

CVC PRIVATE EQUITY LIMITED

ACN 059 092 198

2014 Annual Report

The financial report was authorised for issue by the Directors on 30 September 2014.

The Company has the power to amend and reissue the financial report.

CVC Private Equity Limited

Company Particulars

REGISTERED OFFICE:

Level 6
1 Alfred Street
SYDNEY NSW 2000

DIRECTORS:

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

SECRETARIES:

Alexander D H Beard
John A H Hunter

BANKERS:

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

SOLICITORS:

Thomson Geer Lawyers
Level 25, 1 O'Connell Street
Sydney NSW 2000
Telephone: (02) 8248 5800
Facsimile: (02) 8248 5899

AUDITORS:

HLB Mann Judd
Chartered Accountants
Level 19
207 Kent Street
Sydney NSW 2000

SHARE REGISTRY:

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

DOMICILE:

Australia

CVC Private Equity Limited

Directors' Report

For the Year Ended 30 June 2014

The Directors present their report together with the financial report of the Company for the year ended 30 June 2014 and the Auditors' Report thereon.

Directors

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

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

Fellow of the Institute of Chartered Accountants in Australia.

Chairman of Vita Life Sciences Limited, Cyclopharm Limited, CVC Limited, CVC Property Managers Limited which is the Responsible Entity for CVC Property Fund and a Director of numerous private and public companies including educational establishments. Mr Gould is a member of the Audit Committee of the Company.

Elliott Grant Kaplan B. Acc. CA

Mr Kaplan is a Chartered Accountant with extensive experience in senior financial and chief executive officer roles in both private and publicly listed companies. His experience, from both an investor and investee perspective, spans a diverse range of industries including manufacturing, environmental, distribution and services. He is also Chairman of Pro-Pac Packaging Limited, Director of Cellnet Group Limited and Mnemon Limited, and formerly a Director of DMX Corporation Limited (formerly Dolomatrix International Limited).

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

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

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

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

Company Secretaries:

John Andrew Hunter B.Com. (ANU), MBA (MGSM), CA

Mr Hunter has experience in senior finance roles in the Financial Services industry in retail and wholesale funds management entities as well as holding senior finance roles in various other public and private companies.

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

CVC Private Equity Limited

Directors' Report

For the Year Ended 30 June 2014

Directors' meetings

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

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

Audit Committee meetings

There were no audit committee meetings of the Company during the financial year.

Director's benefits

Information on Directors' remuneration is included in the remuneration report in the financial statement.

Director's interests in shares of the Company

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

Principal activities

Investment in Australian listed companies and Australian unlisted businesses whose value can be increased by the provision of additional capital, appropriate management or general assistance and strategic direction.

Operating results

The Company recorded an after tax profit of \$6,238,612 (2013: loss of \$198,807).

Dividends

An unfranked interim dividend of 1 cent per share amounting to \$190,825 in respect of the financial year ended 30 June 2014 was declared on 11 March 2014 and paid on 24 March 2014.

A final dividend, franked to the maximum extent possible, in respect of the year ended 30 June 2014 of 5 cents per share was declared on 30 September 2014 to be paid on 13 October 2014 to those shareholders registered on 30 September 2014.

Review of Operations

During the financial year the following significant events occurred and transactions were entered into:

- Green's Foods Holdings Pty Limited undertook a capital reduction resulting in a \$2.15 million return of capital to the Company.
- ASX listed Mnemon Limited (ASX: MNZ) completed the acquisition of DealsDirect Group Pty Limited. As part of that transaction the Company converted its holding of ordinary shares, preference shares and convertible notes in DealsDirect Group Pty Limited into 1,960,790 ordinary shares in Mnemon Limited.
- The Company sold its investment in Battery Energy Power Solutions Pty Limited generating a profit of \$1,582,190.
- The Company entered into an agreement with Ron Finemore Transport Pty Limited ("RFT") whereby RFT agreed to buy-back the Company's shareholding in RFT. The buy-back agreement included an initial first tranche payment of \$3,949,137, which was received during the financial year, with the balance of the shares to be acquired progressively within the ensuing five years at a total consideration of \$5 million, increasing by approximately 8% per annum.
- The Company sold its investment in Everten Group Pty Limited, received part payment of its outstanding loan and entered into an agreement for repayment of the balance of the loan on 30 June 2015. The overall transaction resulted in a loss of approximately \$0.26 million.

CVC Private Equity Limited

Directors' Report

For the Year Ended 30 June 2014

Shares under option

The Company has issued 3,150,000 share options over unissued shares exercisable at \$0.74 on or before 15 January 2016 in accordance with the Company Share Option Plan approved by shareholders at the 2012 Annual General Meeting.

Remuneration Report

This report sets out remuneration information for the key management personnel of the Company.

