CVC LIMITED
ANNUAL REPORT

TWENTY
TWENTY

CVC Limited

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Company Particulars

ABN 34 002 700 361 AFSL 239665

REGISTERED OFFICE	SUITE 40.04, LEVEL 40 GOVERNOR PHILLIP TOWER 1 FARRER PLACE, SYDNEY NSW 2000
DIRECTORS	MARK AVERY *(Managing Director)* IAN CAMPBELL ALEXANDER RAPAJIC-LEAVER
MANAGEMENT TEAM	JOHN LEAVER MARK AVERY JOHN HUNTER TIFFANY MCLEAN JOANNA JIANG LAURENCE PARISI JUFRI ABIDIN JONATHAN SIM WILLIAM CHEN LOUISE MACKLIN
SECRETARIES	JOHN HUNTER
BANKERS	WESTPAC BANKING CORPORATION LIMITED
AUDITORS	HLB MANN JUDD CHARTERED ACCOUNTANTS LEVEL 19, 207 KENT STREET, SYDNEY NSW 2000
SHARE REGISTRY	NEXT REGISTRIES LEVEL 16, 1 MARKET STREET, SYDNEY NSW 2000

Managing Director's Letter

FOR THE YEAR ENDED

30 JUNE
TWENTY
TWENTY

DEAR SHAREHOLDER,

The year 2020 will be remembered for its impact on people and how we are all able to live. Similarly, the 2020 financial year has been one that has forced businesses to evaluate how they operate in the face of ever-changing conditions. The process of CVC's adaptation commenced over 12 months ago, with a decision made the business would benefit by simplifying its investment model and rationalising the company to suit that strategy.

We believe the steps taken during this period have assisted in protecting shareholder value in an economic environment which can only be described as volatile. While the results of this strategic change in direction have not yet delivered financial outcomes we have been striving for, the Board and the management of CVC are positive about the foundations laid for future performance.

HIGHLIGHTS

CVC Limited delivered a net loss of $2.1m ($2.1m FY2019). This result was disappointing, but some level of perspective as to broader macroeconomic conditions, the costs associated with restructuring the company and the improvement in the portfolio since 30 June 2020, provides reason to be circumspect.

The simplification strategy has brought with it a large decrease in operating costs, including downscaling office premises, and a strong focus on having fewer investments and strategies as part of the balance sheet. We believe the positive outcomes which result from this shift will be revealed in the form of improved performance commencing in the short to medium term.

The resolve shown by the management team during the period should not go unnoticed. The impact of COVID-19 and the way it has affected the way in which business can be done is well known. It is particularly true of a business which requires a high level of interaction with partners, clients, advisors, consultants and investors. It is a credit to all members of the business that operations have continued in the manner that they have. As a company we are indebted to each of them for their level of commitment and focus in protecting and growing shareholder value.

OUTLOOK

The investment portfolio of CVC contains a mixture of assets that are forecast to deliver both short and long-term profits. Some of this is anticipated to occur in the current period and work continues to optimise these positions on behalf of shareholders. The Board and management of CVC are conscious the full effect of the global pandemic will not be felt for some time to come. It is with this knowledge we continue to act cautiously and with extensive diligence prior to investing. We are also confident the environment moving forward will provide opportunity for the business and, the task will be to determine those investment opportunities which will deliver results against an acceptable level of risk.

We continue to see the CVC operating model as one of being a strategic investor in partnership with exceptional businesses and people. Property will remain a key part of the business, and it is forecast this segment will be a large contributor to profit in FY21. We also look forward to seeing the continued success of the CVC Emerging Companies Fund, something that is also anticipated to contribute to the results this year.

I would like to thank all shareholders for your support of the company. As a Board and as a management team, we are focused on delivering outcomes which reward your ongoing commitment in the coming period and beyond.

MARK AVERY
Managing Director

The Year in Review

1 JULY 2019 – 30 JUNE 2020

GROUP SUMMARY

The financial year has resulted in CVC Limited recording an underlying loss after tax to shareholders of $2.1 million (2019: $2.1 million).

UNDERLYING RESULTS			
	FY2020	FY2019	Change (%)
Total income	$22.6 m	$32.3 m	(30.1)
Underlying NPAT	$0.1 m	$1.0 m	(90.5)
NPAT to shareholders	($2.1 m)	($2.1 m)	(0.7)
Ordinary dividends	Nil	15.0 cps	(100.0)
Net assets to shareholders	$167.7 m	$180.0 m	(6.9)
Net cash position	$22.6 m	$57.2 m	(60.4)

Despite this disappointing financial result, significant progress has been achieved advancing the repositioning of the business by concentrating on specific investment strategies. A focus on rebalancing the investment portfolio toward fewer investment strategies has resulted in a reduction in the number of listed and unlisted equity positions, which has assisted in protecting shareholder value during the current environment of extreme market volatility and uncertainty. In particular, it was fortuitous that a significant portion of the listed equity portfolio was divested during the first half of the year.

Property financing is a segment that has performed well for CVC over the longer term and remains a key part of the business strategy. Again, it provided a significant contribution to income during the year and is forecast to continue to grow, especially as the major lending institutions appear to be reducing their exposure to property at this time.

The major property projects have achieved significant progress during the year. Each of the Caboolture, Marsden Park, Donnybrook, East Bentleigh and Liverpool projects have made further progress in achieving either planning outcomes or development, which once achieved, are forecast to deliver substantial value to shareholders, with realisations forecast to commence during FY21.

During the year, two new direct property acquisitions were completed to further expand the existing pipeline of development activity within the group. The two properties are both well located, part of master-planned residential developments and involve the construction of neighbourhood shopping centres. CVC is positive about these projects given the way this segment of the property market has performed in recent times. It is anticipated that this area of the business will continue to be a core investment strategy in the future.

The CVC Emerging Companies Fund has performed well during the year, with key investments increasing in value. This investment is anticipated to continue to perform well during FY21 and beyond.

The streamlining of investment strategies has resulted in a more efficient business, with a material reduction in the level of overhead expenses. The level of staff required to undertake investment activities will be reviewed continually to ensure that there are appropriate resources to deliver the investment strategy of CVC and to generate strong financial outcomes for shareholders.

Management continue to carry a level of caution in respect to existing and new investments, considering the full effect of the global pandemic is yet to play out. Rigour and diligence in investments remain a key focus and will be the foundation to making informed and calculated investment decisions.

The Year in Review

1 JULY 2019 – 30 JUNE 2020

SEGMENT REVIEW

A summary of the operating results for the financial year is provided below:

PROPERTY BACKED LENDING	2020	$10,897,171	2019	$5,790,648
DIRECT PROPERTY INVESTMENT	2020	($1,107,511)	2019	$16,428,583
FUNDS MANAGEMENT	2020	$531,637	2019	$1,503,677
EQUITY INVESTMENTS	2020	($3,266,230)	2019	($7,426,912)
COMMERCIAL DEBT & ALTERNATIVE ASSETS	2020	$66,144	2019	$335,398
CONVERTIBLE NOTE INTEREST	2020	($3,639,841)	2019	($4,252,724)
UNALLOCATED	2020	($5,729,618)	2019	$(11,323,707)
TAX EFFECT	2020	$2,343,726	2019	($46,804)
TOTAL COMPREHENSIVE INCOME	2020	$95,478	2019	$1,008,159

PROPERTY BACKED LENDING

Total pre-tax contribution was $10.9 million (2019: $5.8 million) after incurring $1.0 million (2019: $1.0 million) of impairments associated with investment exposures which no longer form part of the investment strategy of the business. During the financial year the property loan portfolio has increased considerably and CVC will continue to deploy funds into lending opportunities where high quality security is available and investment terms are generally between 12-18 months. The business remains of the view that the risk / return metrics in this area are strong relative to other investment opportunities.

DIRECT PROPERTY

Total pre-tax contribution was a loss of $1.1 million (2019: profit of $16.4 million) net of project specific borrowing costs of $2.0 million. The result is largely due to the requirement to expense project expenditure associated with holding and progressing properties through planning processes. These costs are small relative to the value uplift that is forecast to be achieved once planning approval have been obtained or by completing developments.

The significant pipeline of direct property investments, which has been developed over the past 6 years, is anticipated to start contributing to shareholder value in the near term.

The Year in Review

1 JULY 2019 – 30 JUNE 2020

DIRECT PROPERTY (CONT.)

The East Bentleigh project, which CVC is a 50% JV partner with MAKE Property Group, is expected to achieve rezoning from industrial to mixed use (including residential) during FY21, paving the way for development or sale of the site.

The Caboolture project is progressing through the process of commercialisation. The project has already seen the development of the Caltex Travel Centre and has now secured an agreement for lease with Bunnings on the site. Subject to obtaining a development approval, it is anticipated that the development of the Bunnings building will commence during Q3 FY21. In addition, it is forecast that construction of the neighbourhood shopping centre, anchored by a major supermarket retailer, will commence at the same time.

The Marsden Park rezoning process is now approaching finalisation. The project has been nominated under a state lead rezoning process and it is anticipated a rezoning will be achieved during FY21.

