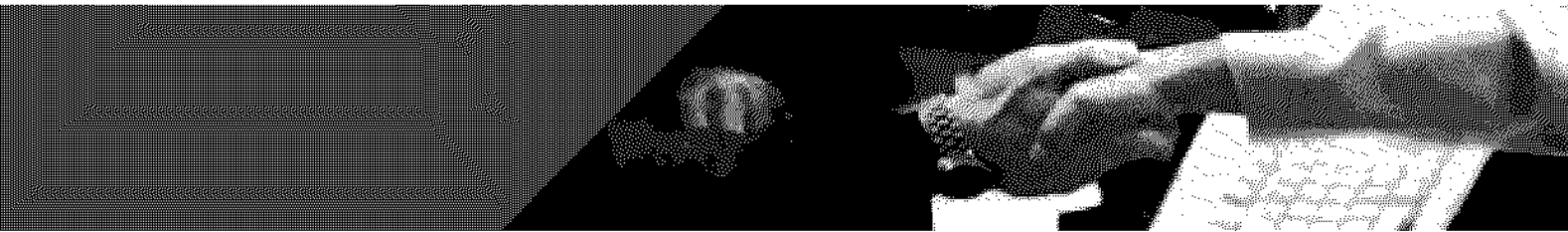
We adopt a value based approach to our investment identification wherein the investment decision is based on fundamentals including low PE multiple, earnings growth, relativity of price to net tangible assets, multiples of free cash flow, dividend history and arbitrage opportunities. Our business is people focussed and our assessment of value must include value judgements in relation to the management team of investee companies.

Quality investments take considerable effort to identify, target, negotiate, conduct due diligence and structure. Accordingly CVC adopts a disciplined and patient approach to each part of the identification, targeting and structuring phases and an equally patient approach to the business development and realisation phases. It is noteworthy for example that our initial investment into the Sunland Group was first made in 1995 and continues to contribute a significant portion of our annual profitability and net asset backing. As managers of investments we realise that the most difficult issue we face is the deployment of capital into quality businesses. Accordingly, when we identify a company and management team who can achieve benchmark returns over a prolonged period, our intention is usually to continue to hold the investment.

We have dedicated considerable effort over the past years into strengthening the process of investment identification and structuring and believe that we will continue to reap the benefits of this approach. This is evident in 2004 with the recent investment into Ron Finemore Transport and in the continued growth of Pro-Pac.

¹ IRR is based on an investor who originally invested in 1985 and claimed tax deduction available to investees in MIC scheme, has subsequently received all dividends and bonus shares and assumes share price of \$1.15 per share as at September 2004.

Management and Approach



Specialisation and Diversification

CVC aims to create specialisations and investments in a diverse range of industries. We believe that this has allowed us to have a more balanced portfolio and has facilitated growth even when industry cycles have significantly impacted our peers. Recently CVC has allocated significant resources to the development of a new renewable energy and environmental specialisation as a subset of the portfolio. In the current year we have continued to see the fruits of this specialisation through the Company's investment in CVC REEF Limited and the sustained market performance of one of its investees Geodynamics and the continued development of its other investments in Pro-Pac, Wind Corp and Battery Energy.

In these specific areas we believe CVC will develop significant capabilities in the identification of investment opportunities and accompanying capabilities in creating value for CVC shareholders through successful investment management.

Outlook, Restructure and Organic Growth

As foreshadowed in the 2003 Annual Report CVC sought and gained approval in August 2004 for the acquisition of the management business and the attaching income and performance fees of its manager CVC Investment Managers. This acquisition, when completed, will overcome a number of the corporate governance and related party issues of the current structure and is expected to reduce the barriers to institutional investment. The new structure will also bring the management of CVC REEF, CVC Private Equity and CVC Sustainable Investments under the CVC umbrella.

The 2005 year will likely see the following activities:

Private Equity/Venture Capital

- Development of Pro-Pac and Probiotec, with a proposed IPO of Pro Pac in the first half of 2005.
- Rebuilding by Ron Finemore Transport of Lewingtons Transport and its development through further acquisitions.
- Development of CVC REEF investments with continued realisations.
- Rebuilding of CVC Private Equity including separate ASX listing planned for late 2004.
- Finalisation of the realisation of Ectec receivables through litigation.
- Identification and investment in other high yielding alternative investments.

Listed Investments

- Continued holding of Greens Foods and Stargames.
- Identification of other strategic investments.

- Resolution of Litigation with Seng Meng Pang and possible re-listing of Vita Life Sciences.

Property

- Continued development of Sunland Group Limited.
- Continued operation of the Chevron Renaissance Shopping Centre with the possibility of a realisation if an acceptable yield can be achieved.
- Commencement of 50% joint venture to develop up to 1,000 residential lots in Newcastle.
- Identification and participation in other property based transactions where they meet our strict investment criteria.

Funds Management

- Prospectus issue to raise further capital for CVC Sustainable Investments.
- ASX listing of CVC Private Equity.
- Continued management and realisation of investments for CVC REEF Limited.
- Evaluation of and possible development of new investment products.

Dividend Policy

CVC has consistently paid an annual franked dividend since 1996 and the dividend per share has increased every year since 2001. As CVC continues to develop recurring profit streams our intention is that dividends will continue to increase. We will target a dividend policy of a minimum of 20% of annual net profits after tax and it is our intention that, subject to available franking credits, dividends will be 100% franked. In 2004 we reintroduced an interim dividend for the first time in 10 years and it is our intention to continue with both an interim and final dividend for the future.

Capital Management

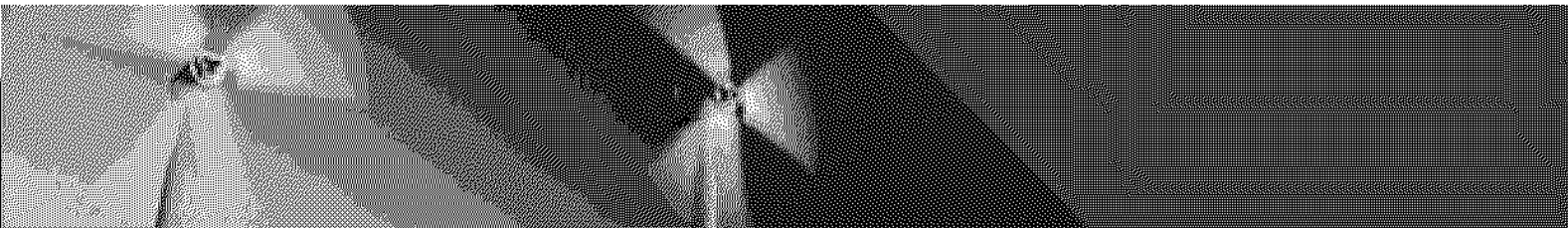
In the August General Meeting CVC gained approval to buy back on market up to 20 million ordinary shares. The use of the share buy-back gives the Company the ability to provide a mechanism for the realisation of capital for long standing investors, better match the Company's assets with recurrent earnings and prepare the company for potential institutional investment.

Corporate Governance

During the year the Company continued to review its corporate governance initiatives with a view to implementing the policies outlined in the ASX's Best Practice Recommendations.

Further information on CVC's corporate governance is provided in the corporate governance statement beginning on page 46.

Review of Operations



VENTURE CAPITAL AND PRIVATE EQUITY

Our belief in the potential for premium long term returns that can be delivered from investment in listed companies is highlighted by the performance of Pro-Pac in 2004. In the past 12 months we have continued to pursue investment in appropriate opportunities that meet both our risk and return profiles. This has resulted in the continued growth of Pro Pac and in the acquisition of a 25% interest in Ron Finemore Transport. We believe these investments will provide a solid base for investment performance over the next five years.

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 Investments

Vita Life Sciences Limited

The 2004 financial year was an extremely difficult one for Vita. Whilst the medical business continued to meet profit forecasts, the vitamin business, hampered by the Pan Pharmaceutical recall continued to incur significant losses which were funded by the issue of additional convertible notes. Concurrently significant restructuring of management and operations was necessitated to stem losses and ensure survival.

Further compounding the problems of restructuring was the prolonged court case against the former managing Director Seng Meng Pang. Whilst the outcome of the case was positive for Vita and confirmed the Company's claims against him it has not yet resulted in any tangible value to Vita or restored the damage caused by the combined effects of the fraud and the Pan recall.

CVC elected to sell its convertible note holding during the year at written down book value, cognisant that CVC was unlikely to derive short to medium term value from the holding. CVC continues to be a significant ordinary shareholder (investment carried at zero cost) and will work with Vita in the pursuit of possible restoration of some shareholder value – however this is envisaged to take considerable time.

Probiotec

CVC holds a 17% interest in the Probiotec Group. Probiotec is a manufacturer, processor and wholesaler of specialist dairy proteins, vitamins and nutraceuticals. Unaudited group profit before tax for the year ended 30 June 2004 was approximately \$2.4 million (2003: \$2.1 million) on sales of \$19 million (2003: \$13 million).

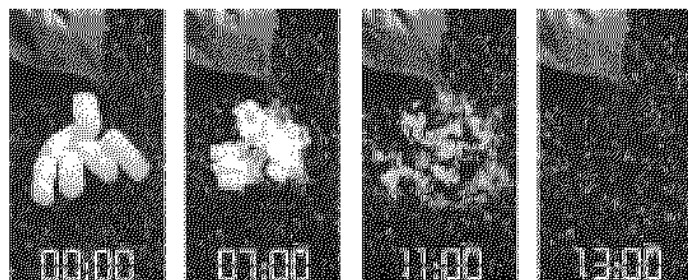
Probiotec's growth should continue in the 2004/5 year from organic growth in traditional nutraceutical and dairy protein products, initiatives including joint ventures with Kraft and Dairy Farmers and from its recently acquired manufacturing facility in Laverton Victoria.

Probiotec continues to evaluate the optimal strategy for delivering liquidity to its shareholders including a merger with larger industry players or the pursuit of an initial public offering. The company decided to defer an IPO in 2004 until the Laverton acquisition was further integrated and the Company further develops other organic growth.

Pro-Pac Group Limited

Pro-Pac, headquartered in Sydney and with approximately 50 employees, was established in 1987 and is a manufacturer and distributor of environmental packaging products. Pro-Pac is a market leader in the manufacture and distribution of biodegradable 'void fill' for the 'pick and pack' market in Australia. Biodegradable environmental packaging products are Pro-Pac's competitive edge and differentiation from most other packaging companies in Australia.