(a) Key management personnel

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

	Share-Based payments \$	Post employment benefits – superannuation \$	Total \$
2014			
John D Read	-	15,000	15,000
2013			
Alexander D Beard	7,200	-	7,200
Elliott G Kaplan	7,200	-	7,200
John D Read	-	15,000	15,000
	14,400	15,000	29,400

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

(b) Key management personnel holding of shares

The relevant shareholding interests of key management personnel at year-end were as follows:

	No. of Shares	
	2014	2013
E G Kaplan	123,751	92,918
A D Beard	247,946	247,946

Significant changes in the state of affairs of the Company

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

Likely developments and future expectations

The Company will continue to assess investment opportunities in Australian businesses and companies. As an investment company, the results of the Company are dependent on the timing of and opportunities for the realisation of investments. Accordingly, it is not possible at this stage to predict the future results of the Company.

CVC Private Equity Limited

Directors' Report

For the Year Ended 30 June 2014

Events subsequent to reporting date

Subsequent to the end of the financial year the Company undertook an equal access share buy-back on 31 July 2014 which resulted in 608,253 shares being bought back.

A final dividend, franked to the maximum extent possible, in respect of the year ended 30 June 2014 of 5 cents per share was declared on 30 September 2014 to be paid on 13 October 2014 to those shareholders registered on 30 September 2014.

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Insurance premiums

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

Insurance premiums have been paid in respect of director's and officer's liability and legal expense insurance for directors and officers of the Company. In accordance with subsection 300(9) of the Corporations Act 2001 further details have not been disclosed due to confidentiality provisions contained in the insurance contract.

Auditor independence and non-audit services

The Company appointed HLB Mann Judd NSW as the auditors for the 2014 financial year. During the financial year, HLB Mann Judd did not provide non-audit services to the Company. A copy of the Independence Declaration is included on page 29. Further information on Auditors' Remuneration is included in note 2.

Signed in accordance with a resolution of Directors.

Dated at Sydney 30 September 2014



Elliott Kaplan
Director



Alexander Beard
Director

CVC Private Equity Limited

Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2014

	Notes	2014 \$	2013 \$
INCOME			
Dividends received		3,033,319	22,105
Interest income		216,181	337,235
Net gain on sale of equity investments		5,820,575	89,441
Impairment recovery		284,891	20,000
Other income		10,416	16,667
Total income		9,365,382	485,448
Share of net profit/(loss) of associate accounted for using the equity method		217,431	(13,512)
EXPENSES			
Accounting fees	2	19,036	15,467
Audit fees	2	28,031	26,500
Legal fees		20,616	25,290
Directors fees	16	15,000	15,000
Finance cost		1,170,810	-
Management and consultancy		181,818	181,818
Impairment of financial assets		325,354	477,631
Net loss on sale of equity investments		-	4,755
Share based payment		6,306	2,851
Other expenses		17,669	22,483
Total expenses		1,784,640	771,795
Profit/(loss) before income tax		7,798,173	(299,859)
Income tax (expense)/benefit	3	(1,559,561)	101,052
Net profit/(loss) after tax		6,238,612	(198,807)
Basic and diluted earnings per share (cents)		32.69	(1.05)
Other comprehensive income			
Movements in fair values of financial investments directly in equity		563,556	14,237
Amount transferred from other reserves to other comprehensive income on sale		-	(11,453)
Income tax on items taken directly from equity		(169,067)	(835)
Other comprehensive income for the year, net of tax		394,489	1,949
Total comprehensive income/(loss) for the year		6,633,101	(196,858)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

CVC Private Equity Limited

Statement of Financial Position

As at 30 June 2014

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	5	10,945,927	2,064,101
Trade and other receivables	6	44,407	20,916
Loans and receivables	9	304,879	-
Current tax assets	3	-	3,952
Total current assets		11,295,213	2,088,969
NON-CURRENT ASSETS			
Financial assets – “available-for-sale”	7	4,890,817	7,657,223
Investments accounted for using the equity method	8	-	566,488
Trade and other receivables	6	3,829,190	-
Loans and receivables	9	-	1,473,257
Deferred tax assets	3	633,273	1,324,315
Total non-current assets		9,353,280	11,021,283
TOTAL ASSETS		20,648,493	13,110,252
CURRENT LIABILITIES			
Trade and other payables	10	74,472	22,400
Total current liabilities		74,472	22,400
NON-CURRENT LIABILITIES			
Deferred tax liabilities	3	1,051,428	13,841
Total non-current liabilities		1,051,428	13,841
TOTAL LIABILITIES		1,125,900	36,241
NET ASSETS		19,522,593	13,074,011
EQUITY			
Contributed equity	11	18,554,668	18,554,668
Retained earnings	12	564,279	(5,483,508)
Other reserves	13	403,646	2,851
TOTAL EQUITY		19,522,593	13,074,011

The above statement of financial position should be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

CVC Private Equity Limited

Statement of Changes in Equity For the Year Ended 30 June 2014

	Contributed equity \$	Retained earnings \$	Other reserves \$	Total \$
At 1 July 2013	18,554,668	(5,483,508)	2,851	13,074,011
Profit for the year	-	6,238,612	-	6,238,612
Other comprehensive income	-	-	394,489	394,489
Total comprehensive income for the year	-	6,238,612	394,489	6,633,101
Transactions with shareholders:				
Dividend provided	-	(190,825)	-	(190,825)
Share based payment	-	-	6,306	6,306
At 30 June 2014	18,554,668	564,279	403,646	19,522,593
At 1 July 2012	17,806,044	(4,727,981)	(1,949)	13,076,114
Loss for the year	-	(198,807)	-	(198,807)
Other comprehensive income	-	-	1,949	1,949
Total comprehensive income/(loss) for the year	-	(198,807)	1,949	(196,858)
Transactions with shareholders:				
Shares issued under Dividend Reinvestment Plan	748,624	-	-	748,624
Dividend provided	-	(556,720)	-	(556,720)
Share based payment	-	-	2,851	2,851
At 30 June 2013	18,554,668	(5,483,508)	2,851	13,074,011