The Donnybrook property, part of the Shenstone Park Precinct Structure Plan (PSP) is now on exhibition and a panel hearing is set for November 2020. In August 2020, the property (and surrounds) was nominated by the Victorian Planning Authority as one of 19 'fast track' projects which will benefit from an accelerated planning process. It is forecast that a rezoning of this precinct could be achieved during FY21.

Two new development projects were acquired throughout the period:

- **Elara Village Neighbourhood Centre, Marsden Park, New South Wales**

  The project is a 2.53 hectare site within the Stockland Elara Estate that will be developed into an 8,200 sqm neighbourhood shopping centre that is anchored by Coles as well as a Goodstart Early Learning childcare centre, medical centre and speciality retail tenants. The project is expected to be completed during CY21 with an end value of approximately $60 million.

- **Harpley Town Centre, Werribee, Victoria**

  A 4.39 hectare site within the master planned Harpley Estate being developed by Lend Lease. The project is to be developed into an 8,000 sqm neighbourhood shopping centre anchored by a major supermarket retailer as well as a medical centre, service station, fast food and ancillary commercial space. The project has a four-year time horizon with an end value in excess of $90 million.

FUNDS MANAGEMENT

The pre-tax contribution from funds management was a profit of $0.5 million (2019: $1.5 million).

PROPERTY FUNDS MANAGEMENT

CVC has been focused on growing funds management in the Eildon Debt Fund, a contributory mortgage trust that is focused on providing senior loans to property developers and investors secured by registered first mortgages. During the year, a new strategic JV was formed with Strategic Property Partners Investments Pty Limited, with the objective of growing passive property investment funds, initially focused on retail assets. This strategy will commence by utilising the existing pipeline of developments being delivered by CVC. Property specific funds management activities delivered an underlying profit of $2.0 million.

In addition, extraordinary adjustments during the year included the impact of consolidating Eildon Capital Group, which generated a profit of $1.8 million as well as the impairment of goodwill of $1.4 million associated with the acquisition and internalisation of Eildon Funds Management Limited, arising from the accounting treatment of an internal management agreement. This amounted to total one-off extraordinary accounting adjustments of $0.4 million profit during the year.

OTHER FUNDS MANAGEMENT ACTIVITIES

The CVC Emerging Companies Fund, which CVC has committed $10 million in capital, has delivered impressive results during the year. Key investments held by the fund, specifically AI Media and CleanSpace, have significantly increased in value, and these movements have contributed $3.2 million to CVC's results. The outlook for further upside is positive as these key investments progress through an initial public offering.

The balance of the overall performance of the segment was offset by a loss of $4.9 million which was significantly impacted by impairments totalling $4.1 million, principally in relation to the commercial loan portfolio managed by Bigstone Capital Pty Limited as well as its operations, which has been directly affected by the impact of COVID-19.

The Year in Review

1 JULY 2019 – 30 JUNE 2020

EQUITY INVESTMENTS AND COMMERCIAL DEBT

The Equity Investment and Commercial Debt segments have reduced in both number of investments and value over the year. In combination, they generated a total pre-tax loss of $3.2 million (2019: $7.1 million). Predominantly, the loss has been generated as a result of CVC's review of the carrying value of its investments, having regard to the impact of the COVID-19 pandemic.

LISTED EQUITIES

The listed equities portfolio has reduced substantially during the financial year to $27.5 million (2019: $59.8 million). This represented a reduction of the number of investments to a total of 13 (2019: 43). The sale of approximately $32 million of listed equities in H1 FY20 was a positive result in light of market movements since that time. The remaining core holdings in the portfolio include Mitchell Services Limited (ASX: MSV), Cyclopharm Limited (ASX: CYC) and Tasfoods Limited (ASX: TFL). This excludes CVC's substantial holding in Eildon Capital Group (ASX: EDC), which is classified as a Funds Management investment.

Overall listed equities contributed a loss of $0.1 million (2019: loss of $5.7 million) during the year.

UNLISTED EQUITY

The Unlisted Equity segment was significantly affected by the COVID-19 pandemic, resulting in a number of impairments across various investments. The value of unlisted equities has reduced to $6.6 million (2019: $11.1 million). Any future investment exposure in this area is only likely to come via CVC's investment in the CVC Emerging Companies Fund.

COMMERCIAL DEBT

This segment has been impacted as a result of COVID-19 with impairments of $1.2 million raised against a number of loans. The commercial debt portfolio has reduced to a total value of $6.4 million (2019: $9.9 million) across 3 loans (2019: 13). This segment will continue to reduce as loans mature.

BUSINESS OUTLOOK

CVC is focused on completing the rationalisation and repositioning of the business which commenced during the year. A key focus over the next 12 months is unlocking and delivering value from the existing portfolio of direct property assets, which is forecast to commence contributing to results from FY21 and will continue over the longer term.

The business will also continue to be active in property lending, a segment both the Board and Management believe is a core competency.

It is forecast that the CVC Emerging Companies Fund will continue to deliver strong results during the short to medium term.

Although the non-core investment portfolio continues to be reduced, these will require ongoing management to optimise value for shareholders.

It is anticipated that FY21 will continue to be a period of continued consolidation and it is expected that the general economic environment will remain uncertain due to the COVID-19 pandemic. It is for these reasons, coupled with the nature of the investments held by CVC, that the Board is not in a position to provide detailed guidance around financial performance for the upcoming period.

The Year in Review

1 JULY 2019 – 30 JUNE 2020

CAPITAL MANAGEMENT AND DIVIDEND POLICY

The Board remains committed to paying dividends in line with the performance of the company and its underlying profitability.

The Directors have considered the operating performance of the company during FY20, as well as the uncertainty in relation to COVID-19, and have decided that the payment of a final dividend is not appropriate. The Directors are unable to provide guidance on the payment of dividends to shareholders in future periods, but will continually evaluate this in line with the performance of the business.

CVC has periodically purchased shares and convertible notes under its buy-back schemes, depending on price. Buy-back schemes will continue to be utilised from time to time with a view that this will allow CVC to optimise the capital structure of the business and deliver long term shareholder value.

FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE
TWENTY
TWENTY

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

Your Directors present the Financial Report of CVC Limited (the "Company") and its controlled entities ("CVC"), for the year ended 30 June 2020 together with the Auditors' Report thereon.

DIRECTORS

The names of Directors who served at any time during the financial year and up to the date of this report, unless otherwise stated are Mark Anthony Avery (appointed 1 July 2019), Alexander Jovan Rapajic-Leaver (appointed 1 July 2019), Ian Houston Campbell, Alexander Damien Harry Beard (resigned 1 August 2019), John Scott Leaver (resigned 11 October 2019) and John Douglas Read (resigned 31 March 2020). The names of Company Secretaries in office throughout the financial year and to the date of this report are Mr John Andrew Hunter and Mr Alexander Damien Harry Beard (resigned 1 August 2019). Details of qualifications, experience and special responsibilities of Directors are as follows:

MARK ANTHONY AVERY **(Managing Director)** *(Appointed 1 July 2019)*

B.Com.Pl.Ds. (UOM)

Mr Avery began his professional career at Macquarie Group in 2002 in the property finance and residential development divisions. Mr Avery also worked for private and listed property development and investment groups. Mr Avery commenced at CVC in 2010, and has been responsible for all of the group's real estate investment activities. He is also a director of Eildon Capital Limited and Eildon Funds Management Limited.

IAN HOUSTON CAMPBELL **(Non-Executive Director)**

Fellow of the Chartered Accountants Australia and New Zealand; Member of the Australian Institute of Company Directors; Chairman of the audit committee of the Company.

Mr Campbell is currently a Non-Executive Director of Kip McGrath Education Centres Limited (ASX: KME) and Redox Pty Limited. Mr Campbell's previous Non-Executive Director roles include Gloria Jeans Coffees International Pty Limited, Young Achievement Australia Limited and Green's Foods Holdings Pty Limited. Mr Campbell brings to CVC 30 years of experience as a former partner with Ernst and Young and predecessor firms, principally working with entrepreneurial companies in preparing them for growth, sale and the capital markets.

ALEXANDER JOVAN RAPAJIC-LEAVER
(Non-Executive Director) *(Appointed 1 July 2019)*

B.Bus. (Bond University), Member of the Australian Institute of Company Directors (MAICD)

Mr Rapajic-Leaver has over 15 years' experience in the property industry, commencing his career with Sunland Group Limited (ASX:SDG), where he worked in all aspects of the business from site acquisition and feasibility analysis to construction and project management. Mr Rapajic-Leaver also worked for a private Melbourne property development corporation, concentrating on land subdivisions and site identification. In 2010, Mr Rapajic-Leaver was the founding partner of LeaMac Property Group which is focused on identifying and securing property development opportunities, such as the joint venture holdings by CVC at Marsden Park, Turrella and Liverpool.

ALEXANDER DAMIEN HARRY BEARD **(Managing Director and Company Secretary)** *(Resigned 1 August 2019)*

B.Com. (Uni. of NSW)

Fellow of the Chartered Accountants Australia and New Zealand; Member of the Australian Institute of Company Directors.

Board member since 2000 and Chief Executive Officer since 2001 until 1 August 2019. Member of the audit committee until 1 August 2019.