The company has recorded sales growth of over 15% per annum over the past six years with sales for the year ended 30 June 2004 of \$18.4 million (2003: \$15.3 million) and profit before tax of \$2.5 million (2003 \$2.1 million).



Pro-Pac's ENVIROFILL® is 100% biodegradable and the disintegration cycle is complete within 13 minutes.

Review of Operations



Pro-Pac has a manufacturing and distribution presence in Sydney, Brisbane and Melbourne with distributors in Adelaide and Perth. In addition to continued organic growth, there is opportunity for growth via acquisition in Australia. During the year Pro Pac consummated two acquisitions and has successfully integrated them into its operations and begun leveraging off the combined synergies. Pro-Pac is seeking opportunities in manufacturers/ distributors supplying packaging to warehouse operations. Pro-Pac is also investigating opportunity for expansion into the New Zealand and South East Asian markets.

The Company is currently preparing itself for a proposed listing on the ASX in the first half of 2005.

Ron Finemore Transport

CVC has recently acquired a 25% interest in Ron Finemore Transport which has in turn acquired 100% of Lewingtons Transport via a deed of Company arrangement. Lewingtons is a long established rural transport provider with key divisions of livestock and tanker transport and had annual revenues of approximately \$45 million.

CVC is delighted to be in partnership with Ron Finemore in his return to the transport industry. Ron was Executive Chairman of Finemore Holdings Limited prior to its sale to Toll Holdings for \$120 million in August 2001. Ron built Finemores from the ground up over the previous 40 years to a stage where it employed over 2,500 employees and had annual revenues exceeding \$400 million. Ron has assembled an extremely talented management team and we look forward to Ron Finemore Transport providing an excellent base for industry consolidation and it growing over the coming decade to be a major rural logistics provider.

Ectec Limited

During 2004 CVC has reduced its exposure to Ectec Limited through the realisation of further settlements on its receivables portfolio. We are optimistic that the balance of the portfolio will be realised during the 2005 financial year.

Indirect Investments and Managed Funds

CVC REEF Limited

CVC has invested \$1.7 million in, and has to date received returns of \$0.6 million from, CVC REEF (Renewable Energy Equity Fund). CVC REEF provides funding to high growth Australian renewable energy companies that have domestic and global market potential.

Renewable energy technologies are those that include the generation of electricity, fuel, heat and other forms of energy from energy sources that are not depletable. CVC REEF has an estimated unrealised rate of return on investment of 16% as at June 30, 2004 and is seeking further investments. CVC REEF investments include:

Battery Energy Power Solutions

Innovative industrial battery manufacturer that has developed various technologies in conjunction with the CSIRO for electricity storage in remote area power systems and other telecommunication and power applications.

Wind Corporation Australia

Wind technology company developing wind farms either connected to the grid or located in remote areas. During the year it has progressed a number of potential sites to the stage where they are close to financial close, but increasing steel prices, grid connection costs and a lack of certainty regarding MRET (mandatory renewable energy target) legislation have slowed its progress. We remain optimistic of developing the next site in the 2005 financial year.

Geodynamics

ASX listed company commercialising geothermal energy generation from hot dry rocks (HDR). The Company is now finalising the drilling of its second well to demonstrate the economics of the circulation of water through the resource, required for its commercial exploitation. To date CVC REEF has realised approximately \$3.8 million from its \$3 million investment with an unrealised shareholding of approximately \$3 million.

CVC Private Equity Limited

CVC has a \$4.2 million investment in CVC Private Equity (CVC PE) with an increase of \$2.7 million during the year as part of a rights-issue and restructuring plan. During the year CVC PE restructured its Board in anticipation of an ASX listing prior to December 2004 and was fortunate in attaining the services of Neil Gamble as independent Chairman. CVC PE's current portfolio includes investments in:

- Battery Energy Power Solutions
- Telefix Sales
- Pro Pac Group
- Ron Finemore Transport

Review of Operations



STRATEGIC LISTED EQUITY INVESTMENTS

CVC manages a portfolio of investments in listed companies where it takes advantage of value opportunities through initial public offerings, private placements and strategic investing.

CVC believes investment in small, listed companies offers appropriate diversification in the portfolio and has the ability to contribute strongly to profits through both yield and capital growth.

During the year CVC has participated in new investment and engaged in a sell down of existing investments where appropriate. At year-end there were unrealised profits on listed investments amounting to nearly \$24 million on these investments, or \$14 million excluding Sunland Group Limited.

Stargames Limited

CVC holds a 13% interest in Stargames Limited. Stargames, which operates in the entertainment services industry has announced record sales for the year ended 30 June 2004 of \$65 million and a fully franked dividend of 4.5 cents per share – an increase of 50% over the prior year.

Greens Foods Limited

CVC holds a 9% interest in food manufacturing business Green's Foods Limited. CVC became involved with the company in late 2001 when CVC acquired the holding and CVC CEO Mr Sandy Beard was appointed to the Board of Directors. Since that time the company has undergone significant restructuring and for the year ended 30 June 2004, reported a net profit of \$5.9 million (2003 \$4.2 million).

PROPERTY

CVC continues to participate in unique property developments in partnership with high quality, 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.

Sunland Group Limited

CVC has a 19% interest in ASX listed property developer, Sunland Group Limited. Sunland has announced an after tax profit for the year ended 30 June 2004 of \$55.2 million, representing a 103% increase on 2003 results. CVC first invested in Sunland in 1995 and since that time the company has experienced continued growth and profitability through a diversity of projects including the Q1 residential tower development on the Gold Coast,

Yve in Melbourne and the Circle on Cavill Shopping Centre. Sunland has expanded through developments in the Melbourne residential property market, developments in Sydney and expansion into Townsville and the Sunshine Coast. Sunland is a unique investment that, based on the current market price, reflects a return on our investment of in excess of 30% per annum.

Chevron Renaissance

CVC owns 50% of the Chevron Renaissance Shopping Centre located within the Surfers Paradise CBD. The centre has car parking for 331 vehicles and contains a Coles Supermarket, 57 speciality stores and 18 commercial tenancies.

CVC Newcastle

CVC entered into a joint venture with Winten Property Group during the year to develop a site at Fern Bay north of Newcastle NSW. Development of the land, which has the potential for sub division into up to 1,000 residential lots has commenced and has the scope to provide substantial profits to CVC potentially for up to the next 10 years.

FUNDS MANAGEMENT

On 9 August 2004, CVC received approval to acquire the funds management business of CVC Investment Managers for \$8.5 million, fully paid in shares. The Management business includes external management arrangements with:

- CVC REEF Limited
- CVC Private Equity Limited
- CVC Sustainable Investments Limited

The funds management business is forecast to receive or save annualised management fees of approximately \$3.8 million in 2005 and increase annualised net profit before tax and amortisation of over \$1.2 million. In future years ongoing management fees will grow relative to growth in funds under management and there is potential for the receipt of success fees in the event that realisation of investments exceed benchmark returns.

The 2005 financial year will see concerted efforts to grow funds under management via a prospectus offering for CVC Sustainable Investments and the ASX listing of CVC Private Equity. Subsequent years will focus on continued growth in funds under management for these specific funds, and possible addition of new funds as and when specific opportunities arise either organically or acquisitively.

Directors' Report

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 2004 together with the Auditors' Report thereon.

Directors

The names of Directors in office at the date of this report are Vanda Russell Gould (Chairman), John Scott Leaver, John Douglas Read, Alexander Damien Harry Beard and John Thomas Riedl.

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	3	4
J S Leaver	4	4
J D Read	4	4
A D H Beard	4	4
J T Riedl	3	4

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	3	3
A D H Beard	3	3
J T Riedl	2	3

Principal Activities

CVC's principal activity is the provision of investment capital to companies with substantial profit growth prospects. The principal activities of the corporations to which investment capital has been provided during the year were financing, property related investments and packaging supplies.

Review of Operations

The Chairman's Report, Review of Operations and the annexure to the Financial Report contain details of CVC's operations during the year.

Consolidated Result

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

	2004	2003
	\$	\$
Net profit after income tax	10,795,193	5,234,703
Outside equity interests	(649,171)	(191,643)
Net profit after income tax attributable to members	10,146,022	5,043,060

Dividends

A final dividend in respect of the year ended 30 June 2004 will be announced separately shortly. An interim dividend in respect of the year ended 30 June 2004, of 1.5 cents per ordinary share amounting to \$1,632,994, was paid on 25 March 2004. A final dividend in respect of the year ended 30 June 2003, of 2 cents per ordinary share amounting to \$2,184,935, was paid on 5 December 2003.

State of Affairs

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

- the on market buy-back 5.7 million of the Company's shares;
- the finalisation of the dispute in relation to land held at Fern Bay, New South Wales;
- expansion of the Pro-Pac business through organic growth and 'bolt-on' acquisitions; and
- continuing development of, and realisation of part of the CVC investment in Sunland Group Limited.

Likely Developments

The likely developments in the operations of CVC will involve an increase in the range of investment activities undertaken with the emphasis on obtaining higher yields. The profitability or otherwise of those investments cannot be meaningfully predicted at the date of this report.

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 and significant environmental regulation affecting the group's operations.

Environmental Management

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

Directors' Report

Events Subsequent to Balance Date

CVC has continued to make and realise investments and loans in support of its existing investee businesses and for new investees subsequent to balance date. In particular, the Company has acquired a 25% stake in Ron Finemore Transport Pty Limited, which has in turn acquired the Lewington's group of transport businesses.

The Company has settled its long-standing disputes with the Australian Taxation Office. Full provision has been made in this Financial Report for the financial effects of the settlement.

At a general meeting of the Company on 9 August 2004, shareholders approved:

- (i) the a payment of \$4 million to CVC Investment Managers Pty Ltd as settlement of all performance fees to 30 June 2004;
- (ii) the novation of the management agreements with CVC Investment Managers Pty Limited to CVC Managers Pty Limited;
- (iii) the issue of 7,391,304 ordinary shares in the Company for the acquisition of the investment management business of CVC Investment Managers Pty Ltd;
- (iv) Increases in Non-Executive Director remuneration;
- (v) the introduction of an Executive and Non-Executive Long Term Incentive Plan and the issue of up to five million ordinary shares in the Company, including one million shares to Mr A D H Beard, under the plan;

- (vi) a share buy-back program of up to 20 million ordinary shares of the Company; and

- (vii) the sale of part of the Company's investment in Pro-Pac Group Limited.