The above statement of changes in equity should be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

CVC Private Equity Limited

Statement of Cash Flows

For the Year Ended 30 June 2014

	Notes	2014 \$	2013 \$
Cash flows from operating activities			
Cash receipts in the course of operations		8,750	18,333
Cash payments in the course of operations		(233,216)	(345,164)
Interest received		101,396	673,738
Dividends received		3,038,319	50,231
Income tax refund/(paid)		3,952	(3,952)
Net cash provided by operating activities	5(b)	2,919,201	393,186
Cash flows from investing activities			
Loan repaid		630,344	520,000
Payments for convertible notes		-	(303,575)
Payments for equity investments		(1,256,913)	(6,074,216)
Proceeds from sale of equity investments		6,780,019	827,812
Net cash provided by/(used in) investing activities		6,153,450	(5,029,979)
Cash flows from financing activities			
Dividends paid		(190,825)	(349,638)
Net cash used in financing activities		(190,825)	(349,638)
Net increase/(decrease) in cash held		8,881,826	(4,986,431)
Cash and cash equivalents at the beginning of the financial year		2,064,101	7,050,532
Cash and cash equivalents at the end of the financial year	5(a)	10,945,927	2,064,101

The above statement of cash flows should be read in conjunction with the notes to the financial statements set out on pages 9 to 27.

CVC Private Equity Limited

Notes to the Financial Statements

For the Year Ended 30 June 2014

Note 1: Statement of Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

a) Basis of Preparation

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

The financial report is presented in Australian dollars.

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

b) Statement of Compliance

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

The Company has adopted the following standards and amendments for the first time for the annual reporting period commencing 1 July 2013:

AASB 13 Fair Value Measurement which explains how to measure fair value and aims to enhance fair value disclosures. Application of the standard does not have a significant impact on the financial statements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement which removes the individual key management personnel disclosure requirements from *AASB 124 Related Party Disclosures*. Following the release of revised *Corporations Regulations*, all the detailed disclosures have been included in the Remuneration Report in the financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period:

AASB 9 Financial Instruments was released in late 2009 and is mandatory for periods beginning on or after 1 January 2017. The Standard will require two measurement models: amortised cost and fair value. Application of the standard is not expected to have a significant impact on the financial statements.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets was released in June 2012 and is mandatory for periods beginning on or after 1 January 2014. The standard introduces additional disclosure requirements where the recoverable amount of impaired assets is based on fair value less cost of disposal. Application of the standard is not expected to have a significant impact on the financial statements.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities was released in August 2013 and is mandatory for periods beginning on or after 1 January 2014. The standard requires an investment entity such as the Company to measure unconsolidated entities at fair value through profit or loss. The Company is yet to assess the impact of the new standard.

c) Cash and Cash Equivalents

For the statement of cash flows, cash includes cash on hand and short-term deposits with an original maturity of three months or less.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 1: Statement of Accounting Policies (Cont.)

d) Revenue Recognition

Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount as at the end of the financial year.

Sale of Non-Current Assets

The gain or loss on sale of non-current asset sales is included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and in the case of "available-for-sale" assets will include any amount attributable to the asset which is included in reserves.

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

Dividends

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

Other Income

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

e) Trade and Other Payables

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

f) Trade and Other Receivables

Trade and other receivables, which generally have 3 - 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, with any difference between cost and recoverable value being recognised in net income over the period on an effective interest basis.

An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

g) Investments and Other Financial Assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, "held-to-maturity" investments, or "available-for-sale" investments. The classification depends on the purpose for which the investments were acquired. When financial assets are recognised initially, they are measured at fair value plus directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year-end.

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

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of investments classified as "available-for-sale", a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for "available-for-sale" financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of profit or loss and other comprehensive income – is removed from equity and recognised in the statement of profit or loss and other comprehensive income. Impairment losses recognised in the statement of profit or loss and other comprehensive income on equity instruments classified as "available-for-sale" are not reversed through the statement of profit or loss and other comprehensive income.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 1: Statement of Accounting Policies (Cont.)

g) Investments and Other Financial Assets (Cont.)

Associates

Associates are those entities, other than partnerships, over which the Company exercises significant influence but not control. The Company generally deems it has significant influence if it has over 20% of the voting rights, but no more than 50%.

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

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

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

Loans and Receivables

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

"Available-for-Sale" Investments

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

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 1: Statement of Accounting Policies (Cont.)

h) Income Tax and Other Taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities on the current period's taxable income at the tax rates enacted by the reporting date. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits and tax losses can be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in comprehensive income.