During the past three years Mr Beard has also served as Director of the following other listed companies: Probiotec Limited, Shellfish Culture Limited, Tasfoods Limited, US Residential Fund and Eildon Capital Limited.

JOHN SCOTT LEAVER **(Executive Director)** *(Resigned 11 October 2019)*

B.Ec. (Uni. of Sydney)

Mr Leaver was a founder of CVC in 1984 and was previously a board member until 29 November 2013.

JOHN DOUGLAS READ **(Chairman)** *(Resigned 31 March 2020)*

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

Fellow of the Australian Institute of Company Directors.

Board member since 1989 until 31 March 2020. Member of the audit committee until 31 March 2020.

Mr Read has over 30 years' experience in the venture capital industry. He is a former Director of CSIRO and the Australian Institute for Commercialisation Limited.

During the past three years Mr Read has also served as Chairman of Patrys Limited, and the Central Coast Water Corporation.

COMPANY SECRETARIES

JOHN ANDREW HUNTER

B.Com. (ANU), M.B.A. (MGSM), MAppFin (MAFC)

Member of the Chartered Accountants Australia and New Zealand.

In addition to being a Director of the Company, Alexander Damien Harry Beard was also a Company Secretary of the Company until 1 August 2019.

KEY MANAGEMENT PERSONNEL

Key management personnel during the financial year includes the directors, John Andrew Hunter who is the Chief Financial Officer of the Company and John Leaver.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

MEETINGS OF DIRECTORS

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

	DIRECTORS' MEETINGS No. of meetings attended	No. of meetings eligible to attend
Mark Anthony Avery	5	6
Ian Houston Campbell	6	6
Alexander Jovan Rapajic-Leaver	4	6
John Scott Leaver	2	3
John Douglas Read	6	6
Alexander Damien Harry Beard	-	2

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 eligible to attend
Mark Anthony Avery	2	2
Ian Houston Campbell	2	2
John Douglas Read	2	2

DIRECTORS' AND KEY MANAGEMENT PERSONNEL'S INTERESTS

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

Ordinary shares	Opening	Purchases	Sales	Other changes during the year	Closing
Mr M.A. Avery (a)	9,500	-	-	-	9,500
Mr I.H. Campbell	50,000	-	-	-	50,000
Mr A.J. Rapajic-Leaver (a)	-	-	-	-	-
Mr A.D.H. Beard (b)	-	-	-	-	-
Mr J.S. Leaver (c)	49,825,546	651,439	-	-	50,476,985
Mr J.D. Read (d)	528,956	-	-	(528,956)	-
Mr J.A. Hunter	-	-	-	-	-

(a) Messrs Avery and Rapajic-Leaver were appointed as directors on 1 July 2019.

(b) Mr Beard resigned 1 August 2019.

(c) Mr Leaver resigned on 11 October 2019. For the period 12 October 2019 to 30 June 2020, Mr Leaver was considered to be a key management personnel.

(d) Mr Read resigned on 31 March 2020.

The shares held by key management personnel have the same contractual right as ordinary shareholders.

OVERVIEW OF ACTIVITIES

The sections below provide details on the results, dividends, activities, operations, changes in state of affairs and expectations for the future.

DIVIDENDS

A final fully franked dividend in respect of the year ended 30 June 2019 of 8 cents per share was declared on 1 August 2019 and paid on 20 August 2019 to those shareholders registered on 6 August 2019. An interim fully franked dividend of 7 cents per share amounting to $8,357,505 was paid on 8 March 2019.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

PRINCIPAL ACTIVITIES

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

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

CONSOLIDATED RESULTS

The financial performance for the 2020 financial year is as follows:

- Net loss after tax of $2.1 million (2019: $2.1 million) to shareholders;
- Net profit after tax of $0.1 million (2019: $1.0 million);
- Earnings per share loss of 1.8 cents (2019: 1.7 cents); and
- Decrease in Net Assets per share of 10 cents (2019: 18 cents), following dividends per share totalling 8 cents (2019: 15 cents) paid during the year.

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

	2020 $	2019 $
Net profit after income tax	**95,478**	1,008,159
Net profit attributable to non-controlling interests	**2,169,958**	3,068,161
Net loss after income tax attributable to members of parent entity	**(2,074,480)**	(2,060,002)

REVIEW OF OPERATIONS

Despite this disappointing financial result, significant progress has been achieved advancing the repositioning of the business by concentrating on specific investment strategies. A focus on rebalancing the investment portfolio toward fewer investment strategies has resulted in a reduction in the number of listed and unlisted equity positions, which has assisted in protecting shareholder value during the current environment of extreme market volatility and uncertainty. In particular, it was fortuitous that a significant portion of the listed equity portfolio was divested during the first half of the year.

Property financing is a segment that has performed well for CVC over the longer term and remains a key part of the business strategy. Again, it provided a significant contribution to income during the year and is forecast to continue to grow, especially as the major lending institutions appear to be reducing their exposure to property at this time.

The major property projects have achieved significant progress during the year. Each of the Caboolture, Marsden Park, Donnybrook, East Bentleigh and Liverpool projects have made further progress in achieving either planning outcomes or development, which once achieved, are forecast to deliver substantial value to shareholders, with realisations forecast to commence during FY21.

During the year, two new direct property acquisitions were completed to further expand the existing pipeline of development activity within the group. The two properties are both well located, part of master-planned residential developments and involve the construction of neighbourhood shopping centres. CVC is positive about these projects given the way this segment of the property market has performed in recent times. It is anticipated that this area of the business will continue to be a core investment strategy in the future.

The CVC Emerging Companies Fund has performed well during the year, with key investments increasing in value. This investment is anticipated to continue to perform well during FY21 and beyond.

The streamlining of investment strategies has resulted in a more efficient business, with a material reduction in the level of overhead expenses. The level of staff required to undertake investment activities will be continually reviewed to ensure that there are appropriate resources to deliver the current investment strategy of CVC and to generate strong financial outcomes for shareholders.

Management continue to carry a level of caution with respect to existing and new investments considering the full effect of the global pandemic is yet to play out. Rigour and diligence in investments remains a key focus and will be the foundation to making informed and calculated investments decisions.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

REVIEW OF OPERATIONS (CONT.)

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

	2020 $	2019 $
Direct Property Investments	**(1,107,511)**	16,428,583
Property Backed Lending	**10,897,171**	5,790,648
Funds management	**531,637**	1,503,677
Equity investments	**(3,266,230)**	(7,426,912)
Commercial Debt and Alternative Assets	**66,144**	335,398
Convertible note interest	**(3,639,841)**	(4,252,724)
Unallocated	**(5,729,618)**	(11,323,707)
Tax effect	**2,343,726**	(46,804)
Total Comprehensive Income	**95,478**	1,008,159

Note, prior year balances have been reclassified for consistency.

PROPERTY BACKED LENDING

Total pre-tax contribution was $10.9 million (2019: $5.8 million) after incurring $1.0 million (2019: $1.0 million) of impairments associated with regional investments which no longer form part of the investment strategy of the business. During the financial year the property loan portfolio has increased considerably and CVC will continue to deploy funds into lending opportunities where high quality security is available and investment terms are generally between 12-18 months. The business remains of the view that the risk / return metrics in this area are strong relative to other investment opportunities.

DIRECT PROPERTY

Total pre-tax contribution was a loss of $1.1 million (2019: profit of $16.4 million) net of project specific borrowing costs of $2.0 million. The result is largely due to the requirement to expense project expenditure associated with holding and progressing properties through planning processes. These costs are small relative to the value uplift that is forecast to be achieved once planning approvals have been obtained or by completing developments.

The significant pipeline of direct property investments, which has been developed over the past 6 years, is anticipated to start contributing to shareholder value in the near term.

Two new development projects were acquired throughout the period:

- **Elara Village Neighbourhood Centre, Marsden Park, New South Wales**
  The project is a 2.53 hectare site within the Stockland Elara Estate that will be developed into an 8,200 sqm neighbourhood shopping centre that is anchored by Coles as well as a Goodstart Early Learning childcare centre, medical centre and speciality retail tenants. The project is expected to be completed during CY21 with an end value of approximately $60 million.
- **Harpley Town Centre, Werribee, Victoria**
  A 4.39 hectare site within the master planned Harpley Estate being developed by Lend Lease. The project is to be developed into an 8,000 sqm neighbourhood shopping centre anchored by a major supermarket retailer as well as a medical centre, service station, fast food and ancillary commercial space. The project has a four-year time horizon with an end value in excess of $90 million.

FUNDS MANAGEMENT

The pre-tax contribution was a profit of $0.5 million (2019: $1.5 million). CVC has been focused on growing funds management in the Eildon Debt Fund, a contributory mortgage trust that is focused on providing senior loans to developers, as well entering into a joint venture with Strategic Property Partners Investments Pty Limited, with the objective of growing passive property investment funds, utilising the pipeline of developments being undertaken. Property specific funds management activities delivered an underlying profit of $2.0 million which was offset against one-off extraordinary accounting adjustments of $0.4 million during the year.