Resolutions to effect (i), (ii), (iii) and part of (iv) above were contingent on the granting of an Australian Financial Services Licence to CVC Managers Pty Limited. At the date of this report, this licence has not yet been granted and so the effects of these approvals have not yet been actioned.

Since the end of the year the Company has bought back 3,508,772 shares on market.

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.

Information on Directors

Vanda Russell Gould (Chairman)

B.Com. (UNSW), M.Com. (UNSW)
Fellow of the Institute of Chartered Accountants in Australia, Fellow of the Australian Institute of Certified Public Accountants, Licensed Securities Dealer. Chairman of Vita Life Sciences Limited. Director of CVC Sustainable Investments Limited, CVC REEF Limited, CVC Investment Managers Pty Limited and CVC Managers Pty Limited. Director of numerous other private and public companies including educational establishments.

John Scott Leaver (Non-Executive Director)

B.Econ. (Sydney)
Licensed Securities Dealer. Board member since 1984. Chairman of Sunland Group Limited. Director of CVC Investment Managers Pty Limited and CVC Managers Pty Limited.

John Douglas Read

(Non-Executive Director)
B.Sc. (Hons) (Cant.), MBA (AGSM)
Board Member since 1989. Chairman of the Environmental Group Limited. Director of CVC Private Equity Limited, CVC Sustainable Investments Limited and the Australian Institute for Commercialisation Limited.

Alexander Damien Harry Beard

(Director and Company Secretary)
B.Com. (UNSW)
Member of the Institute of Chartered Accountants in Australia. Director of Greens Foods Limited, CVC Private Equity Limited, CVC Sustainable Investments Limited, CVC Investment Managers Pty Limited and CVC Managers Pty Limited.

John Thomas Riedl

(Non-Executive Director)
B.Sc, B.E. (Elect) (Hons) (Sydney)
Director of numerous public and private companies.

Directors' Report

Share Options

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

Directors' Interests and Benefits

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
Mr V R Gould	14,672,323
Mr J S Leaver	15,013,307
Mr J D Read	483,956
Mr A D H Beard	14,663,443
Mr J T Riedl	30,000

At the date of this report, through their directorship of CVC Sustainable Investments Limited, Messrs Beard, Gould and Read (1,000,000 shares) hold indirect interests in 1,000,000 ordinary shares in Pro-Pac Group Limited. Mr Beard has a further indirect interest in 138,840 ordinary shares in Pro-Pac Group Limited.

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

Directors' benefits are set out in Notes 6 and 27.

Indemnification and Insurance of Officers and Auditors

a) Indemnification

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

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

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

Dated at Sydney this 20th day of September 2004.

Alexander Beard

Director

John Read

Director

Financial Report

For the year ended 30 June 2004

Statements of Financial Performance

For the year ended 30 June 2004

	Notes	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Revenue					
Revenue from sale of goods		18,415,189	3,994,716	—	—
Proceeds from share sales		23,693,414	98,473	23,700,169	98,473
Proceeds from sale of loans		1,652,713	—	1,652,713	—
Interest income		2,941,089	2,594,689	2,488,819	1,698,692
Other revenue from ordinary activities		912,069	297,242	1,525,743	1,156,713
Total revenue from ordinary activities	2	47,614,474	6,985,120	29,367,444	2,953,878
Share of net profits of associates accounted for using the equity method	25	10,052,118	4,305,914	—	—
Share of net profits of joint ventures accounted for using the equity method	30	2,784,730	4,543,120	2,784,730	4,543,120
Expenses					
Amortisation of goodwill		442,175	103,081	—	—
Borrowing costs	3	11,231	203,118	11,231	1,085,487
Cost or carrying value of shares sold		17,100,946	192,829	10,273,112	192,829
Cost of goods sold		10,026,859	2,174,925	—	—
Cost of loans sold		3,305,426	—	3,305,426	—
Employee expenses		3,145,106	702,479	—	—
Loans written-off		—	1,290,523	—	1,290,523
Management and consultancy fees		6,646,353	2,685,464	5,516,431	1,455,011
Movement in other loan provisions for non-recovery		4,247,399	(1,615,693)	4,566,666	65,040
Movement in unrealised loss on investments		100,248	3,742,843	(1,772,719)	2,340,056
Other expenses from ordinary activities	3	3,176,723	942,411	435,386	427,001
Profit from ordinary activities before related income tax expense	3	12,248,856	5,412,174	9,816,641	641,051
Income tax expense	4	1,453,663	177,471	775,339	224,118
Net profit		10,795,193	5,234,703	9,041,302	416,933
Net profit attributable to outside equity interests	23	649,171	191,643	—	—
Net profit attributable to members of the parent entity		10,146,022	5,043,060	9,041,302	416,933
Other changes in equity attributable to members of the Parent Entity other than those arising from transactions with owners as owners:					
Share of decrease in equity of associate accounted for using the equity method		—	(805,093)	—	—
Total changes in equity attributable to members of the Parent Entity other than those arising from transactions with owners as owners		10,146,022	4,237,967	9,041,302	416,933
Basic and diluted earnings per share	8	0.0943	0.0460		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Statements of Financial Position

As at 30 June 2004

	Notes	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Current assets					
Cash assets	26	12,269,691	2,477,100	9,507,658	799,577
Receivables	9	7,615,477	13,165,058	4,409,449	4,968,518
Inventories	10	1,132,013	801,437	—	—
Other financial assets	11	4,922,116	4,669,488	4,922,116	4,669,488
Current tax assets	4	40,152	311,208	—	—
Other assets	12	238,692	60,612	30,871	45,483
Total current assets		26,218,141	21,484,903	18,870,094	10,483,066
Non-current assets					
Receivables	9	2,889,908	17,218,269	3,479,281	17,352,220
Investments accounted for using the equity method	13	49,524,380	33,402,952	12,099,991	9,315,261
Other financial assets	11	11,861,444	10,328,167	27,133,430	13,980,626
Intangible assets	14	5,157,691	5,257,104	—	—
Property, plant and equipment	15	670,692	617,178	—	—
Deferred tax assets	4	139,700	4,015	—	4,015
Total non-current assets		70,243,815	66,827,685	42,712,702	40,652,122
Total assets		96,461,956	88,312,588	61,582,796	51,135,188
Current liabilities					
Payables	16	11,714,568	3,044,732	26,160,149	15,264,426
Interest bearing liabilities	17	—	215,000	—	—
Provisions	18	208,830	1,935,389	—	—
Current tax liabilities	4	991,657	368,817	601,265	54,200
Total current liabilities		12,915,055	5,563,938	26,761,414	15,318,626
Non-current liabilities					
Provisions	18	143,206	—	—	—
Deferred tax liabilities	4	177,557	—	177,557	—
Total non-current liabilities		320,763	—	177,557	—
Total liabilities		13,235,818	5,563,938	26,938,971	15,318,626
Net assets		83,226,138	82,748,650	34,643,825	35,816,562
Equity					
Contributed equity	19	20,237,527	26,633,636	20,237,527	26,633,636
Reserves	20	—	—	—	—
Retained profits	21	60,530,410	54,202,318	14,406,298	9,182,926
Total parent entity interest		80,767,937	80,835,954	34,643,825	35,816,562
Outside equity interest	23	2,458,201	1,912,696	—	—
Total equity		83,226,138	82,748,650	34,643,825	35,816,562

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

Statements of Cash Flows

For the year ended 30 June 2004

	Notes	Consolidated		The Company	
		2004	2003	2004	2003
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		19,906,117	4,274,088	126,819	56,249
Cash payments in the course of operations		(20,511,459)	(6,381,214)	(2,082,408)	(1,662,637)
Interest received		1,049,594	1,000,022	938,294	978,553
Dividends received		1,979,736	1,319,223	1,398,925	1,100,464
Interest paid		(11,231)	(88,117)	(11,231)	(100,179)
Income taxes paid		(517,895)	1,011,180	(46,702)	286,862
Net cash provided by operating activities	26	1,894,862	1,135,182	323,697	659,312
Cash flows from investing activities					
Payments for property, plant and equipment		(177,387)	(11,700)	–	–
Payments for equity investments		(22,234,186)	(2,231,587)	(19,937,209)	(2,226,587)
Payment for controlled entity		(2,024,070)	(3,282,931)	(1,518,611)	(4,667,165)
Proceeds on disposal of equity investments		25,346,127	58,691	25,352,878	58,691
Loans provided		(7,161,807)	(12,448,690)	(12,902,197)	(12,658,971)
Loans repaid		24,556,385	16,964,000	27,603,562	16,964,000
Net cash provided by/(used in) investing activities		18,305,062	(952,217)	18,598,423	(2,530,032)
Cash flows from financing activities					
Repayment of borrowings		(193,294)	–	–	–
Dividends paid to members of parent entity		(3,817,930)	(1,646,041)	(3,817,930)	(1,646,041)
Dividends paid to outside equity interests		–	(1,713,000)	–	–
Shares bought-back on market		(6,396,109)	–	(6,396,109)	–
Issue of shares to outside equity interests		–	1,214,404	–	–
Net cash used in financing activities		(10,407,333)	(2,144,637)	(10,214,039)	(1,646,041)
Net increase/(decrease) in cash held		9,792,591	(1,961,672)	8,708,081	(3,516,761)
Cash at the beginning of the financial year		2,477,100	4,438,772	799,577	4,316,338
Cash at the end of the financial year	26	12,269,691	2,477,100	9,507,658	799,577

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 18 to 43.

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Notes to the Financial Statements

For the year ended 30 June 2004

Note 1: Statement of Significant 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 Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

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

1.2 Principles of Consolidation

Controlled entities

The financial statements of controlled entities are included in 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.

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 statement of financial

performance 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 unincorporated joint ventures are brought to account by including its proportionate share of the joint venture's assets, liabilities, expenses and revenue on a line-by-line basis, from the date joint control commences to the date joint control ceases.

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 statement of financial performance 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.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of CVC's interest. Unrealised gains relating to associates and joint venture entities are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence a recoverable amount impairment.

Goodwill

Goodwill 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. Goodwill is amortised on a straight line basis over the period during which benefits are expected to be received. The periods in use during the year and previous year were 10-13 years.

1.3 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 unincorporated joint ventures are brought to account by including its proportionate share of the joint venture's assets, liabilities, expenses and revenue on a line-by-line basis, from the date joint control commences to the date joint control ceases.

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 statements of financial performance from the date joint control commences to the date joint control ceases. The Company's share of other movements in reserves are recognised directly in reserves.