Goods and Services Tax

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

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

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

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

i) Contributed Equity

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

j) Impairment

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 1: Statement of Accounting Policies (Cont.)

k) Share-based Payments

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

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

Note 2: Auditor's Remuneration

The auditor of the Company is HLB Mann Judd NSW (2013: Russell Bedford NSW). Share registry and taxation compliance services are provided by an associate of Russell Bedford NSW.

	2014 \$	2013 \$
<i>Amounts received or due and receivable by the auditors for:</i>		
Audit and review of financial report		
HLB Mann Judd NSW	14,000	-
Russell Bedford NSW	14,031	26,500
	<u>28,031</u>	<u>26,500</u>
<i>Amounts received or due and receivable by an associate of Russell Bedford NSW for:</i>		
Share registry services	12,661	14,742
Taxation services	6,375	725
	<u>19,036</u>	<u>15,467</u>

Note 3: Income Tax

(a) Income tax expense

Accounting profit/(loss) before income tax	<u>7,798,173</u>	<u>(299,859)</u>
Income tax expense/(benefit) at the statutory income tax rate of 30%	2,339,452	(89,958)
Adjustment to income tax benefit due to:		
- Franked dividends received	(784,147)	(11,545)
- Non-deductible items	1,892	943
Income tax expense/(benefit) on profit for the year	<u>1,557,197</u>	<u>(100,560)</u>
Adjustments in respect of current income tax of previous years	2,364	(492)
Income tax expense /(benefit)	<u>1,559,561</u>	<u>(101,052)</u>

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

	2014	2013
	\$	\$

Note 3: Income Tax (Cont.)

(a) Income tax expense (Cont.)

The major components of income tax expense are:

- Deferred income tax	1,557,197	(100,560)
- Adjustments in respect of current income tax of previous years	2,364	(492)

Income tax expense/ (benefit) reported in the statement of profit or loss and other comprehensive income

1,559,561	(101,052)
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Deferred tax relating to items debited/(credited) directly to equity

169,067	(835)
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(b) Current tax assets

Income tax receivable:

Balance at the end of the year

-	3,952
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(c) Deferred income tax

Deferred income tax balances at 30 June relates to the following:

	2014			2013		
	Included in income	Included in equity	Total	Included in income	Included in equity	Total
	\$	\$	\$	\$	\$	\$
Deferred tax assets						
Provisions and accrued expenses	8,970	-	8,970	6,720	-	6,720
"Available-for-sale" investments	-	-	-	(41,247)	-	(41,247)
Impairment expenses	166,228	-	166,228	977,026	-	977,026
Tax losses	454,381	-	454,381	361,491	-	361,491
Equity accounted losses	-	-	-	12,628	-	12,628
Other	3,694	-	3,694	7,697	-	7,697
	633,273	-	633,273	1,324,315	-	1,324,315
Deferred tax liabilities						
Other	882,361	169,067	1,051,428	5,267	-	5,267
Equity accounted income	-	-	-	8,574	-	8,574
	882,361	169,067	1,051,428	13,841	-	13,841

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 4: Dividends

An unfranked interim dividend of 1 cent per share amounting to \$190,825 in respect of the financial year ended 30 June 2014 was declared on 11 March 2014 and paid on 24 March 2014.

A final dividend, franked to the maximum extent possible, in respect of the year ended 30 June 2014 of 5 cents per share was declared on 30 September 2014 to be paid on 13 October 2014 to those shareholders registered on 30 September 2014.

	2014 \$	2013 \$
Dividend franking account:		
Franking credits available to shareholders for subsequent financial years	<u>1,124,531</u>	<u>4,321</u>

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

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the refund of overpaid tax instalments paid;
- (c) franking debits that will arise from the payment of dividends recognised as a liability at year end;
- (d) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- (e) franking credits that the entity may be prevented from distributing in subsequent years.

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

Note 5: Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

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

Cash at bank	1,597,362	446,988
Cash on deposit	9,348,565	1,617,113
	<u>10,945,927</u>	<u>2,064,101</u>

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 5: Notes to the Statement of Cash Flows (Cont.)

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

	2014 \$	2013 \$
Net profit/(loss) after tax	6,238,612	(198,807)
<i>Adjustments for:</i>		
Recovery of loan impairment	-	(20,000)
Recovery of equity investment impairment	(284,891)	-
Net gain on sale of equity investments	(5,820,575)	(89,441)
Net loss on sale of equity investments	-	4,755
Impairment of financial assets	325,354	477,631
Share of equity accounted (profits)/losses	(217,431)	13,512
Non-cash finance cost	1,170,810	-
Non-cash employee share based payment	6,306	2,851
<i>Change in operating assets and liabilities:</i>		
Decrease/(increase) in other assets	127	(19)
(Increase)/decrease in interest receivables	(23,704)	35,634
(Increase)/decrease in interest capitalised	(91,080)	300,893
(Increase)/decrease in GST	(4,913)	2,129
Decrease in dividend receivables	5,000	28,100
Increase/(decrease) in payables	37,470	(46,454)
Increase/(decrease) in deferred tax assets and liabilities	1,559,561	(101,052)
Increase/(decrease) in sundry creditors and accruals	14,603	(12,594)
Decrease/(increase) in tax receivable	3,952	(3,952)
Net cash provided by operating activities	<u>2,919,201</u>	<u>393,186</u>