The overall performance of the segment was reduced by a loss of $1.7 million associated with non-property activities which included an increase in the value of CVC Emerging Companies Fund of $3.2 million, but was offset against the remaining investments which generated a loss of $4.9 million. This was largely due to impairments totalling $4.1 million raised against the commercial loan portfolio managed by Bigstone Capital Pty Limited as well as its operations, which has been directly affected by the impact of COVID-19.

EQUITY INVESTMENTS AND COMMERCIAL DEBT

The Equity Investment and Commercial Debt segments have reduced in both number of investments and value over the year. In combination, they generated a total pre-tax loss of $3.3 million (2019: $7.1 million). Predominantly, the loss has been generated as a result of CVC's review of the carrying value of its investments, having regard to the impact of the COVID-19 pandemic.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

STATE OF AFFAIRS

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

During the year, Eildon Capital Group ("EDC") completed a restructure on 25 May 2020 which resulted in CVC's holdings in EDC increasing to 45.5%. The impact of the restructure has been that both EDC and 79 Logan Road Trust are treated as subsidiaries of CVC despite the fact that:

- EDC has a board that comprises a majority of independent directors which operate the entity without direction from CVC; and
- The minority investor in 79 Logan Road Trust is responsible for the ongoing management of the investment property owned by the trust.

Although both entities operate autonomously to CVC, as CVC had increased its ownership in EDC to a point where it has the ability to determine the outcome of any resolutions, EDC is considered to be a controlled entity for accounting purposes.

LIKELY DEVELOPMENTS

As explained in previous reports, the total level of profit for any period, notwithstanding the recurrent earnings, is largely determined by the timing of the realisation of investments that result in capital gains. The Company believes the strong financial position and continual evaluation of investment opportunities by its management team will enable the identification and execution of suitable investment opportunities during the course of the coming year.

ENVIRONMENTAL REGULATION

CVC's operations are not subject to environmental regulations.

EVENTS SUBSEQUENT TO BALANCE DATE

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 CVC, the results of those operations or the state of affairs of CVC in future financial years.

SHARE OPTIONS

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

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

a) Indemnification

During and since the end of the financial period CVC has provided an indemnity and entered into an agreement to indemnify Directors and Company Secretaries for liabilities that may arise from their position, except where the liability arises out of conduct involving a lack of good faith.

b) Insurance Premiums

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

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

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

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for key management personnel of the Company and its 100% owned entities in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by s. 308(3C) of the *Corporations Act 2001*. The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of CVC.

REMUNERATION PHILOSOPHY

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

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-Executive Director and remuneration for all other key management personnel is separate and distinct.

Non-Executive Director's remuneration is solely in the form of fees and has been set by shareholders at a maximum aggregate amount of $400,000, to be allocated amongst the Directors as they see fit. It has been set to balance the need to attract and retain Directors of the highest calibre at a cost that is acceptable to shareholders.

Key management personnel remuneration consists of: base salary, fees, superannuation contributions and short term performance discretionary bonuses.

The Company does not have a remuneration committee. The remuneration of the Managing Director is determined following discussion with the Non-Executive Directors. The remuneration of key management personnel other than the Managing Director are determined following discussion with the Board of CVC.

Short term discretionary performance bonuses permit CVC to reward individuals for superior personal performance or contribution towards components of CVC's performance for which they have direct responsibility and are determined at the end of the financial year.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

REMUNERATION REPORT (AUDITED) (CONT.)

INDIVIDUAL REMUNERATION DISCLOSURES

The following table provides details of the remuneration expense of the Company and its 100% owned entities recognised for the group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standard.

Remuneration of key management personnel and directors for the year ended 30 June 2020

		Short-term employee benefits Base Salary Fees $	Post – employ't benefits Super'n $	Termination benefit $	Total $	Base % (e)
Directors						
MA Avery (a)	**2020**	**375,000**	**25,000**	**-**	**400,000**	**100%**
Managing Director	2019	17,466	1,164	-	18,630	100%
IH Campbell	**2020**	**82,192**	**7,808**	**-**	**90,000**	**100%**
Non-Executive Director	2019	82,192	7,808	-	90,000	100%
AJ Rapajic-Leaver	**2020**	**-**	**-**	**-**	**-**	**100%**
Non-Executive Director	2019	-	-	-	-	100%
ADH Beard (b)	**2020**	**213,925**	**2,083**	**-**	**216,008**	**100%**
Executive Director	2019	465,000	25,000	1,815,000	2,305,000	100%
JS Leaver (c)	**2020**	**202,500**	**25,000**	**-**	**227,500**	**100%**
Executive Director	2019	92,096	5,685	-	97,781	100%
JD Read (d)	**2020**	**56,250**	**18,750**	**-**	**75,000**	**100%**
Non-Executive Director	2019	75,000	25,000	-	100,000	100%
JA Hunter	**2020**	**385,000**	**25,000**	**-**	**410,000**	**100%**
Company Secretary	2019	385,000	25,000	-	410,000	100%
	2020	**1,314,867**	**103,641**	**-**	**1,418,508**	
	2019	1,116,754	89,657	1,815,000	3,021,411	

Notes:

(a) Mr Avery was considered to be a member of the key management personnel on 13 June 2019 when the board of directors made the decision to appoint him as a Director on 1 July 2019 and Chief Executive Officer following the retirement of Mr Beard. Amount paid in 2019 relates to the period that Mr Avery was considered to be a member of the key management personnel for the period of 13 June 2019 to 30 June 2019.

(b) Mr Beard resigned as director on 1 August 2019. The amount paid in 2020 relates to the period that Mr Beard was appointed as director for the period of 1 July 2019 to 1 August 2019.

(c) Mr Leaver was appointed as director on 8 April 2019 and resigned on 11 October 2019. For the period 12 October 2019 to 30 June 2020, Mr Leaver was considered to be a member of the key management personnel. The amount paid in 2019 relates to the period that Mr Leaver was appointed as director for the period of 8 April 2019 to 30 June 2019.

(d) Mr Read resigned as director on 31 March 2020. The amount paid in 2020 relates to the period that Mr Read was appointed as director for the period of 1 July 2019 to 31 March 2020.

(e) Base % reflects the amount of base level remuneration that is not dependent on individual or CVC performance.

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

REMUNERATION REPORT (AUDITED) (CONT.)

EXECUTIVE CONTRACTUAL ARRANGEMENTS

It is CVC's policy that service contracts for key management personnel are unlimited in term but capable of termination as per the relevant period of notice and that CVC retains the right to terminate the contract immediately, by making payment that is commensurate with pay in lieu of notice.

The service contract outlines the components of remuneration paid to the key management personnel but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account any change in the scope of the role performed by the key management personnel and any changes to the principles of the remuneration policy.

The key employment terms of Mr Mark Avery are as follows:

- Based Salary of $375,000 per annum;
- Termination of employment by providing six month's notice, unless it is due to serious misconduct, which requires no notice;
- Any unvested short term incentives are forfeited; and
- Six months restriction from solicitation of staff and clients.

The key employment terms of Mr John Hunter are as follows:

- Based Salary of $385,000 per annum;
- Termination of employment by providing six month's notice, unless it is due to serious misconduct, which requires no notice;
- Any unvested short term incentives are forfeited; and
- Six months restriction from solicitation of staff and clients.

Standard key management personnel termination payment provisions apply to all other key management personnel. The standard key management personnel provisions are as follows:

Details	Notice Period	Payment in lieu of notice	Treatment of STI on termination
Termination for serious misconduct	None	None	Unvested awards forfeited
Employee initiated termination	1 month	1 month	Unvested awards forfeited

CONSEQUENCES OF PERFORMANCE ON SHAREHOLDER WEALTH

In considering CVC's performance and benefits for shareholder wealth, the Directors have regard to the following indicators in respect of the current financial year and previous financial years.

	2020 $	2019 $	2018 $	2017 $	2016 $
Net (loss)/profit attributable to members of the parent entity	**(2,074,480)**	(2,060,002)	22,716,376	27,501,354	13,798,394
Other comprehensive (loss)/income attributable to members of the parent entity	**-**	-	-	(6,546,240)	13,024,484
Total comprehensive (loss)/income attributable to members of the parent entity	**(2,074,480)**	(2,060,002)	22,716,376	20,955,114	26,822,878
Dividends paid	**9,413,760**	17,920,128	17,929,918	23,906,558	9,562,623
Shares bought back on market	**671,904**	4,878,540	-	-	-
Share price	**1.41**	2.59	2.66	1.86	1.51
Change in share price	**(1.18)**	(0.07)	0.80	0.35	(0.01)
Net assets per share	**1.43**	1.53	1.71	1.66	1.68
Change in net assets per share	**(0.10)**	(0.18)	0.05	(0.02)	0.13

Directors' Report

FOR THE YEAR ENDED 30 JUNE 2020

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

No fees were paid to HLB Mann Judd (NSW Partnership) in respect of non-audit services during the year.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF CVC LIMITED

A copy of the Independence Declaration given to the Directors by the lead auditor for the audit undertaken by HLB Mann Judd (NSW Partnership) is included on page 22.

This Directors' Report is signed in accordance with a resolution of the Board of Directors.

Dated at Sydney 29 September 2020.