Notes to the Financial Statements

For the year ended 30 June 2004

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.

Other entities

Investments in other listed companies are measured at the lower of cost and recoverable amount, being the current quoted market prices.

Investments in other unlisted entities are carried at the lower of cost and recoverable amount.

1.4 Income Tax

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

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

1.5 Cash

For the purposes of the statements of cash flows, cash includes cash on hand and in banks, and money market investments, readily convertible to cash within two working days, net of outstanding bank overdrafts.

1.6 Inventories

Inventories are carried at the lower of cost and net realisable value.

Net realisable value

Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

1.7 Payables

Liabilities are recognised for amounts to be paid in the future for goods or services provided to CVC prior to the year end. Trade accounts payable are normally settled within 30 days.

1.8 Accounts Receivable

Trade debtors

Trade debtors to be settled within 30 days are carried at amounts due.

Term debtors

Term debtors are carried at amounts due and settled on completion of projects. A market rate of interest is charged on outstanding amounts and debtors are required to provide collateral.

Doubtful debts

The collectability of debts is assessed regularly and specific provision is made for any doubtful accounts.

1.9 Property, Plant and Equipment

Acquisition

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

The cost of property, plant and equipment constructed by controlled entities includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Leased plant and equipment

Leases 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 statements of financial performance. 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.

1.10 Employee Entitlements

Wages, salaries and annual leave

The provision for employee entitlements in relation to wages and annual leave represents present obligations resulting from employees' services provided up to balance date.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided up to the balance date.

1.11 Land Held for Sale

Valuation

Development properties are carried at the lower of cost and net realisable value. Cost includes the costs of acquisition, development, and holding costs such as interest, rates and taxes. Interest and other holding costs incurred after completion of development are expensed as incurred.

1.12 Revenue and Revenue Recognition

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

Notes to the Financial Statements

For the year ended 30 June 2004

Note 1: Statement of Significant Accounting Policies (continued)

Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Interest income

Interest income is recognised as it accrues unless collectability is in doubt, taking into account the effective yield on the financial asset.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Research and development grants

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue. Where a grant is received relating to research and development costs that have been deferred, the grant is deducted from the carrying amount of the deferred research and development.

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.

1.13 Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings.

Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the asset. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on that borrowing. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

1.14 Non-current Assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

1.15 Depreciation and Amortisation

Fixed assets 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, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

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

Plant and Equipment	5% to 50%
Leased Assets	15% to 25%

Complex assets

The components of major assets that have materially different useful lives, are effectively accounted for as separate assets, and are separately depreciated/amortised.

1.16 Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation 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.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statements of financial position.

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

1.17 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 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 2: Revenue from Ordinary Activities

Revenue from operating activities:

Revenue from sale of goods	18,415,189	3,994,716	–	–
Proceeds from share sales	23,693,414	98,473	23,700,169	98,473
Proceeds from sale of loans	1,652,713	–	1,652,713	–
Interest:				
Related parties	295,547	364,401	295,547	364,401
Other parties	2,645,542	2,230,288	2,193,272	1,334,291
Dividends				
Other parties	692,251	102,569	1,398,925	1,100,464
Other revenue	219,818	194,673	126,818	56,249
Revenue from ordinary and operating activities	47,614,474	6,985,120	29,367,444	2,953,878

Note 3: Profit from Ordinary Activities before Income Tax Expense

Profit from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following items:

Borrowing costs:

Related parties	–	–	–	985,308
Other	11,231	203,118	11,231	100,179
Total borrowing costs	11,231	203,118	11,231	1,085,487

Other operating expenses:

Audit fees	112,500	75,000	66,500	60,000
Depreciation of plant and equipment	121,179	30,434	–	–
Directors' fees	50,000	39,582	50,000	39,582
Freight costs	271,212	54,637	–	–
Insurance	81,162	34,628	27,148	13,940
Legal costs	118,051	131,418	108,871	120,988
Operating lease rental expense	537,877	62,010	–	–
Royalty costs	519,383	108,527	–	–
All other operating expenses	1,365,359	406,175	182,867	192,491
Total other operating expenses	3,176,723	942,411	435,386	427,001

Other items:

Performance fees payable	4,000,000	–	4,000,000	–
Losses/(gains) on disposals of:				
Property, plant and equipment	2,694	–	–	–
Investments	(6,592,468)	–	(13,427,057)	–
Loans	1,652,713	–	1,652,713	–

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 4: Taxation**4.1 Income Tax Expense:****Prima facie income tax expense calculated at 30% (2003: 30%)
on the profit from ordinary activities**

	3,674,657	1,623,653	2,944,992	192,315
Increase in income tax expense due to:				
Prima facie income tax on profit from ordinary activities of subsidiaries within tax consolidation group	—	—	(214,156)	196,253
Provision to reflect recoverable amount of equity accounted component of investment carrying value	—	170,440	—	—
Amortisation of goodwill	132,653	30,924	—	—
Tax losses not recognised	4,543	28,274	—	28,241
Sundry items	—	—	—	38,034
Decrease in income tax expense due to:				
Tax attributable to equity accounted profits	(359,313)	(926,778)	—	—
Sundry items	(5,701)	(53,920)	5,999	—
Franked dividends received	(495,774)	(378,738)	(495,774)	(329,236)
Div 43 building allowances	(354,831)	(402,673)	(354,831)	(402,673)
Recovery of tax losses not previously recognised	(1,904,744)	(65,765)	(1,862,227)	(75,580)
	691,490	25,417	24,003	(352,646)
Prior year under provision	168,406	152,054	157,569	576,764
Settlement of long standing tax disputes ⁽ⁱ⁾	593,767	—	593,767	—
Income tax expense attributable to profit from ordinary activities	1,453,663	177,471	775,339	224,118

- i) Subsequent to the end of the financial year, the Company has reached agreement with the Australian Taxation Office to settle revised income taxation assessments issued to the Company in respect of the 1988, 1991 and 1994 financial years. The Company had provided in full in the current financial year for the additional expense of \$593,767 arising from this settlement.

4.2 Current Tax Assets:

Income tax instalments refundable

Balance at end of year	40,152	311,208	—	—
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4.3 Current Tax Liabilities:

Income tax payable:

Balance at end of year	991,657	368,817	601,265	54,200
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4.4 Deferred Tax Assets/Liabilities:

Future income tax benefit:

Balance at end of year	139,700	4,015	—	4,015
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Deferred income tax liability:

Balance at end of year	177,557	—	177,557	—
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Future income tax benefits not taken to account:

Tax revenue losses carried forward at 30% (2003: 30%)	636,928	1,276,229	44,897	680,366
Unrealised capital losses at 30% (2003: 30%)	1,721,158	—	1,721,158	—
Tax capital losses carried forward at 30% (2003: 30%)	14,344,681	17,497,654	9,075,414	12,228,386

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 4: Taxation (continued)**4.4 Deferred Tax Assets/Liabilities (continued):**

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

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

4.5 Tax Consolidation

The Company and its applicable wholly owned subsidiaries have adopted the provisions of the tax consolidation regime for the full accounting period ending 30 June 2004. Formal notification of the adoption to the Australian Taxation Office has been made. Tax balances within this Financial Report reflect the expected effects of the adoption of the tax consolidation regime with a formal tax sharing arrangement between subsidiaries.

Note 5: Dividends

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

	Cents per share	Total \$	Date of Payment	Tax rate for franking credit	Percentage franked
Declared during the financial period and included within the statements of financial position:					
2003					
Final – ordinary	2.00	2,184,935	4 December 2003	30%	100%
2004					
Interim – ordinary	1.50	1,632,995	25 March 2004	30%	100%

Declared after the end of the financial period and not included in the statements of financial position:

At the date of this report the final dividend for 2004 has not been declared.

	The Company	
	2004	2003
	\$	\$

Dividend franking account

Franking credits available to shareholders for subsequent financial years	2,243,972	2,696,421
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The franking account is stated on a tax paid amount.

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- a) franking credits that will arise from the payment of the amount of the provision for income tax
- b) franking debits that will arise from the payment of dividends recognised as a liability at year end
- c) franking credits that will arise from the receipt of dividends recognised as receivables at year end
- d) 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 2004

Note 6: Remuneration of Directors and Executives

Income paid or payable, or otherwise made available to all Directors of the Company from the Company or any related party.

	2004	2003
	\$	\$
Fees – John Douglas Read	25,000	25,000
Fees – John Thomas Riedl	25,000	14,582
	50,000	39,582

No amounts were paid or payable, directly or indirectly to executive officers of the Company.

Except as detailed above, the Company paid no other remuneration to Directors or executives during the year.

The costs of the services of Directors: Messrs Beard, Gould and Leaver, and executives are covered by the management agreement with the Investment Manager, CVC Investment Managers Pty Limited. Messrs Beard, Gould and Leaver are Directors of the Company and of CVC Investment Managers Pty Limited. Mr Read is a Director of the Company and was a Director of CVC Investment Managers Pty Limited until September 2003. During the financial year CVC Investment Managers Pty Limited did not pay any remuneration to Directors or executives of the Company. During the financial year CVC Investment Managers Pty Limited paid management fees of \$941,334 (2003: \$878,050) to unrelated entities and \$500,000 (2003: \$500,000) to entities related to Directors Gould and Leaver, for the provision of professional services, including the services of Directors and executives.

Mr Read also receives Director fees of \$15,000 per annum from CVC Private Equity Limited, a related company, for services to that company.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 7: Auditors' Remuneration

Amounts received or due and receivable to Auditors of the Company:

Audit services	107,500	75,000	66,500	60,000
Other services	5,000	—	—	—
	112,500	75,000	66,500	60,000

The Auditors received no other benefits.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$

Note 8: Earnings Per Share

Basic and diluted earnings per share (dollars per share)	0.0943	0.0460
Reconciliation of earnings used in the calculation of earnings per share:		
Operating profit after income tax	10,795,193	5,234,703
Less: Outside equity interests	(649,171)	(191,643)
Earnings	10,146,022	5,043,060

	Number of Shares	
Weighted average number of ordinary shares	107,606,827	109,736,032

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 9: Receivables**Current**

Trade debtors	3,136,836	2,630,330	—	—
Other debtors	136,200	79,460	67,008	13,250
Loans to other corporations	6,546,774	10,908,949	6,546,774	5,089,682
Provision for non-recovery of loans to other corporations	(2,344,333)	(1,913,681)	(2,344,333)	(1,594,414)
Loans to related entities	140,000	1,460,000	140,000	1,460,000
Total current receivables	7,615,477	13,165,058	4,409,449	4,968,518

Non-current

Loans to other corporations	4,595,890	5,735,388	4,595,890	5,735,388
Provision for non-recovery of loans to other corporations	(3,845,890)	(29,143)	(3,845,890)	(29,143)
Loans to controlled entities	—	—	2,454,335	1,256,342
Provision for non-recovery of loans to controlled entities	—	—	(1,122,391)	(1,122,391)
Loans to director related entities	2,139,908	3,162,256	1,397,337	3,162,256
Loans to joint ventures	—	8,349,768	—	8,349,768
Total non-current receivables	2,889,908	17,218,269	3,479,281	17,352,220

Further details of loans to related entities are set out in Note 27.