Note 6: Trade and Other Receivables

Current:

Interest receivable	33,513	9,809
Goods and services tax	6,925	2,011
Dividends receivable	-	5,000
Other receivables and prepayments	3,969	4,096
	<u>44,407</u>	<u>20,916</u>

Non-Current:

Other receivables (a)	<u>3,829,190</u>	<u>-</u>
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(a) Other receivables:

The Company entered into an agreement with Ron Finemore Transport Pty Limited ("RFT") whereby RFT agreed to buy-back the Company's shareholding in RFT. The buy-back agreement included an initial first tranche payment of \$3,949,137, which was received during the financial year, with the balance of the shares to be acquired progressively within the ensuing five years at a total consideration of \$5 million, increasing by approximately 8% per annum. The fair value of the receivable has been recognised based on a yield to maturity of 15% per annum.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 7: Financial Assets – “Available for Sale”

	2014 \$	2013 \$
Non-Current:		
Listed shares at market value (a)	3,740,508	982,000
Unlisted shares in other corporations (b)	1,150,309	6,675,223
	<u>4,890,817</u>	<u>7,657,223</u>

(a) Listed shares at market value:

The carrying value of certain investments in ASX listed companies has been determined by using the fair value approach. The closing bid-price at reporting date was determined to be an appropriate indication for the fair value of the investment.

(b) Unlisted shares in other corporations comprise:

Green's Foods Holdings Pty Limited

893,827 ordinary shares in Green's Foods Holdings Pty Limited at a cost of \$1,150,309 (2013: \$3,300,310) representing a 10% ownership in the ordinary shares of that company.

Ron Finemore Transport Pty Limited

The Company held 1,875,000 shares in Ron Finemore Transport Pty Limited at a cost of \$1,875,000 representing a 25% ownership in the ordinary shares of that company as at 30 June 2013. The investment was not accounted for in accordance with AASB 128 *Investment in Associates* as there was no influence exerted on the operations of the company.

The Company entered into an agreement with Ron Finemore Transport Pty Limited (“RFT”) whereby RFT agreed to buy-back the Company's shareholding in RFT. The buy-back agreement included an initial first tranche payment of \$3,949,137, which was received during the financial year, with the balance of the shares to be acquired progressively within the ensuing five years at a total consideration of \$5 million, increasing by approximately 8% per annum. The balance of shares to be bought back has been reclassified to Non-Current Receivables. Refer note 6.

DealsDirect Group Pty Limited

The Company held 2,701 preference shares in Dealsdirect Group Pty Limited at a cost of \$1,499,912 as at 30 June 2013. The preference shares were converted to the ordinary shares in Mnemon Limited during the year.

Note 8: Investments Accounted for Using the Equity Method

Non-current:

Unlisted shares in associated corporations	-	566,488
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	Ownership Interest		Investment Carrying Amount	
	2014 %	2013 %	2014 \$	2013 \$
Interest in ordinary shares of associate				
Battery Energy Power Solutions Pty Limited (a)	-	27.26	-	208,580
Everten Group Pty Limited (b)	-	50.00	-	357,908
			<u>-</u>	<u>566,488</u>

(a) Battery Energy Power Solutions Pty Limited is a manufacturer and distributor of industrial batteries. The Company realised its investment in Battery Energy Power Solutions Pty Limited on 31 March 2014.

(b) Everten Group Pty Limited is the holding company for two online kitchenware and gift basket businesses. The investment was not accounted for in accordance with AASB 127 *Consolidated and Separate Financial Statements* as the Company did not have control of the company. The Company realised its investment in Everten Group Pty Limited on 30 June 2014.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 8: Investments Accounted for Using the Equity Method (Cont.)

Summarised financial information

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

	Battery Energy Power Solutions Pty Limited		Everten Group Pty Limited	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Summarised balance sheet				
Current assets	-	5,763	-	1,536
Non-current assets	-	2,584	-	2,061
	-	8,347	-	3,597
Current liabilities	-	1,092	-	546
Non-current liabilities	-	146	-	2,335
	-	1,238	-	2,881
Net assets	-	7,109	-	716
Reconciliation to carrying amounts:				
Opening net assets 1 July	-	5,002	-	800
Profit/(loss) for the period	-	2,107	-	(84)
Closing net assets	-	7,109	-	716
The Company's share - percentage	(a)	27.26%	(b)	50%
The Company's share - dollars	-	1,938	-	358
Discount on acquisition	-	(1,729)	-	-
Carrying amount	-	209	-	358
Summarised statement of comprehensive income				
Revenue	8,625	12,496	5,266	5,893
Net profit/(loss)	1,181	2,107	(27)	(84)
Other comprehensive income	-	-	-	-
Total comprehensive income	1,181	2,107	(27)	(84)
Dividends received	12	-	-	-

(a) The Company realised its investment in Battery Energy Power Solutions Pty Limited on 31 March 2014. The amount disclosed related to the period to 31 March 2014.