MARK AVERY
Director

ALEXANDER RAPAJIC-LEAVER
Director

Auditor's Independence Declaration

FOR THE YEAR ENDED 30 JUNE 2020

To the directors of CVC Limited:

As lead auditor for the audit of the consolidated financial report of CVC Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to CVC Limited and the entities it controlled during the period.

HLB Mann Judd
Chartered Accountants

N J Guest
Partner

Sydney, NSW
29 September 2020

Consolidated Statement of Financial Performance

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
INCOME FROM CONTINUING OPERATIONS			
Interest and fee income	4	**14,379,839**	11,474,450
Net profit from property development activities	4	**423,975**	8,775,936
Management fee income		**1,431,427**	1,508,249
Other income	4	**333,689**	1,020,500
Total income		**16,568,930**	22,779,135
Share of net profits of associates accounted for using the equity method	15	**5,983,976**	9,499,968
EXPENSES			
Employee costs		**1,674,673**	7,255,178
Finance costs	5	**6,332,242**	5,651,004
Impairment of financial assets at amortised cost	5	**5,288,804**	2,963,528
Impairment of goodwill	17	**1,376,006**	-
Management and consultancy fees		**1,078,178**	2,884,375
Net loss from share investments	5	**5,002,495**	8,714,278
Overhead expenses	5	**4,048,756**	3,755,777
Total expenses		**24,801,154**	31,224,140
(Loss)/profit before related income tax expense		**(2,248,248)**	1,054,963
Income tax (benefit)/expense	6	**(2,343,726)**	46,804
Net profit		**95,478**	1,008,159
Net profit attributable to non-controlling interest		**2,169,958**	3,068,161
Net loss attributable to members of the parent entity		**(2,074,480)**	(2,060,002)
Basic and diluted earnings per share for loss attributable to the members of the parent entity	7	**(0.0177)**	(0.0173)

The above statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 29 to 93.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
Profit for the year	**95,478**	1,008,159
Total comprehensive income for the year	**95,478**	1,008,159
Attributable to		
Shareholders	**(2,074,480)**	(2,060,002)
Non-controlling interest	**2,169,958**	3,068,161
	95,478	1,008,159

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 29 to 93.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2020

	Notes	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents	24	**22,625,871**	57,157,737
Financial assets at amortised cost	9	**84,993,405**	35,081,213
Financial assets at fair value through profit or loss	12	**27,423,831**	43,124,036
Inventories	13	**1,425,803**	3,323,321
Other assets	14	**1,987,556**	1,412,728
Current tax assets		**133,307**	1,145,424
Total current assets		**138,589,773**	141,244,459
NON-CURRENT ASSETS			
Financial assets at amortised cost	9	**65,494,103**	18,568,770
Financial assets at fair value through profit or loss	12	**6,581,920**	40,156,134
Inventories	13	**34,121,095**	19,528,957
Investments accounted for using the equity method	15	**37,379,060**	48,409,113
Property, plant and equipment		**168,404**	304,544
Intangible assets	17	**1,570,000**	-
Right-of-use assets	11	**401,080**	-
Investment properties	16	**26,300,000**	2,400,000
Other assets	14	**15,860,883**	15,243,157
Deferred tax assets	6	**5,782,676**	2,712,604
Total non-current assets		**193,659,221**	147,323,279
TOTAL ASSETS		**332,248,994**	288,567,738
CURRENT LIABILITIES			
Trade and other payables	18	**10,415,969**	14,164,786
Contract liabilities	10	**916,175**	2,133,503
Interest bearing loans and borrowings	20	**4,729,164**	-
Lease liabilities	11	**107,217**	-
Provisions	19	**587,695**	854,699
Current tax liabilities		**31,667**	-
Total current liabilities		**16,787,887**	17,152,988
NON-CURRENT LIABILITIES			
Trade and other payables	18	**-**	5,000,000
Interest bearing loans and borrowings	20	**92,440,760**	80,335,742
Lease liabilities	11	**293,800**	-
Provisions	19	**-**	104,136
Deferred tax liabilities	6	**6,686,049**	6,186,110
Total non-current liabilities		**99,420,609**	91,625,988
TOTAL LIABILITIES		**116,208,496**	108,778,976
NET ASSETS		**216,040,498**	179,788,762
EQUITY			
Contributed equity	21	**98,096,404**	98,768,308
Other equity	22	**1,881,405**	1,881,405
Retained earnings		**68,137,884**	79,626,124
Other reserves	23	**(433,655)**	(266,808)
Total parent entity interest		**167,682,038**	180,009,029
Non-controlling interest		**48,358,460**	(220,267)
TOTAL EQUITY		**216,040,498**	179,788,762

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 29 to 93.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020

	Contributed equity $	Retained earnings $	Asset revaluation $
At 1 July 2019	**98,768,308**	**79,626,124**	**(266,808)**
(Loss)/profit for the year	-	**(2,074,480)**	-
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	-	**(2,074,480)**	-
Transactions with shareholders:			
Shares bought back	**(670,688)**	-	-
Share buyback transaction cost	**(1,737)**	-	-
Income tax on buyback transaction cost	**521**	-	-
Acquisition of interest in controlled entities	-	-	**(180,447)**
Disposal of interest in controlled entities	-	-	**13,600**
Return of capital	-	-	-
Dividends paid	-	**(9,413,760)**	-
At 30 June 2020	**98,096,404**	**68,137,884**	**(433,655)**
At 1 July 2018	**103,646,848**	**99,606,254**	**(318,237)**
(Loss)/profit for the year	-	**(2,060,002)**	-
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the year	-	**(2,060,002)**	-
Share of associate reserve	-	-	51,429
Transactions with shareholders:			
Shares bought back	(4,870,858)	-	-
Share buyback transaction cost	(10,975)	-	-
Income tax on buyback transaction cost	3,293	-	-
Acquisition of interest in controlled entities	-	-	-
Disposal of interest in controlled entities	-	-	-
Return of capital	-	-	-
Dividends paid	-	(17,920,128)	
At 30 June 2019	98,768,308	79,626,124	(266,808)

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements as set out on pages 29 to 93.

Other Equity $	Owners of the parent $	Non-controlling interest $	Total $
1,881,405	**180,009,029**	**(220,267)**	**179,788,762**
-	**(2,074,480)**	**2,169,958**	**95,478**
-	**-**	**-**	**-**
-	**(2,074,480)**	**2,169,958**	**95,478**
-	**(670,688)**	**-**	**(670,688)**
-	**(1,737)**	**-**	**(1,737)**
-	**521**	**-**	**521**
-	**(180,447)**	**49,959,773**	**49,779,326**
-	**13,600**	**3,370**	**16,970**
-	**-**	**(520,000)**	**(520,000)**
-	**(9,413,760)**	**(3,034,374)**	**(12,448,134)**
1,881,405	**167,682,038**	**48,358,460**	**216,040,498**
1,881,405	**204,816,270**	**1,353,079**	**206,169,349**
-	**(2,060,002)**	**3,068,161**	**1,008,159**
-	**-**	**-**	**-**
-	**(2,060,002)**	**3,068,161**	**1,008,159**
-	51,429	-	51,429
-	(4,870,858)	-	(4,870,858)
-	(10,975)	-	(10,975)
-	3,293	-	3,293
-	-	322,430	322,430
-	-	2,358	2,358
-	-	(180,000)	(180,000)
-	(17,920,128)	(4,786,295)	(22,706,423)
1,881,405	180,009,029	(220,267)	179,788,762

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		**3,548,769**	3,057,330
Cash payments in the course of operations		**(15,466,145)**	(11,076,462)
Net cash (payment)/receipts for land held for resale		**(12,231,671)**	10,645,433
Proceeds from disposal of financial assets at fair value through profit or loss		**38,344,427**	106,891,716
Payments for acquisition of financial assets at fair value through profit or loss		**(20,679,366)**	(93,030,011)
Net (payment)/proceeds on construction contract		**(1,133,895)**	10,443,039
Loans provided		**(104,533,437)**	(69,688,277)
Loans repaid		**68,477,165**	62,694,503
Dividends received		**2,712,553**	3,410,071
Interest received		**9,240,463**	5,866,208
Interest paid		**(2,926,747)**	(5,335,411)
Income taxes paid		**282,873**	(2,666,423)
Net cash (used in)/provided by operating activities	24	**(34,365,011)**	21,211,716
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition and development of investment properties		**(20,010)**	(837,256)
Payments for property, plant and equipment		**(89,850)**	(53,472)
Acquisition of subsidiaries, net of cash acquired		**7,502,415**	(3,102,637)
Net cash provided by/(used in) investing activities		**7,392,555**	(3,993,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(4,030,655)**	(81,487,901)
Proceeds from borrowings		**7,960,644**	78,205,695
Principal elements of lease payments		**(684,501)**	-
Convertible loan note purchased		**(1,954,881)**	-
Dividends paid		**(13,054,946)**	(22,809,860)
Payments for share buy-back		**(672,425)**	(4,881,833)
Transactions with non-controlling interests		**5,397,354**	-
Payments for return of capital		**(520,000)**	(180,000)
Net cash used in financing activities		**(7,559,410)**	(31,153,899)
Net decrease in cash and cash equivalents		**(34,531,866)**	(13,935,548)
Cash and cash equivalents at the beginning of the financial year		**57,157,737**	71,093,285
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	24	**22,625,871**	57,157,737

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 29 to 93.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

CONTENTS

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this Financial Report are:

1.1 BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except for financial assets at fair value through profit or loss and investment properties which have been measured at fair value.