Note 10: Inventories**Current**

Finished goods – at cost	1,132,013	801,437	—	—
Total current inventories	1,132,013	801,437	—	—

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 11: Other Financial Assets**Current**

Shares in listed corporations at cost	4,922,116	3,609,776	4,922,116	3,609,776
Shares in listed corporations at market value	–	1,059,712	–	1,059,712
Total current other financial assets	4,922,116	4,669,488	4,922,116	4,669,488

Market value of shares in listed corporations	10,502,909	7,519,533	10,502,909	7,519,533
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Non-current

Unlisted Controlled entities – at cost	–	–	6,289,230	4,770,619
Shares in listed corporations – at cost or realisable value	5,772,580	5,578,817	2,412,507	1,970,241
Other investments at cost or realisable value	6,088,864	4,749,350	4,892,761	2,279,696
Shares in listed associated companies at cost (Note 25)	–	–	13,538,932	4,960,070
Total non-current other financial assets	11,861,444	10,328,167	27,133,430	13,980,626

Market value of shares in listed corporations:

Associated companies	–	–	31,402,532	25,546,108
Other investments	14,102,366	12,049,741	2,855,766	1,970,241
	14,102,366	12,049,741	33,168,298	27,516,349

The Directors have valued shares in listed corporations at the lower of cost and market value as at 30 June 2004.

Note 12: Other Assets**Current**

Prepayments and deposits	216,654	18,098	11,662	10,810
Goods and services tax	22,038	42,514	19,209	34,673
	238,692	60,612	30,871	45,483

Note 13: Investments Accounted for Using the Equity Method**Non-current**

Equity accounted shares of joint ventures (Note 30)	12,099,991	9,315,261	12,099,991	9,315,261
Equity accounted shares in listed associated companies (Note 25)	32,380,577	24,087,691	–	–
Equity accounted shares in other associated companies (Note 25)	5,043,812	–	–	–
	49,524,380	33,402,952	12,099,991	9,315,261

Market value of shares in listed associated companies	42,778,007	31,146,341	–	–
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Note 14: Intangible Assets

Goodwill	5,702,947	5,360,185	–	–
Accumulated amortisation	(545,256)	(103,081)	–	–
	5,157,691	5,257,104	–	–

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 15: Property, Plant and Equipment**Plant and equipment**

At cost	1,508,695	1,449,904	—	—
Accumulated depreciation	(838,003)	(832,726)	—	—
Total property, plant and equipment	670,692	617,178	—	—

Reconciliations

Plant and equipment				
Carrying amount at beginning of year	617,178	—	—	—
Assets acquired in business acquisition	—	635,912	—	—
Additions	177,387	11,700	—	—
Disposals	(2,694)	—	—	—
Depreciation	(121,179)	(30,434)	—	—
Carrying amount at end of year	670,692	617,178	—	—
Total property, plant and equipment	670,692	617,178	—	—

Note 16: Payables**Current**

Trade creditors	2,066,214	1,632,839	8,050	41,127
Loans from controlled entities	—	—	17,374,782	14,328,506
Loans from joint venture entities	4,715,322	756,875	4,715,322	756,875
Performance fees payable	4,000,000	—	4,000,000	—
Sundry creditors and accruals	770,624	472,808	61,995	137,918
GST Payable	162,408	182,211	—	—
Total current accounts payable	11,714,568	3,044,733	26,160,149	15,264,426

Note 17: Interest Bearing Liabilities**Current**

Loans from other persons	—	215,000	—	—
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Note 18: Provisions**Current**

Employee entitlements	208,830	303,374	—	—
Deferred consideration and costs for acquisition of controlled entity	—	1,577,644	—	—
Other	—	54,371	—	—
Total current provisions	208,830	1,935,389	—	—

Non-current

Employee entitlements	143,206	—	—	—
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Notes to the Financial Statements

For the year ended 30 June 2004

	2004		2003	
	Number	\$	Number	\$

Note 19: Contributed Equity**Issued and paid-up ordinary share capital**

Balance at beginning of the year	109,736,032	26,633,636	109,736,032	26,633,636
Shares bought back on market	(5,741,576)	(6,396,509)	—	—
Difference between cost and dividend equivalent of 157,851 shares acquired on market for dividend reinvestment plan	—	400	—	—
Balance at end of the year	103,994,456	20,237,527	109,736,032	26,633,636

On 21 December 1999 the Company commenced an on-market share buy-back scheme for an unlimited duration but limited to 7,000,000 ordinary shares. During the financial year the Company bought back the remaining 5,741,576 shares that could be bought back under the scheme.

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 3,508,772 shares had been bought back under this scheme.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 20: Reserves**Capital profits reserve**

Balance at beginning of the year	—	—	—	—
Equity accounted share of reserve movement in associated entity	—	21,215	—	—
Transfer to retained profits	—	(21,215)	—	—
Balance at end of the year	—	—	—	—

Note 21: Retained Profits

Retained profits at the beginning of the year	54,202,318	51,589,177	9,182,926	10,412,032
Net profit attributable to members of the parent company	10,146,022	5,043,060	9,041,302	416,933
Dividends	(3,817,930)	(1,646,041)	(3,817,930)	(1,646,041)
Share of decrease in retained profits of associate accounted for using the equity method	—	(805,093)	—	—
Transfer from capital profits reserve	—	21,215	—	—
Retained profits at the end of the year	60,530,410	54,202,318	14,406,298	9,182,926

Note 22: Financing Arrangements

At 30 June 2004, CVC had access to the following specific lines of credit.

Total facilities available:

Joint venture — finance loans	46,500,000	48,500,000	46,500,000	48,500,000
Bank facility	5,000,000	5,000,000	5,000,000	5,000,000
	51,500,000	53,500,000	51,500,000	53,500,000

Joint venture facilities are shown gross and not the 50% share attributable to CVC. Joint venture facilities are fully drawn and are secured on property within the joint ventures. The bank facility has not been drawn.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 23: Controlled Entities

23.1 Particulars in Relation to Controlled Entities

The consolidated financial statements at 30 June 2004 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	
	2004 %	2003 %
CVC Limited		
Controlled entities:		
Biomedical Systems Pty Limited	100	100
CVC Communication and Technology Pty Ltd	100	100
CVC (Newcastle) Pty Limited	100	100
CVC Technologies Pty Limited	100	100
Kingarrow Pty Limited	100	100
Laserex Pty Limited	100	100
The Eco Fund Pty Limited (formerly: Campburn Pty Limited)	100	100
Stinoc Pty Limited (formerly: Stinoc Limited)	99	80
Pro-Pac Group Limited	82	77
Pro-Pac Packaging (Aust) Pty Limited	66	62
Pro-Pac Packaging Manufacturing (Syd) Pty Limited	66	62
Pro-Pac Packaging Manufacturing (Melb) Pty Limited	66	62
Pro-Pac Packaging Manufacturing (Bris) Pty Limited	66	62
Pro-Pac (GLP) Pty Ltd	66	62
	Consolidated	
	2004	2003
	\$	\$

23.2 Outside Equity Interests in Controlled Entities comprise:

Reconciliation of outside equity interests in controlled entities:

Balance at beginning of the year	1,912,696	611,700
Share of net profit	649,171	191,643
Arising on acquisitions of new subsidiaries	–	1,748,901
New shares issued by subsidiary	36,399	–
Capital reduction by subsidiary	(140,065)	(639,548)
Balance at end of the year	2,458,201	1,912,696

The outside equity interests at the end of the year comprises interests in:

Share capital	1,285,226	6,378,626
Retained profits/accumulated losses	1,172,975	(4,465,930)
	2,458,201	1,912,696

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 23: Controlled Entities (continued)**23.3 Acquisition of Controlled Entities****a) Pro-Pac Packaging (Aust) Pty Limited**

Pro-Pac Group Limited, a controlled entity, acquired an 80% private equity interest in Pro-Pac Packaging (Aust) Pty Limited and its subsidiaries with effect from 1 April 2003.

Consideration and costs paid	-	(5,382,541)	-	-
Cash acquired	-	2,708,384	-	-
Outflow of cash	-	(2,674,157)	-	-
Fair value of net assets acquired:				
— Cash assets	-	2,708,384	-	-
— Inventory	-	836,347	-	-
— Trade debtors	-	2,444,456	-	-
— Other current assets	-	33,533	-	-
— Property, plant and equipment	-	635,912	-	-
— Trade creditors	-	(1,591,239)	-	-
— Employee entitlements	-	(283,952)	-	-
— Tax liabilities	-	(277,251)	-	-
— Related party loans	-	(2,212,924)	-	-
— Other current liabilities	-	(293,266)	-	-
	-	2,000,000	-	-
Net assets at fair value at 80% ownership	-	1,600,000	-	-
Goodwill arising	-	5,360,185	-	-
Estimated total consideration and costs^(a)	-	6,960,185	-	-

a) At 30 June 2003 a further instalment of consideration was payable, to be calculated based on an adjusted audited earnings figure for the year ended 30 June 2003. As at the date of the 2003 Financial Report the final consideration to be paid for the acquisition had not been finalised and a provision was carried forward at \$1,577,644. During the year the final consideration was determined at \$1,581,877 and was paid.

During the current financial year Pro-Pac Packaging (Aust) Pty Limited acquired two 'bolt-on' unincorporated businesses for goodwill payments totalling \$308,744.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 23: Controlled Entities (continued)**23.3 Acquisition of Controlled Entities (continued)****b) Stinoc Pty Limited**

On 28 March 2003, as a result of the effects of a rights issue by Stinoc Pty Limited, Stinoc Pty Limited became an 80.19% controlled entity of CVC.