(b) The Company realised its investment in Everten Group Pty Limited on 30 June 2014.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 9: Loans and Receivables

	2014 \$	2013 \$
Current:		
Secured loans to other corporation	609,758	-
Impairment of secured loans to other corporation	(304,879)	-
	<u>304,879</u>	<u>-</u>
Non-Current:		
Secured loans to associated corporations	-	1,167,387
Secured loans to other corporations	-	305,870
	<u>-</u>	<u>1,473,257</u>

When an entity does not pay a scheduled payment of principal and interest or management consider that there is evidence that an amount may not be recoverable then a review is conducted to determine if the loan is considered to be impaired. The carrying value of the loan to the other corporation has been determined in accordance with the repayment terms of the loan.

Movements in the provision for impairment loss were as follows:

Carrying amount at the beginning of the year	-	-
Charge for the year	304,879	-
Carrying amount at the end of the year	<u>304,879</u>	<u>-</u>

Further details of loans are set out in note 14.

Note 10: Trade and Other Payables

Current:		
Sundry creditors and accruals	<u>74,472</u>	<u>22,400</u>

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

Note 11: Contributed Equity

	2014		2013	
	Number of shares	\$	Number of shares	\$
Issued and paid up share capital:				
Ordinary shares fully paid	<u>19,082,502</u>	<u>18,554,668</u>	<u>18,051,413</u>	<u>17,806,044</u>
Ordinary shares:				
Balance at the beginning of the year	19,082,502	18,554,668	18,051,413	17,806,044
Shares issued under DRP (a)	-	-	1,031,089	748,624
Balance at the end of the year	<u>19,082,502</u>	<u>18,554,668</u>	<u>19,082,502</u>	<u>18,554,668</u>

(a) 505,936 shares were issued under the Dividend Reinvestment Plan at \$0.7247 per share on 16 July 2012, and 525,153 shares were issued under the Dividend Reinvestment Plan at \$0.7274 per share on 31 October 2012.

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 11: Contributed Equity (Cont.)

Total capital of the Company is as follows:

	2014 \$	2013 \$
Total equity	19,522,593	13,074,011
Net assets per share	1.02	0.69

The Company is not subject to any externally imposed capital requirements. Management's objective is to achieve returns for shareholders commensurate with the risks associated with private equity investing in Australia.

Subsequent to the end of the financial year the Company undertook an equal access share buy-back on 31 July 2014 which resulted in 608,253 shares being bought back.

An unfranked interim dividend of 1 cent per share amounting to \$190,825 in respect of the financial year ended 30 June 2014 was declared on 11 March 2014 and paid on 24 March 2014.

A final dividend, franked to the maximum extent possible, in respect of the year ended 30 June 2014 of 5 cents per share was declared on 30 September 2014 to be paid on 13 October 2014 to those shareholders registered on 30 September 2014.

Note 12: Retained Earnings

Retained earnings at the beginning of the year	(5,483,508)	(4,727,981)
Net profit/(loss) attributable to members	6,238,612	(198,807)
Dividend paid	(190,825)	(556,720)
Retained earnings at the end of the year	564,279	(5,483,508)

Note 13: Other Reserves

	Market Value Reserve \$	Share Based Payments Reserve \$	Total \$
Year ended 30 June 2014			
At the beginning of the year	-	2,851	2,851
Increase in fair value of investments	563,556	-	563,556
Income tax on items taken directly from equity	(169,067)	-	(169,067)
Share based payments	-	6,306	6,306
At the end of the year	394,489	9,157	403,646
Year ended 30 June 2013			
At the beginning of the year	(1,949)	-	(1,949)
Increase in fair value of investments	14,237	-	14,237
Amount transferred from reserves to other comprehensive income	(11,453)	-	(11,453)
Income tax on items taken directly from equity	(835)	-	(835)
Share based payments	-	2,851	2,851
At the end of the year	-	2,851	2,851

Nature and purpose of reserve

Market value reserve

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

Share based payments reserve

The share based payments reserve is used to record the value of share based payments for the Company provided to key management personnel.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 14: Financial Instruments

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

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

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

(a) Interest Rate Risk

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

	Note	Floating interest rate	Fixed interest rate		Non- interest bearing	Total
		\$	1 year or less	1 to 5 years	\$	\$
2014						
Financial assets						
Cash and cash equivalents	5	1,597,362	9,348,565	-	-	10,945,927
Trade and other receivables	6	-	-	3,829,190	44,407	3,873,597
Loans and receivables	9	-	-	-	304,879	304,879
		<u>1,597,362</u>	<u>9,348,565</u>	<u>3,829,190</u>	<u>349,286</u>	<u>15,124,403</u>
Financial liabilities						
Trade and other payables	10	-	-	-	74,472	74,472
		<u>-</u>	<u>-</u>	<u>-</u>	<u>74,472</u>	<u>74,472</u>
2013						
Financial assets						
Cash and cash equivalents	5	446,988	1,617,113	-	-	2,064,101
Trade and other receivables	6	-	-	-	20,916	20,916
Loans and receivables	9	1,167,387	-	305,870	-	1,473,257
		<u>1,614,375</u>	<u>1,617,113</u>	<u>305,870</u>	<u>20,916</u>	<u>3,558,274</u>
Financial liabilities						
Trade and other payables	10	-	-	-	22,400	22,400
		<u>-</u>	<u>-</u>	<u>-</u>	<u>22,400</u>	<u>22,400</u>

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 14: Financial Instruments (Cont.)