These accounting policies have been consistently applied by each entity in CVC and, are consistent with those of the previous year, except for the adoption of AASB 16 *Leases* as set out in note 33. 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.

CVC presents assets and liabilities in the Statement of Financial Position as current or non-current.

- Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of CVC's operating cycle and within one year from the reporting date. All other assets are classified as non-current.
- Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of CVC's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying CVC's accounting policies.

The financial statement areas that involve the use of key estimates and judgements that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are:

- Impairment of investments accounted for using the equity method (refer note 32.1 and note 32.2);
- Impairment of financial assets at amortised cost (refer note 9);
- Valuation of inventories (refer note 13);
- Valuation of investment properties (refer note 16);
- Fair value of certain financial assets at fair value through profit or loss (refer note 12);
- Impairment of intangible assets (refer note 17);

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.1 BASIS OF PREPARATION (CONT.)

- Assessment of whether or not CVC controls certain investees, and the date that control was deemed to be obtained (refer note 2 and note 32.3);
- Recoverable value of other assets (refer note 14); and
- Recoverability of current and deferred tax assets and measurement of current and deferred tax liabilities, and the likelihood of generating sufficient future taxable profits to recover such tax balances (refer note 6).

1.2 STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards, which include the Australian Accounting Interpretations. The financial report also complies with International Financial Reporting Standards (IFRS).

CVC has adopted AASB 16 *Leases* for the first time for the annual reporting period commencing 1 July 2019. The impact of the adoption of the standard and the new accounting policy are disclosed in note 33.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by CVC. These standards are not expected to have a material impact on CVC in the current or future reporting periods and on foreseeable future transactions.

1.3 CORONAVIRUS (COVID-19) IMPACT

The World Health Organisation declared a global pandemic in March 2020 as a result of COVID-19. The impact of the crisis has had a significant economic impact. The critical accounting estimates and judgements of CVC have required additional consideration and analysis due to the impact of COVID-19. Given the uncertainty of the extent of the impact of the pandemic, changes to the estimates and outcomes that have been applied in the measurement of CVC's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the financial year, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

The effect on the operations of CVC will be dependent on the severity and duration of the pandemic, as well as the economic support provided by the government. The processes applied in the preparation of this Financial Report included a review of:

- all financial assets at amortised cost and associated underlying security to determine if there has been a significant increase in credit risk and determined the expected credit loss on each financial asset. Refer note 9;
- unlisted financial assets at fair value through profit or loss to determine if the investments' carrying value included a consideration of the impact of COVID-19. Refer note 12;
- the carrying value of inventories to take into consideration of either recent selling prices or independent valuations undertaken compared to the current carrying value of the properties. Refer note 13;
- the appropriateness of the carrying value of call options over property assets. Refer note 14;
- the carrying amount of each associate and joint venture, by comparing the investment's recoverable amount with its carrying value. Refer note 15; and
- the carrying value of investment properties has been considered in relation to the potential for vacancy risk and the impact on cash flows of the tenant. Refer note 16.

1.4 PRINCIPLES OF CONSOLIDATION

Controlled entities

The consolidated financial statements comprise the financial statements of CVC Limited (the "Company") and its subsidiaries during the year ended 30 June 2020 ("CVC"). The financial statements of controlled entities are included in the results only from the date control commences until the date control ceases.

Control is achieved when CVC is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, CVC controls an investee if and only if CVC has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When CVC has less than a majority of the voting or similar rights of an investee, CVC considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- CVC's voting rights and potential voting rights.

CVC re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when CVC obtains control over the subsidiary and ceases when CVC loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date CVC gains control until the date CVC ceases to control the subsidiary.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.4 PRINCIPLES OF CONSOLIDATION (CONT.)

have been eliminated in full and the reporting period and accounting policies of subsidiaries are consistent with those of the parent entity.

The acquisition of subsidiaries is accounted for using the purchase method of accounting which allocates the cost of the business combination to the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

Non-controlling interests not held by CVC are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Increases in investments in existing controlled entities are recognised by CVC in equity with no impact on goodwill and the statement of financial performance. The difference between the consideration paid by CVC and the carrying amount of non-controlling interest has been included in asset revaluation reserve.

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. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment. 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 comprehensive income from the date significant influence commences until the date significant influence ceases.

1.4 PRINCIPLES OF CONSOLIDATION (CONTINUED)

Parent entity information

The financial information of the Company is disclosed in note 3 and has been prepared on the same basis as the consolidated financial statements with the exception of investments in associates and controlled entities which are accounted for as "fair value through profit or loss" investments.

Joint ventures

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

Goodwill

Goodwill is considered to have an indefinite life and represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Following initial recognition goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment. Impairment losses on goodwill are taken to the statement of financial performance and are not subsequently reversed.

1.5 IMPAIRMENT

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit. Non-financial assets other than goodwill that suffered impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

1.6 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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.6 INCOME TAX AND OTHER TAXES (CONT.)

temporary differences and the carry-forward of unused tax credits 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 profit.

Tax consolidation legislation

The controlled entities of the Company implemented the tax consolidation legislation as at 30 June 2003. The entities in the consolidated group continue to account for their own current and deferred tax amounts. CVC has applied the "stand-alone taxpayer" approach in determining the appropriate amount of current taxes and deferred taxes to be allocated to members of the tax consolidated group. The Company recognises the current tax liabilities (or assets) from controlled entities in the tax consolidated group. To the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised the Company recognises the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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.

1.7 BUSINESS COMBINATION

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by CVC;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. CVC recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable due in more than a year are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

An equity interest previously held by CVC which qualified as an associate or a jointly controlled entity is similarly treated as if it were disposed of and reacquired at fair value on the acquisition date. Accordingly, it is remeasured to its acquisition date fair value, and any resulting gain or loss compared to its carrying amount at acquisition date is recognised in the statement of financial performance.

1.8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and short-term deposits with an original maturity of three months or less.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.9 TRADE AND OTHER PAYABLES

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to CVC prior to the end of the financial year that are unpaid and arise when CVC becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables are non-interest bearing and are normally settled on average between 30 - 45 day terms.

1.10 TRADE AND OTHER RECEIVABLES

Trade and other receivables, which generally have 30 - 120 day terms, are stated at their amortised cost less any allowance for expected credit losses. Individual debts that are known to be uncollectible are written off when identified. CVC applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade and other receivables. The measurement of expected loss is based on CVC's historical credit losses experienced and then adjusted for current and forward-looking information affecting CVC's customers.

1.11 CONTRACT ASSETS AND CONTRACT LIABILITIES

A contract asset is the entity's right to consideration in exchange for goods or services that the entity has transferred to the customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer. Individual contract assets that are known to be uncollectible are written off when identified. CVC applies the AASB 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for contract assets. The measurement of expected loss is based on CVC's historical credit losses experienced and then adjusted for current and forward-looking information affecting CVC's customers.

1.12 INVENTORIES

CVC develops some residential and commercial properties for sale which are classified as inventories. Development projects are valued at the lower of cost and net realisable value (NRV). Cost includes costs of acquisition, development and all other costs directly related to specific projects. NRV is the estimated selling price in the ordinary course of business less estimated costs to complete and sell the development.

1.13 PROPERTY, PLANT AND EQUIPMENT

Acquisition

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

Investment properties

Investment properties are initially measured at cost, including transaction costs. Investment properties are subsequently measured at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are recognised in the statement of financial performance in the year in which they arise.

Leased property, plant and equipment

CVC has adopted AASB 16 *Leases* from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The impact of the adoption of the accounting policy for the year ending 30 June 2020 is disclosed in note 33. The accounting policies for the year ending 30 June 2019 are disclosed below.

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

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

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

Depreciation and amortisation

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

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

Plant and equipment	25% to 33%
Leasehold improvements	14% to 20%

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.14 FINANCIAL ASSETS

(a) Classification

Financial assets in the scope of AASB 9 *Financial Instruments* are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in financial performance or OCI.

Debt investments are reclassified when and only when its business model for managing those assets changes.

(b) Measurement

At initial recognition, a financial asset is measured at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets at amortised cost

Financial assets at amortised cost are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the statement of financial performance. Impairment losses are presented as a separate line item in the statement of financial performance.

Financial assets at fair value through profit or loss (FVPL)

Equity investments that have not been elected to present as financial assets at fair value through other comprehensive income are measured at FVPL. Changes in the fair value of financial assets at FVPL are recognised in the statement of financial performance as applicable.

(c) Impairment

The expected credit losses associated with debt instruments carried at amortised cost is assessed on a forward looking basis. The expected credit loss is determined based on changes in the financial asset's underlying credit risk and includes forward-looking information. Where there has been a significant increase in credit risk since initial recognition, the expected credit loss is determined with reference to the probability of default. CVC applies its judgement in determining whether there has been a significant increase in credit risk since initial recognition based on qualitative, quantitative, and reasonable and supportable information that includes forward-looking information.