Consideration paid	–	(488,317)	–	(488,317)
Cash acquired	–	714,769	–	–
Inflow/(outflow) of cash	–	226,452	–	(488,317)

Fair value of net assets acquired:

– Cash assets	–	714,769	–	–
– Current receivables	–	2,216	–	–
– Accounts payable	–	(38,222)	–	–

	–	678,763	–	–
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Net assets at fair value at 80.19% ownership	–	544,288	–	–
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Discount on acquisition	–	(55,971)	–	–
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Consideration	–	488,317	–	–
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The discount on acquisition was included as other income.

On 7 May 2004, Stinoc Pty Limited performed a capital reduction. As a result of this capital reduction the Company's interest in the share capital of Stinoc Pty Limited increased to 99% with a reduction in cash balances of CVC of \$151,787.

c) Laserex Pty Limited

On 5 March 2003, as a result of the effects of a capital reduction by Laserex Pty Limited, Laserex Pty Limited, previously a 98% controlled entity, became a 100% controlled entity of CVC. The effect of the capital reduction was that outside equity interests in the controlled entity were removed at a cash cost to CVC of \$835,226.

23.4 Disposal of Controlled Entities

During the years ended 30 June 2004 and 30 June 2003 there were no disposals of controlled entities.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 24: Operations by Segments**24.1 Primary Segments – Business Segments**

Information, in round thousands, as permitted under class order 98/100, for each business segment is as follows:

30 June 2004	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Eliminations \$'000's	Consolidated \$'000's
Revenues:					
Revenue from external customers	22,889	24,385	340	–	47,614
Inter-segment revenue	–	–	–	–	–
Operating revenue	22,889	24,385	340	–	47,614
Equity accounted net profits	763	10,468	1,606	–	12,837
Total segment revenue	23,652	34,853	1,946	–	60,451
Results:					
Result before non-cash items	4,443	17,752	1,947	–	24,142
Depreciation	(121)	–	–	–	(121)
Amortisation	(442)	–	–	–	(442)
Other non-cash expenses:					
– Increase/(reduction) in loan provision for non-recovery	(4,567)	–	319	–	(4,248)
– Unrealised loss on investments	300	(400)	–	–	(100)
Segment result	(387)	17,352	2,266	–	19,231
Unallocated corporate expenses					(6,982)
Income tax expense					(1,454)
Profit after taxation					10,795
Assets:					
Segment assets excluding equity					
Accounted investments	35,300	10,694	2,105	(1,341)	46,758
Equity accounted investments	3,685	32,381	8,743	4,715	49,524
Segment assets	38,985	43,075	10,848	3,374	96,282
Unallocated assets					180
Total assets					96,462
Liabilities:					
Segment liabilities	8,517	–	18	3,374	11,909
Unallocated liabilities					1,327
Total liabilities					13,236
Cost of acquisition of non-current assets	486	–	–	–	486

Private Equity and Venture Capital involves equity and debt investments in non-listed entities. It includes shares, debt, convertible notes and other investments. Property comprises joint venture interests in the Chevron Renaissance shopping centre, the Bel-Air shops and property interests through CVC (Newcastle) Pty Ltd and Winten (No.20) Pty Ltd. Listed investments comprises investments listed on recognised stock exchanges.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 24: Operations by Segments (continued)

24.1 Primary Segments – Business Segments (continued)

30 June 2003	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Eliminations \$'000's	Consolidated \$'000's
Revenues:					
Revenue from customers outside the group	5,605	296	1,084	—	6,985
Inter-segment revenue	834	—	—	(834)	—
Operating revenue	6,439	296	1,084	(834)	6,985
Equity accounted net profits	3,479	4,306	1,064	—	8,849
Total segment revenue	9,918	4,602	2,148	(834)	15,834
Results:					
Result before non-cash items	6,460	4,409	1,199	—	12,068
Depreciation	(30)	—	—	—	(30)
Amortisation	(103)	—	—	—	(103)
Other non-cash expenses	(3,315)	(1,390)	937	—	(3,768)
Segment result	3,012	3,019	2,136	—	8,167
Unallocated corporate expenses					(2,755)
Income tax expense					(177)
Profit after taxation					5,235
Assets:					
Segment assets excluding equity					
Accounted investments	39,647	10,248	6,982	(2,282)	54,595
Equity accounted investments	4,537	24,088	8,153	(3,375)	33,403
Segment assets	44,184	34,336	15,135	(5,657)	87,998
Unallocated assets					315
Total assets					88,313
Liabilities:					
Segment liabilities	4,048	—	6,646	(5,657)	5,037
Unallocated liabilities					527
Total liabilities					5,564
Cost of acquisition of non-current assets	5,360	—	—	—	5,360

24.2 Secondary Segments – Geographical Segments

CVC operates predominantly in Australia.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 25: Investments in Associated Entities

Details of material interests in associated entities as at 30 June 2004 are as follows:

Name	Principal Activities	Class of Share	Ownership Interest			
			Consolidated		The Company	
			2004	2003	2004	2003
			%	%	%	%
Sunland Group Limited	Property development	Ord	19.17	28.58	14.07	23.44
CVC Private Equity Limited ^{a)}	Private equity investment	Ord	24.56	—	24.56	—
Winten (No.20) Pty Limited	Property development	Ord	50.00	—	—	—

a) An investment of 10.48% of the equity in CVC Private Equity Limited was held at 30 June 2003. However, at that time, the investment was not considered to be an associate to be accounted for using the equity method and was instead included within shares in other investments at cost or realisable value within non-current other financial assets.

The balance date of all the associated companies is 30 June 2004 and all were incorporated in Australia.

Name	Investment Carrying Amount				Dividends Received/Receivable			
	Consolidated		The Company		Consolidated		The Company	
	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$
Sunland Group Limited	32,380,577	24,087,691	9,342,577	4,960,070	1,287,485	1,216,654	1,025,079	1,003,982
CVC Private Equity Limited	4,196,355	—	4,196,355	—	—	—	—	—
Winten (No.20) Pty Limited	847,457	—	—	—	—	—	—	—

Investments in associated companies are accounted for on a cost basis in the company accounts and under the equity accounting method in the consolidated accounts. Movements in the carrying amount of the investments under the equity accounting method are as follows:

	Sunland Group	CVC Private Equity	Consolidated		Total	2003 Sunland Group
			2004	Winten (No.20)		
					\$	\$
Balance at the start of the year	24,087,691	—	—	—	24,087,691	21,782,309
Share of associates profits/(losses) before tax	14,756,708	(388,175)	(27,521)	—	14,341,012	5,880,853
Share of associates tax expense	(4,288,891)	—	—	—	(4,288,891)	(1,574,939)
Reclassification of investments	—	1,832,609	874,978	—	2,707,587	—
New interests acquired	8,637,866	2,751,921	—	—	11,389,787	—
Interests disposed during the year	(9,525,312)	—	—	—	(9,525,312)	—
Dividends received during the year	(1,287,485)	—	—	—	(1,287,485)	(1,216,654)
Share of associates adjustment in equity	—	—	—	—	—	(805,093)
Share of associates capital reserve movement	—	—	—	—	—	21,215
Balance at the end of the year	32,380,577	4,196,355	847,457	—	37,424,389	24,087,691

The full financial information at 30 June for Sunland Group Limited has historically not been publicly available at the time of the preparation of the Company's Financial Report. Accordingly, the investment has been accounted for using financial information for the half year to 31 December 2003. This is consistent with prior years. At 31 December 2003, CVC's ownership interest in Sunland Group Limited was 19.78%.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 26: Notes to the Statements of Cash Flows**26.1 Reconciliation of Cash**

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

Cash assets	12,269,691	2,477,100	9,507,658	799,577
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26.2 Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities

Profit from ordinary activities after income tax	10,795,193	5,234,703	9,041,302	416,933
Add/(less) non-cash items:				
Share of equity accounted profits	(12,836,848)	(8,849,034)	(2,784,730)	(4,543,120)
Dividends received from equity accounted associates	1,287,485	1,216,654	—	—
Depreciation and amortisation of property plant and equipment	121,179	30,434	—	—
Amortisation of goodwill	442,175	103,081	—	—
Discount on acquisition	—	(55,971)	—	—
Unrealised loss on investments	100,248	3,742,843	(1,772,719)	2,340,056
Profit on disposal of investments	(6,592,468)	—	(13,427,057)	—
Loss on disposal of short term investments	—	91,050	—	91,050
Loss on sale of loan	1,652,713	—	1,652,713	—
Movements in loan provisions	4,247,399	(561,265)	4,566,666	1,121,968
Loss on sale of property, plant and equipment	2,694	—	—	—
Borrowing costs in operating profit	(21,705)	92,500	—	—
Interest income not received	(1,891,495)	(1,604,487)	(1,550,525)	(720,139)
Interest expense not paid	—	—	—	985,308
Movement in current tax assets and liabilities	893,895	1,679,574	547,065	1,006,227
Movement in deferred tax assets and liabilities	41,872	(492,247)	181,572	(495,247)
Changes in assets and liabilities:				
Receivables	(544,499)	570,940	(36,201)	830,914
Inventories	(330,576)	34,910	—	—
Payables	4,711,389	(301,057)	3,890,999	(363,828)
Provisions	(5,709)	19,422	—	—
Other assets	(178,080)	183,132	14,612	(10,810)
Net cash provided by operating activities	1,894,862	1,135,182	323,697	659,312

26.3 Financing Facilities

Refer Note 22.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 27: Related Party Information

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 Note 6.

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.

Other Transactions

CVC Investment Managers Pty Limited, of which Messrs Gould, Leaver and Beard were Directors during the relevant period, is entitled to a management fee of 4% of the funds under management of CVC for providing fund raising, accounting, secretarial and management services. CVC Investment Managers Pty Limited is also entitled to a further payment (Incentive Fee) assessed at 20% of the increment in the net asset value of the Company during each year (refer Note 29). CVC Investment Managers Pty Limited is responsible for the engagement of several Directors and Executive Officers of CVC together with the provision of administration and management services.

Management fees of \$1,443,720 (2003: \$1,387,380) were paid to CVC Investment Managers Pty Limited and its controlled entities by CVC during the year. CVC Investment Managers Pty Limited and its controlled entities received management fees from the controlled entities and associated companies of CVC for the provision of services directly to those companies totalling \$1,050,758 (2003: \$1,084,476).