(a) Interest Rate Risk (Cont.)

Sensitivity

As the Company expects interest rates to increase by 25 basis points during the 2015 financial year (2013: 50 basis points lower), at reporting date the impact on the Company, with all other variables held constant, would be

	Increase of 25 bp \$	Decrease of 50 bp \$
2014		
Net profit	9,381	n/a
Equity increase	9,381	n/a
2013		
Net loss	n/a	(14,794)
Equity decrease	n/a	(14,794)

(b) Market Price Risk

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

Sensitivity

Listed Securities

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

	Increase of 10% \$	Decrease of 10% \$
2014		
Net profit/(loss)	-	-
Equity increase/(decrease)	261,835	(261,835)
2013		
Net profit/(loss)	-	-
Equity increase/(decrease)	68,740	(68,740)

(c) Credit Risk Exposure

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

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

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 14: Financial Instruments (Cont.)

(c) Credit Risk Exposure (Cont.)

The credit quality of financial assets that are neither past due nor impaired is as follows:

	2014 \$	2013 \$
Cash and cash equivalents – investment grade	10,945,927	2,064,101
Trade and other receivables		
Government	6,925	2,011
Other – investment grade	33,513	9,809
Other – unrated	3,833,159	9,096
	3,873,597	20,916
Loans and receivables		
Other – unrated	304,879	1,167,387
Convertible notes		
Other – unrated	-	305,870

(d) Liquidity Risk

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

The following table details the Company's contractual liabilities.

	Less than 6 months \$
2014	
Trade and other payables	74,472
	74,472
2013	
Trade and other payables	22,400
	22,400

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 14: Financial Instruments (Cont.)

(e) Fair Value of Financial Assets and Liabilities

The fair values of the financial assets and liabilities of the Company are approximately equal to their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

Judgements and estimates were made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments and non-financial assets into three levels prescribed under the accounting standards.

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

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

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

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

	Quoted market price (Level 1)	Valuation technique – market observable inputs (Level 2)	Valuation technique – non market observable inputs (Level 3)	Total
	\$	\$	\$	\$
Year ending 30 June 2014				
Financial assets				
<i>“Available-for-sale” investments</i>				
Listed shares at market value	3,740,508	-	-	3,740,508
Unlisted shares in other corporation	-	-	1,150,309	1,150,309
<i>Loans and receivables</i>				
Secured loan to other corporation	-	-	304,879	304,879
Total financial assets	3,740,508	-	1,455,188	5,195,696
Year ending 30 June 2013				
Financial assets				
<i>“Available-for-sale” investments</i>				
Listed shares at market value	982,000	-	-	982,000
Unlisted shares in other corporations	-	-	6,675,223	6,675,223
<i>Loans and receivables</i>				
Secured loan to related entities	-	-	1,167,387	1,167,387
Secured loan to other entity	-	-	305,870	305,870
Total financial assets	982,000	-	8,148,480	9,130,480

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 14: Financial Instruments (Cont.)

(e) Fair Value of Financial Assets and Liabilities (Cont.)

Reconciliation of Level 3 fair value movements:

	2014 \$	2013 \$
Balance at the beginning of the year	8,148,480	3,845,574
Interest income	91,779	142,217
Convertible notes provided	-	303,575
Capital reduction	(2,150,001)	-
Loans repaid	(631,043)	-
Impairment	(304,879)	-
Shares purchased	303,575	4,800,222
Settlement	(1,875,000)	(943,108)
Transfer out of Level 3 to Level 1	(2,127,723)	-
Balance at the end of the year	1,455,188	8,148,480

There is no quantitative information for level 3 financial instruments. The fair value has been determined based on either acquisition cost, which is considered to be a reasonable reflection of fair value or the terms of the loan agreement.

Note 15: Segmental Information

The Company operates in Australia as an investment company.

Note 16: Related Party Information

16.1 Key management personnel

Share-Based payments	-	14,400
Post-employment benefits – superannuation	15,000	15,000
	15,000	29,400

Detailed remuneration disclosures are provided in the remuneration report.

CVC Private Equity Limited

Notes to the Financial Statements (Continued)

For the Year Ended 30 June 2014

Note 16: Related Party Information (Cont.)

16.2 Transactions with related parties

The Company pays management fees to its investment manager calculated at 2.5% of the higher of the net assets of the Company or capital raised by the Company at the end of the previous financial year. Effective 31 December 2010 the investment manager agreed to reduce the annual management fees to a pro-rata \$200,000 per annum. During the year management fees of \$181,818 (2013: \$181,818) were paid to CVC Managers Pty Limited. Messrs Beard and Gould were directors of CVC Managers Pty Limited during the year.