Expected credit loss is generally determined based on the contractual maturity of the financial asset and an assessment of the underlying security provided by the counterparty. The expected credit loss is measured as the product of probability of default, loss given default and exposure at default, with increases and decreases in the measured expected credit loss from the date of origination being recognised in the statement of financial performance as either an impairment loss or gain.

Outcomes within the next financial period that are different from assumptions and estimates could result in changes to the timing and amount of expected credit losses to be recognised.

The loss allowances for expected credit loss are presented in the statement of financial position as a deduction to the gross carrying amount.

(d) Set-off of financial assets and liabilities

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

1.15 INTANGIBLE ASSETS

Goodwill

Goodwill on acquisition of businesses is included in intangible assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

1.16 INTEREST-BEARING LOANS AND BORROWINGS

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowing costs consist of interest and other costs relating to the financing of the acquisition of investment properties, and are expensed in the period they occur.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

1.17 REVENUE AND REVENUE RECOGNITION

Contract Revenue

CVC develops commercial properties. There is ordinarily one performance obligation, being the delivery of a completed building to a customer, including design, construction and leasing (if applicable) of the building. The performance obligation is satisfied, and revenue including costs and margin is recognised, over time with progress determined by reference to a progress certificate issued by the project manager. The progress certificate issued by the project manager represents the current

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONT.)

1.17 REVENUE AND REVENUE RECOGNITION (CONT.)

state of completion and is a reliable estimate of the works that have been done. This involves reporting revenue, expenses and profit attributable to the proportion of work completed. Where revenues are associated with uncertain project expenditure, including rental guarantees and lease incentive payments, the revenue is not recognised in the profit or loss until it is highly probable that there will be no reversal or adjustment in the future.

A receivable is also recognised by reference to the progress certificate issued by the project manager as this is the point in time that consideration is unconditional.

Where the contract term is for periods of one year or less, as permitted under AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Sale of land

CVC develops and sells residential properties and commercial land. Revenue is recognised when control of the property has transferred to the customer. The revenue is measured at the transaction price agreed under the contract. The properties have generally no alternative use for CVC due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer. The consideration is due when legal title has been transferred.

Interest income

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

Fee income

CVC provides services to parties which is measured at the amount in accordance with the agreement. Revenue is recognised in the accounting period which the services provided are matched with the use of the benefits by the client. A receivable is recognised at the same time as this is the point in time that consideration is unconditional because only the passage of time is required before the payment is due.

Financing components

CVC does not expect to have any contracts where the period between the transfer of promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, CVC does not adjust any of the transaction prices for the time value of money.

Dividends

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

Revenue from dividends from associates is recognised by the Company when dividends are received. Revenue from dividends from other investments is recognised when received. Dividends received out of pre-acquisition reserves are recognised in revenue and the investment is also assessed for impairment.

Rental income

Rental revenue from operating leases is recognised on a straight line basis over the term of the lease.

Outgoings recovered

Outgoings recovered in relation to operating leases are recognised over the term of the lease when the right of recovery has been determined.

1.18 EMPLOYEE ENTITLEMENTS

Short-term employee benefits

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

Long service leave

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

1.19 CONTRIBUTED EQUITY

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.20 DIVIDENDS

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1.21 EARNINGS PER SHARE

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

1.22 COMPARATIVE FIGURES

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

1.23 SEGMENT REPORTING

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES

2.1 COMPOSITION OF CONSOLIDATED GROUP

The consolidated financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

Companies incorporated in Australia:

	Interest Held by Consolidated Entity		Interest Held by non-controlling interests	
	2020 %	2019 %	2020 %	2019 %
CVC Limited				
Direct Controlled Entities:				
Albemarle Alternate Finance Pty Limited	**-**	100	**-**	-
Albemarle Altfi Investments Unit Trust	**100**	100	**-**	-
Albemarle Capital Pty Limited	**-**	100	**-**	-
Biomedical Systems Pty Limited	**100**	100	**-**	-
CVC Alternate Funding Pty Limited	**100**	100	**-**	-
CVC Bentleigh (Developer) Pty Limited	**100**	100	**-**	-
CVC Bentleigh (Loan) Pty Limited	**100**	100	**-**	-
CVC Caboolture Unit Trust	**60**	60	**40**	40
CVC Elara Developments Pty Ltd	**100**	-	**-**	-
CVC Elara Pty Ltd	**100**	-	**-**	-
CVC Elara Town Centre Property Fund	**100**	-	**-**	-
CVC Funds Management Pty Limited	**100**	100	**-**	-
CVC Investment Managers Pty Limited	**100**	100	**-**	-
CVC Litigation Funding Pty Limited	**100**	100	**-**	-
CVC Managers Pty Limited	**100**	100	**-**	-
CVC Masters Unit Trust	**50**	50	**50**	50
CVC Mezzanine Finance Pty Limited	**100**	100	**-**	-
CVC (Newcastle) Pty Limited	**100**	100	**-**	-
CVC Property Investments Pty Limited	**100**	100	**-**	-
CVC Reef Investment Managers Pty Limited	**-**	100	**-**	-
CVC Renewables Pty Limited	**94**	94	**6**	6
CVC Rockhampton Unit Trust	**82**	82	**18**	18
CWH No 1 Pty Ltd	**-**	100	**-**	-
EAM Berwick Motor Trust	**100**	-	**-**	-
EFM Harpley Property Trust	**100**	-	**-**	-
EFM Harpley Town Centre Property Trust	**100**	-	**-**	-
EFM Nominee Services Pty Limited	**100**	-	**-**	-
Eildon Asset Management Pty Limited	**100**	-	**-**	-
Eildon Capital Group	**45.5**	-	**54.5**	-
Eildon Debt Fund	**42**	-	**58**	-
Eildon Funds Management Limited	**100**	-	**-**	-
Eildon Investments Services Pty Limited	**100**	-	**-**	-
Eildon Property Investment (E) Fund	**95**	-	**5**	-
Elara Development Trust	**67**	-	**33**	-
Harpley Developments Pty Limited	**100**	-	**-**	-
iLiv CVC Rockhampton Trust	**55**	55	**45**	45
JAK Mickleham Road Pty Limited	**100**	-	**-**	-
LAC JV Pty Limited	**66.7**	66.7	**33.3**	33.3
LAC JV Unit Trust	**66.7**	66.7	**33.3**	33.3
MAC 1 MP Pty Ltd	**66**	66	**34**	34
Marsden Park Development Trust	**66**	66	**34**	34
Safari Capital Pty Limited	**100**	100	**-**	-
Stinoc Pty Limited	**99**	99	**1**	1
Controlled Entities jointly owned by CVC Renewables Pty Limited and CVC Reef Investment Managers:				
Wind Corporation Australia Pty Limited	**100**	100	**-**	-
Hampton Wind Park Company Pty Limited	**100**	100	**-**	-
Controlled Entities jointly owned by CVC Property Investments Pty Limited and Eildon Capital Group:				
79 Logan Road Pty Ltd	**70**	-	**30**	-
79 Logan Road Trust	**70**	-	**30**	-
LAC JV No. 2 Pty Limited	**67**	50	**33**	50
LAC JV No. 2 Unit Trust	**67**	50	**33**	50

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS

(a) Eildon Funds Management Limited

On 8 August 2019, CVC acquired 60% of Eildon Funds Management Limited ("EFM") for a consideration of $3,623,500 at which time it became a 100% subsidiary of CVC. Immediately prior to that date, CVC had an existing holding of 40% of the equity on issue with a carrying amount of $471,622. EFM is a fund manager and the holder of a financial services licence which provides management services to entities within CVC.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	**3,623,500**
Total purchase consideration	**3,623,500**
Fair value of Assets and Liabilities of EFM at Acquisition:	
Cash assets	**985,868**
Trade and other receivables (a)	**543,777**
Plant and equipment	**7,342**
Financial assets	**130**
Deferred tax asset	**17,794**
Trade and other payables	**(77,011)**
Current tax liability	**(328,784)**
Total identifiable net assets at fair value	**1,149,116**
Less: carrying amount prior to acquisition	**(471,622)**
Add: goodwill (b)	**2,946,006**
Consideration for acquisition	**3,623,500**
Cash outflow:	
Cash consideration	**3,623,500**
Less: balances acquired	
Cash	**(985,868)**
Net outflow of cash – investing activities	**2,637,632**

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) The goodwill is attributable to the value of EFM's funds management business. It will not be deductible for tax purpose. Refer to note 17.

For the period from acquisition to the end of the period, EFM recorded revenues of $1,366,033 and profit after tax of $778,999. If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue would have been $1,556,649 and profit after tax would have been $806,685.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(b) Eildon Debt Fund

CVC is deemed to have acquired specified assets in Eildon Debt Fund ("EDF") on 8 August 2019 along with the EFM transaction. The directors have concluded that CVC controls specified assets in EDF, even though it holds less than half of the voting rights of this subsidiary. The significant judgement is per below:

- Eildon Investments Services Pty Limited ("EIS"), a 100% owned subsidiary of EFM, is the fund manager for EDF;
- EIS has the decision-making authority to direct the relevant activities of EDF and make decisions in the best interests of all investors;
- The investors' rights to remove the fund manager are protective as they are excisable only when EIS is in default; and
- CVC holds more than 20% of investments in specified assets in EDF. This creates sufficient exposure for EIS to be a principal for the relevant specified assets.