At a general meeting of the Company held on 9 August 2004, shareholders approved the payment of \$4 million to CVC Investment Managers Pty Limited as settlement of all performance fees to 30 June 2004. Payment of all Incentive Fees is contingent on the granting of an Australian Financial Services Licence to CVC Managers Pty Limited. At the date of this report, this licence has not been granted and so the settlement of all performance fees has not yet been actioned.

During prior years CVC lent \$9,842,505 to The Keriland Joint Venture in which it had an effective 25% interest. During the year ended 30 June 2003 the joint venture was dissolved and the balance of the loan written down to \$7,300,000 to be repaid by instalments. At 30 June 2003 two instalments totalling \$1,460,000 were outstanding. Final payment for \$1,460,000 was received in July 2003. The balance of the interests in The Keriland Hotel Joint Venture are held by Sunland Group Limited ("Sunland"). Mr Leaver is a Director of CVC and Sunland.

During the year, CVC committed to take up its rights in a Sunland rights issue and received an amount of \$126,818, for the commitment, from the underwriter of the rights issue.

As at 30 June 2003, CVC Communications & Technology Pty Limited, a 100% controlled entity, had loaned \$12,289,575 to the Company. During the year 30 June 2004, CVC received a further amount of \$3,024,504. There were a number of smaller other loans between wholly owned controlled entities during the period.

As at 30 June 2003, CVC held \$1,594,946 Vita Life Sciences Limited convertible notes. During the year CVC purchased further Vita Life Sciences Limited convertible notes for \$1,500,000. During the year CVC sold all Vita Life Sciences Limited convertible notes for \$1,652,713. Mr Gould is a director of Vita Life Sciences Limited.

During the year, the Company acquired 3,931,316 shares through the underwriting of a rights-issue by CVC Private Equity Limited. Messrs Beard and Read are directors of CVC Private Equity Limited.

During the year ended 30 June 2001, the Company committed to advance \$3,461,829 to CVC Reef Limited, a director-related entity, in the form of convertible notes. At 30 June 2004, \$1,707,734 had been advanced to CVC Reef Limited and \$544,387 repaid to CVC Limited. As at 30 June 2004, \$1,163,347 in convertible notes were due from CVC Reef Limited and accrued interest of \$233,990 had been capitalised.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 27: Related Party Information (continued)

The ownership interests in related parties are set out in Note 23 (controlled entities), Note 25 (associated entities) and Note 30 (joint ventures).

Dividends of \$1,287,485 (2003: \$1,216,654) were received by CVC from Sunland, an associated company of CVC. Dividends of \$327,155 were received from Greens Foods Limited. Mr Beard is a director of Greens Foods Limited.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 28: Commitments

Capital expenditure commitments

Contracted but not provided for and payable:

Not later than one year

	—	—	—	—
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Non-cancellable operating lease expense commitments

Future operating lease commitments not provided for in the financial statements and payables:

Within one year

358,072 304,150

— —

Later than one year but not later than five years

92,307 209,331

— —

450,379 513,481

— —

Note 29: Contingent Liabilities

The Company is a defendant in an action brought in the Supreme Court of New South Wales by the liquidator of Amann Aviation Pty Limited (in liquidation) ("Amann"). The liquidator alleges, that certain group companies were involved in an alleged failure to pay tax on damages awarded to Amann as a result of proceedings brought by CVC against the Commonwealth in 1987. The liquidator alleges in the statement of claim that CVC be required to repay to him amounts paid to CVC as a result of the 1987 proceedings, together with damages, interest and the costs of these proceedings. The Directors deny any liability and further CVC holds a secured charge over Amann so that in the event that monies were found to be repayable to Amann, they must be paid back to CVC because of the security held by CVC, which has not been challenged. Resolution of this matter may be subject to determination by the Court and accordingly cannot be quantified. However, the Directors believe that there will be no material loss to the Company from this matter.

As described in Note 27, CVC Investment Managers Pty Limited ("CVCIM"), is entitled to an incentive fee calculated at 20% of the increase in net asset value of CVC during each financial year. At a general meeting of the Company on 9 August 2004, shareholders approved the payment of \$4 million to CVCIM, as settlement of all performance fees to 30 June 2004, and the acquisition of the investment management business of CVCIM, effectively removing the liability to CVC for future periods. These approvals are contingent on the granting of an Australian Financial Services Licence to CVC Managers Pty Limited. At the date of this report, this licence has not yet been granted. The Company has accrued the \$4 million settlement in these 2004 results.

Notes to the Financial Statements

For the year ended 30 June 2004

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 30: Interests in Joint Ventures

Joint ventures partnerships

Interests in joint ventures partnerships	12,099,991	9,315,261	12,099,991	9,315,261
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The Company and CVC hold 50% interests (2003: 50%) in three joint ventures: Chevron Developments, Bel Air Real Estate and Skyline Investments Australia.

The principal activities of Chevron Developments are the ownership and operation of the Chevron Renaissance shopping centre on the Gold Coast, Queensland and the provision of finance for property development. The principal activity of Bel Air Real Estate joint venture partnership is the ownership and operation of a shopping strip on the Gold Coast, Queensland. The principal activity of Skyline Investments Australia is the provision of finance to property developments on the Gold Coast, Queensland.

Movements in interests in joint ventures partnerships are as follows:

At beginning of the year	9,315,261	4,772,141	9,315,261	4,772,141
Share of profit for the year	2,784,730	4,543,120	2,784,730	4,543,120
At end of the year	12,099,991	9,315,261	12,099,991	9,315,261

The interests in joint ventures partnerships at the end of the financial year are split as follows:

Current assets	3,747,653	14,321,095	3,747,653	14,321,095
Non-current assets	32,300,744	27,907,355	32,300,744	27,907,355
Current liabilities	570,683	169,276	570,683	169,276
Non-current liabilities	23,377,723	32,743,913	23,377,723	32,743,913
Net assets	12,099,991	9,315,261	12,099,991	9,315,261

Retained profits	12,099,991	9,315,261	12,099,991	9,315,261
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The share of the profit for the year from interests in joint ventures partnerships is split as follows:

Revenues	6,088,643	7,254,147	6,088,643	7,254,147
Expenses	3,303,913	2,711,027	3,303,913	2,711,027
Operating profit	2,784,730	4,543,120	2,784,730	4,543,120

Refer also Notes 28 and 29 for details of commitments and contingent liabilities.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 31: Additional Financial Instruments Disclosure**a) 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:

	Note	Floating Interest Rate	Fixed Interest Rate Maturing in: 1 year or less	Between 1 and 5 years	Non- interest bearing	Total
		\$	\$	\$	\$	\$

2004

Financial assets

Cash assets	26	3,265,932	9,003,759	—	—	12,269,691
Receivables	9	—	2,000,000	4,349,778	4,155,607	10,505,385

Weighted average interest rate		3.5%	6.5%	21.6%	—	—
--------------------------------	--	------	------	-------	---	---

Financial Liabilities

Accounts payable	16	—	—	—	11,714,568	11,714,568
Interest bearing liabilities	17	—	—	—	—	—

Weighted average interest rate		—	—	—	—	—
--------------------------------	--	---	---	---	---	---

2003

Financial assets

Cash assets	26	1,098,966	1,378,134	—	—	2,477,100
Receivables	9	—	3,495,268	14,368,501	12,519,588	30,383,357

Weighted average interest rate		3.5%	9.7%	21.1%	—	—
--------------------------------	--	------	------	-------	---	---

Financial liabilities

Accounts payable	16	—	—	—	3,044,732	3,044,732
Interest bearing liabilities	17	215,000	—	—	—	215,000

Weighted average interest rate		29.0%	—	—	—	—
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Notes to the Financial Statements

For the year ended 30 June 2004

Note 31: Additional Financial Instruments Disclosure (continued)

b) 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 statements of financial position, is the carrying amount, net of any provision for doubtful debts.

Collateral is obtained on longer-term receivables.

c) Net 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.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets and an assessment of future maintainable earnings and cash flows of the respective corporations.

d) Set-off of Financial Assets and Debt Instruments

The presentation of assets and liabilities are reflected on a net basis when this reflects the entity's right of set-off and the expected future cash flows from settling the assets and liabilities. At 30 June 2004, CVC and the Company has a \$15.3 million investment in the Everest Babcock & Brown Absolute Return Fund, which invests in a range of debt and equity investments. The investment has a full capital guarantee and has been geared with borrowings of \$12.3 million, at a fixed interest rate of 7.2%. This investment has been shown as a net \$3 million investment, at cost, within 'other investments at cost or realisable value' within other financial assets (Note 11). Interest expense in relation to the borrowings has not been recognised and instead has been offset against the unrealised increase in the value of the investment. At 30 June 2004, the market value of the net investment, based on the value of the underlying investments within the fund less borrowings and accrued interest, was \$0.4 million greater than the carrying value.

	Consolidated		The Company	
	2004	2003	2004	2003
	\$	\$	\$	\$

Note 32: Employee Entitlements

Aggregate liability for employee entitlements including on-costs

Current	208,830	303,374	–	–
Non-current	143,206	–	–	–
Number of employees at year-end	52	52	–	–

Notes to the Financial Statements

For the year ended 30 June 2004

Note 33: The Effects of the Adoption of Australian Equivalents to International Financial Reporting Standards

In July 2004, as part of the process to harmonise Australian Accounting Standards with International Financial Reporting Standards, the Australian Accounting Standards Board issued a suite of new and revised Australian Accounting Standards. These standards will first apply to CVC for the financial year ending 30 June 2006, but at that time CVC must also present comparative information for the financial year ending 30 June 2005 as though the new standards had also applied at that time.

During the run-up to the formal issuing of the new standards CVC has maintained a watching brief on developments and how they could be expected to affect CVC. Following the issue of the standards CVC has commenced a formal process of assessing the impacts of the new standards on CVC.

CVC has now completed its preliminary appraisal of the effects of the Adoption of Australian Equivalents to International Financial Reporting Standards. This review has been targeted at determining:

- i) those changes that are expected to have material financial reporting effects on CVC.

The aims of this process are to allow CVC to most efficiently allocate resources to areas that are most likely to have a significant effect so as to be able:

- to more effectively communicate the expected impacts in line with ongoing disclosure obligations to shareholders and the market in general, and
- to be able to satisfy the reporting requirements of AASB 1047 – “Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards”.

- ii) the impacts on the statements of financial position, ‘balance sheet’, of CVC at 30 June 2004.

To smooth the transition to the new accounting standards this process aims to determine an opening position at 30 June 2004/1 July 2004 prepared in accordance with the new accounting standards so as to provide a starting point for the preparation of comparative information for 30 June 2005.