The loan to Battery Energy Power Solutions Pty Limited was fully repaid during the 2013 financial year. Interest revenue of \$54,678 was received during the 2013 financial year in relation to the loan. The Company realised its investment in Battery Energy Power Solutions Pty Limited on 31 March 2014.

Everten Group Pty Limited made a payment of \$609,758 during the year to reduce the loan facility. The balance of the loan provided to Everten Group Pty Limited was \$304,879 (2012: \$1,167,387) at the year end. Further, the Company realised its investment in Everten Group Pty Limited on 30 June 2014. Interest revenue of \$72,716 (2013: \$85,244) has been received during the year in relation to the loan. Messrs Beard and Kaplan were directors of Everten Group Pty Limited during the year.

During the 2013 financial year, the Company acquired an effective 10% equity interest in Green's Foods Holdings Pty Limited ("GFH") for a total cost of \$3,300,310. On 18 December 2013 GFH made a capital return to the Company of \$2,150,001 and paid management fees of \$10,417 (2013: \$16,667) during the year. Messrs Beard and Kaplan were directors of GFH during the year.

The Company received a dividend payment from Vita Life Sciences Limited of \$106 during the 2013 financial year. Mr Gould was a director of Vita Life Sciences Limited during the year.

16.3 Loans to key management personnel

There were no loans to key management personnel during the year or existing at the end of the financial year.

16.4 Share-based payments to key management personnel

The Company has an Option Plan which was approved by shareholders on 26 November 2012. The exercise price which is payable in cash and life of the options will be the amount specified by Directors at the time of issue. An option not exercised at the end of the term will lapse. The maximum number of options available to be issued under the plan is 3,700,000.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share of the Company.

The following is a summary of options granted under the plan.

Grant Date	Exercise Date	Exercise Price (cents)(a)	Balance at start of year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of year	Vested
<i>Year ended 30 June 2014</i>								
16 Jan 2013	15 Jan 2016	74.0	3,150,000	-	-	-	3,150,000	3,150,000
<i>Year ended 30 June 2013</i>								
16 Jan 2013	15 Jan 2016	75.0	-	3,150,000	-	-	3,150,000	3,150,000

- (a) The exercise price reduced from 75 cents to 74 cents as a result of the dividend paid by the Company during the year.

CVC Private Equity Limited

Notes to the Financial Statements (Continued) For the Year Ended 30 June 2014

Note 16: Related Party Information (Cont.)

16.4 Share-based payments to key management personnel (Cont.)

Messrs Beard and Kaplan have been issued 1,200,000 options each. The assessed fair value per option at grant date is allocated equally over the period from grant date to vesting date, and the amount has been included in the remuneration report on page 3.

The fair value per option was determined by using the Black Scholes option pricing model taking into account the exercise price, the term of the option, the share price and expected volatility of the underlying share and the risk-free interest rate for the term of the option. The theoretical value of the options were calculated as being 0.6 cents per option. Further terms and conditions include:

Price of the underlying shares - 62.66 cents;
Implied volatility - 5.28%;
The exercise price is adjusted for corporate actions; and
Risk-free interest rate for the life of the options – 3.25%.

Note 17: Contingent Liabilities

A performance fee is payable to CVC Managers Pty Limited where the Company realises individual investments and achieves a return on the total investment cost which is higher than a hurdle rate of return, being CPI plus 2%. The performance fee payable is calculated at 20% of:

- the excess of the return over the hurdle rate of return, less
- any realised losses not deducted from previous gains in calculating performance fees.

No such performance fee is payable for the 2014 financial year.

Note 18: Other Information

The Company was incorporated on 23 February 1993. The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 6, 1 Alfred Street, Sydney, NSW 2000.

Note 19: Subsequent Events

Subsequent to the end of the financial year the Company undertook an equal access share buy-back on 31 July 2014 which resulted in 608,253 shares being bought back.

A final dividend, franked to the maximum extent possible, in respect of the year ended 30 June 2014 of 5 cents per share was declared on 30 September 2014 to be paid on 13 October 2014 to those shareholders registered on 30 September 2014.

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

CVC Private Equity Limited

Directors' Declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporation Regulations 2001*.
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated at Sydney 30 September 2014.



Elliott Kaplan
Director



Alexander Beard
Director

CVC PRIVATE EQUITY LIMITED

ACN 059 092 198

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of CVC Private Equity Limited for the year ended 30 June 2014 I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

**Sydney, NSW
30 September 2014**



**M D Muller
Partner**

HLB Mann Judd (NSW Partnership) ABN 34 482 821 289

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CVC PRIVATE EQUITY LIMITED
ACN 059 092 198
INDEPENDENT AUDITOR'S REPORT

To the members of CVC Private Equity Limited:

We have audited the accompanying financial report of CVC Private Equity Limited ("the company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements of CVC Private Equity Limited comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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CVC PRIVATE EQUITY LIMITED
ACN 059 092 198
INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of CVC Private Equity Limited is in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the company's financial position as at 30 June 2014 and its performance for the year ended on that date; and
 - (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



HLB Mann Judd
Chartered Accountants

Sydney, NSW
30 September 2014



M D Muller
Partner