As a result of the preliminary appraisal CVC has identified a number of areas where key differences in accounting policies are expected to arise from adopting the new accounting standards. These issues are discussed in the sections below.

In addition to the key issues there are also expected to be a number of minor changes that are not discussed in this report. It is also important to note that CVC is continuing its work in this area and the issues discussed may be subject to revision and augmentation as more detailed analysis is completed.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 33: The Effects of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

AASB 139 – Financial Instruments: Recognition and Measurement

AASB 139 states that where there is a quoted market price in an active market for an investment it should be revalued at each reporting date to the market value. This is expected to significantly increase the reported value of investments of CVC. At 30 June 2004, the reported value of investments in the consolidated balance sheet would increase by approximately \$14 million.

The impact on the profit will depend on classifications of investments into those that are “held for trading” and those that are ‘available for sale’. For investments held for trading the movements in market values between reporting dates will form part of the reported profit for each reporting period. For investments that are available for sale the movements in market values are reflected in equity as an effective form of revaluation reserve. CVC has not yet determined the split of investments between these two categories.

AASB 128 – Investments in Associates – Venture Capital Exemption

AASB 128 provides that a venture capital entity can account for investments that would otherwise be classified as associates as investments to be accounted for as equity investments held for trading in accordance with AASB 139, refer above. CVC has not yet determined whether to apply this exemption to its investments in associates. If the exemption was applied, the value of the consolidated investment in Sunland Group Limited would increase by approximately \$10 million and movements in the market value of the investment for each reporting period would form part of consolidated profits.

AASB 128 – Investments in Associates – Equity Accounted

If CVC does not elect to use the venture capital exemption, the following additional considerations in respect of equity accounted associate investments apply:

AASB 128 allows a maximum period of three months between the accounts of the associate and the current reporting date. Currently CVC reports the result of its investment in Sunland Group Limited in arrears by six months and so the value of the investment would need to be adjusted at each reporting period to reflect a more recent result.

In addition to the specific effects of AASB 128, each of the Associate investments will be required to adopt Australian Equivalents to International Financial Reporting Standards in totality. To the extent that this adoption will effect the net assets, profits and reserves of each of the associate investments of the group a proportionate effect, through equity accounting, can be expected on the group. CVC is not expecting any material adjustments to arise in respect of the adoption of the new standards by the CVC Private Equity Limited and Winten (No.20) Pty Limited associate investments. CVC has not at this stage sought to estimate the effects on Sunland Group Limited and is awaiting specific disclosure from that company.

AASB 3 – Business Combinations

AASB 3 requires that goodwill arising on acquisitions be subject to testing at each reporting date for impairment instead of being amortised in line with current accounting standards. In the 2004 financial year, \$0.4 million was charged against consolidated results for goodwill amortisation.

Notes to the Financial Statements

For the year ended 30 June 2004

Note 33: The Effects of the Adoption of Australian Equivalents to International Financial Reporting Standards (continued)

AASB 140 – Investment Property

At 30 June 2004, CVC has equity accounted interests in the Chevron Developments and Bel Air Real Estate joint ventures. Each of these joint ventures owns investment property, which is currently held at undepreciated cost. AASB 140 requires that all investment properties are either revalued each year to market/fair value, with movements in value being reflected in the statements of financial performance, or carried at depreciated cost.

CVC has not yet determined which valuation method will be used. If the market value method was applied, then the equity accounted valuation of the joint ventures at 30 June 2004 could be expected to increase by approximately \$8 million. If CVC was to apply the depreciated cost method, then the equity accounted valuation of the joint ventures at 30 June 2004 could be expected to reduce, to reflect the accumulated depreciation from acquisition to 30 June 2004, by approximately \$4 million.

AASB 136 – Impairment of Assets

AASB 136 applies tighter criteria, including the requirement to use discounted cash flows, for the determination as to whether the value of an asset is impaired and should be written down than apply under the existing Australian Accounting Standards. This can be expected to result in greater and more frequent write-downs in values of investments and receivables for investment companies. However, CVC considers that it generally applies conservative methodologies in valuing such assets and accordingly is not expecting any significant changes to the values of assets at 30 June 2004 arising from the adoption of this new standard.

AASB 112 – Income Taxes

AASB 112 differs from current accounting policies for income taxes by requiring a balance sheet approach to deferred tax assets and liabilities but applying a less strict approach to the recognition of deferred tax assets in relation to tax losses. The balance sheet approach requires a consideration of differences between carrying values in the balance sheet and the tax cost base for the equivalent asset/liability. The less strict approach to the recognition of deferred tax assets in relation to tax losses requires a deferred tax asset to be recognised where the prospect of recovery of the tax losses is probable instead of virtually certain.

At 30 June 2004 it is expected that the effect of this new standard on CVC will not be significant. This is because the additional deferred tax liabilities arising in relation to such items as:

- the revaluation of listed investments to market value;
- the difference between the equity accounted value of associates compared to their original cost value and possibly revaluations of investment properties;

are expected to be mitigated by the recognition of additional, compensating, deferred tax assets in respect of capital tax losses.

Directors' Declaration

For the year ended 30 June 2004

.....

In the opinion of the Directors of CVC Limited:

- (a) the financial statements and notes, set out in pages 14 to 43, 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 2004 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) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 20th day of September 2004.

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

A D H Beard
Director

J D Read
Director

Independent Auditors' Report

To the members of CVC Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2004, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2004 for both CVC Limited ("the Company") and the CVC Limited group ("CVC") as set out on pages 14 to 44. 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 as to whether or not 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 2004 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.

Dated at Sydney this 20th day of September 2004.

P Meade
Partner

H L B Mann Judd
(NSW Partnership) Chartered Accountants

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

Alexander Damien 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.

The format of the Corporate Governance Statement has changed in comparison to the previous year due to the introduction of the Australian Stock Exchange Corporate Governance Council's 'Principles of Good Corporate Governance and Best Practice Recommendations'. In making these recommendations, the Council has acknowledged that a one size fits all approach is inappropriate and that it is unwise to command all companies to follow a single set of rules when for individual companies, with differing circumstances, the recommendations may be unnecessary or may even be counter-productive. In particular it has acknowledged that it maybe inappropriate or uneconomic for smaller or differently constituted companies to follow the same rules as Australia's largest listed companies.

The Council and the Australian Stock Exchange have therefore elected to issue the full suite of recommendations but 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 for its business but each Company is required to disclose the recommendations not followed throughout each reporting period, with explanations, in the Company's Corporate Governance Statement.

The Company did not comply with all the recommendations throughout the financial year ended 30 June 2004. The Company has categorised the recommendations it did not follow into two distinct categories and these are discussed in detail below:

Structure of the Company

The Company is a managed investment and venture capital company. It has a management agreement with and pays management fees to its manager for the proper management of the Company by the manager and its management team. Accordingly, the majority of the Board positions of the Company and all executive positions are currently performed by representatives of the manager, and the manager is responsible for their remuneration. In these circumstances, the Board has determined that it is inappropriate to hire further directors or executives to duplicate the role and responsibilities of the manager at a further significant expense to the Company.

As a result, the Company did not comply with the following best practice recommendations throughout the financial year ended 30 June 2004:

- having a majority of independent directors;
- having an independent Chairman;
- having an audit committee with an independent chairman, a majority of independent directors and only non-executive directors;
- having a nomination committee of the Board; and
- having a remuneration committee of the Board.

However, in August 2004, shareholders of the Company approved a restructure of the Company whereby the manager will effectively be acquired by the Company and the Company will assume a more standardised corporate structure. Following the completion of the restructure, the Company will instigate compliance to bring Board and audit and other committee structures in line with the best practice recommendations.

Costs versus 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. In these circumstances the Board determined it appropriate to delay the adoption of such formal policies and procedures until such time as industry standards, that could easily be tailored to the Company at minimal expense, became accepted.

Corporate Governance Statement

Accordingly, the Company did not comply with the following best practice recommendations throughout the financial year ended 30 June 2004:

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

As standard formal documentation for these policies and procedures are now becoming available the Company has commenced instigation with these recommendations.

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 2004.

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

Dated at Sydney the 24th day of September 2004.

Additional Information

1. Distribution of Shareholders as at 13th day of September 2004:

Category (Size of Holding)	Number of Ordinary Shareholders
1 ~ 1,000	19
1,001 ~ 5,000	123
5,001 ~ 10,000	86
10,001 ~ 100,000	175
100,001 and over	73
	476

As at 13th day of September 2003, nine shareholders held less than a marketable parcel.

2. The names of the substantial shareholders at 13th day of September, 2004 as advised to the Australian Stock Exchange Limited

Shareholder	Number of Ordinary Shares in Which Interest Held
Penalton Limited	15,575,978
John Scott Leaver	15,013,307
Vanda Russell Gould	14,672,323
Alexander Damien Harry Beard	14,663,443
CVC Investment Managers Pty Limited	14,313,307
Joseph David Ross	8,900,656
Abasus Investments Limited	6,256,000
Southgate Investment Funds Limited	5,500,000

3. 20 Largest Shareholders – Ordinary Capital: at 13th day of September, 2004

Shareholder	Number of Ordinary Shares Held	% of Issued Capital Held
Penalton Pty Limited	15,575,978	15.50
CVC Investment Managers Pty Limited	14,313,307	14.24
Abasus Investments Limited	6,256,000	6.23
Southgate Investment Funds Limited	5,500,000	5.47
Bank of Commerce (Micronesia) Limited	4,790,411	4.77
Derin Brothers Properties Limited	4,638,229	4.62
Southsea (Aust.) Pty Limited	4,600,000	4.58
LJK Nominees Pty Limited	4,132,114	4.11
Huang Xiao Sheung Limited	4,000,000	3.98
Chemical Trustee Limited	3,425,794	3.41
Hua Wang Bank Berhard	3,128,338	3.11
ANZ Nominees Limited	2,300,000	2.29
Kirman Traders Pty Ltd	1,500,000	1.49
Tifu Pty Limited	1,435,544	1.43
Pacific Securities Inc	1,214,889	1.21
Indo-Suez Investments Ltd	1,115,169	1.11
Mr Brian Sherman	1,073,860	1.07
Mr Nigel Stokes	1,006,363	1.00
LJK Investments Pty Limited	973,642	0.97
Wenola Pty Limited Pension Fund	700,000	0.70
	81,679,638	81.28%

4. 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.

5. 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.



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