No consideration was paid on 8 August 2019 at which time EDF became a subsidiary of CVC. Immediately prior to that date, CVC had an existing holding equivalent to 41.4% of specified assets with a carrying amount of $11,928,085 which approximates its fair value.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	-
Total purchase consideration	-
Fair value of Assets and Liabilities of EDF at Acquisition:	
Cash assets	**1,588,130**
Trade and other receivables (a)	**18,036**
Financial assets	**30,210,574**
Trade and other payables	**(3,027,098)**
Total identifiable net assets at fair value	**28,789,642**
Less: non-controlling interest (b)	**(16,861,557)**
Less: carrying amount prior to acquisition	**(11,928,085)**
Consideration for acquisition	-
Cash inflow:	
Cash consideration	-
Add: balances acquired	
Cash	**1,588,130**
Net inflow of cash – investing activities	**1,588,130**

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) CVC has recognised the non-controlling interest at the non-controlling interest's proportionate share of the net identifiable assets.

For the period from acquisition to the end of the period, EDF recorded revenues of $5,393,329 and profit after tax of $5,017,918. If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue would have been $5,767,007 and profit after tax would have been $5,370,880.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(c) Eildon Capital Group

During the year, Eildon Capital Group ("EDC") completed a restructure, including a security buyback, which resulted in CVC's holdings in EDC increasing to 45.5% on 25 May 2020. EDC operates as an autonomous investment vehicle with a Board consisting of a majority of independent directors. The directors of CVC have assessed that as at 25 May 2020, having considered CVC's ownership interests in EDC, and the composition of the EDC share register and other indicators, that CVC's interests had increased to a point where it has the likely ability to determine the outcome of resolutions put to a meeting of EDC securityholders, therefore in accordance with AASB 10 *Consolidated Financial Statements*, EDC is considered from that date to be a controlled entity for financial reporting purposes, even though CVC holds less than half of the voting rights of this subsidiary.

No consideration was paid at the time CVC is deemed to have gained control of EDC. Immediately prior to that date, CVC had an existing holding in EDC which has remained unchanged, which had a carrying amount of $18,545,778.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	-
Total purchase consideration	-
Fair value of Assets and Liabilities of EDC at Acquisition:	
Cash assets	**8,486,029**
Trade and other receivables (a)	**51,307**
Financial assets	**33,009,877**
Investments accounted for using the equity method	**4,338,592**
Trade and other payables	**(1,066,817)**
Current tax liability	**(31,667)**
Deferred tax liabilities	**(192,367)**
Total identifiable net assets at fair value	**44,594,954**
Less: non-controlling interest (b)	**(24,289,542)**
Less: carrying amount prior to acquisition	**(18,545,778)**
Less: gain on change of control	**(1,759,634)**
Consideration for acquisition	-
Cash outflow:	
Cash consideration	-
Plus: balances acquired	
Cash	**8,486,029**
Net inflow of cash – investing activities	**8,486,029**

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) CVC has recognised the non-controlling interest at the non-controlling interest's proportionate share of the net identifiable assets.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue would have been $7,793,075 and profit after tax would have been $4,730,453.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(d) 79 Logan Road Trust

Following the completion of the restructure of EDC on 25 May 2020, refer note 2.2(c), the deemed ownership of CVC's holding in 79 Logan Road Trust increased from 35% to 70%. No consideration was paid at the time when 79 Logan Road Trust became a subsidiary of CVC. At the time of the completion of the EDC restructure the carrying value of CVC's 35% interest in 79 Logan Road Trust was $4,338,557 and the carrying value of EDC's 35% interest was $4,338,557 which approximates its fair value.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	-
Total purchase consideration	-
Fair value of Assets and Liabilities of 79 Logan Road Trust at Acquisition:	
Cash assets	**65,760**
Trade and other receivables (a)	**57,596**
Investment properties	**23,900,000**
Trade and other payables	**(137,481)**
Interest bearing liabilities	**(11,490,000)**
Total identifiable net assets at fair value	**12,395,875**
Less: non-controlling interest (b)	**(3,718,761)**
Less: carrying amount prior to acquisition	**(8,677,114)**
Consideration for acquisition	-
Cash outflow:	
Cash consideration	-
Plus: balances acquired	
Cash	**65,760**
Net inflow of cash – investing activities	**65,760**

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) CVC has recognised the non-controlling interest at the non-controlling interest's proportionate share of the net identifiable assets.

If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue would have been $5,676,177 and profit after tax would have been $4,723,021.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(e) LAC JV Unit Trust

On 26 June 2019, CVC acquired 33.4% of the units in LAC JV Unit Trust for a consideration of $9,333,739. Immediately prior to that date the Company had an existing holding of 33.3% of the equity on issue with a carrying amount of $807,179. This transaction does not fit within the scope of AASB 3 *Business Combinations* as the LAC JV Unit Trust was not deemed to be carrying on a business.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	**2,332,446**
Payables (a)	**7,001,293**
Total purchase consideration	**9,333,739**
Fair value of Assets and Liabilities of LAC JV Unit Trust at Acquisition:	
Cash assets	**27,102**
Trade and other receivables (b)	**13,946**
Other assets (c)	**10,248,075**
Trade and other payables	**(149,100)**
Total identifiable net assets at fair value	**10,140,023**
Plus: non-controlling interest (d)	**895**
Less: carrying amount prior to acquisition	**(807,179)**
Consideration for acquisition	**9,333,739**
Cash outflow:	
Cash consideration	**2,332,446**
Less: balances acquired	
Cash	**(27,102)**
Net outflow of cash – investing activities	**2,305,344**

(a) The payables include a payment of $4,405,051 which was paid on 26 June 2020 and $2,596,242 which is due to be paid on 24 December 2020.

(b) The fair value of acquired trade and other receivables is the gross contractual amount.

(c) Other assets include a call option at fair value to purchase a property, non-refundable call option fees paid and associated due diligence costs paid in relation to land subject to rezoning and further development.

(d) CVC has recognised the non-controlling interest at the non-controlling interest's proportionate share of the net identifiable assets.

The acquired business did not contribute any revenue or net profit to CVC for the period from acquisition to the end of the 2019 financial year. If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue would have been nil and loss after tax for the year would have been $655.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(f) LAC JV No. 2 Unit Trust

On 26 June 2019, CVC acquired 33.3% of the units in LAC JV No. 2 Unit Trust for a consideration of $842,174. Immediately prior to that date the Company had an existing holding of 16.7% of the equity on issue with a carrying amount of $323,543. This transaction does not fit within the scope of AASB 3 *Business Combinations* as the LAC JV Unit Trust was not deemed to be carrying on a business.

A summary of the acquisition is as follows:

	$
Purchase consideration:	
Cash paid	**842,174**
Total purchase consideration	**842,174**
Fair value of Assets and Liabilities of LAC JV No. 2 Unit Trust at Acquisition:	
Cash assets	**44,881**
Trade and other receivables (a)	**1,908**
Other assets (b)	**1,443,208**
Trade and other payables	**(955)**
Total identifiable net assets at fair value	**1,489,042**
Less: non-controlling interest (c)	**(323,325)**
Less: carrying amount prior to acquisition	**(323,543)**
Consideration for acquisition	**842,174**
Cash outflow:	
Cash consideration	**842,174**
Less: balances acquired	
Cash	**(44,881)**
Net outflow of cash – investing activities	**797,293**

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) Other assets include non-refundable call option fees paid and associated due diligence costs paid in relation to land subject to rezoning and further development.

(c) CVC has recognised the non-controlling interests at the non-controlling interest's proportionate share of the net identifiable assets.

The acquired business did not contribute any revenue or net profit to CVC for the period from acquisition to the end of the 2019 financial year. If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue would have been $10 and loss after tax for the year would have been $275.

Following the completion of the restructure of EDC on 25 May 2020, refer note 2.2(c), the deemed ownership of CVC's holding in LAC JV No.2 Unit Trust increased from 50% to 67%. The deemed consideration was $474,291, being the carrying amount of EDC's holding in LAC JV No. 2 Unit Trust immediately prior to the transaction. Immediately prior to the transaction, the carrying amount of the existing 50% non-controlling interests in LAC JV No. 2 Unit Trust was $473,655. CVC recognised a decrease in non-controlling interest of $474,012 and a decrease in equity attributable to owners of the parent of $279.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.2 ACQUISITION OF OPERATIONS (CONT.)

(g) Other immaterial business combinations

A summary of the acquisition is as follows:

	2020 (b) $	2019 (c) $
Purchase consideration:		
Cash paid	-	2
Total purchase consideration	-	2
Assets and Liabilities of acquired business at Acquisition:		
Cash	**130**	-
Financial assets	**1,371,487**	-
Trade and other receivables (a)	-	2
Trade and other payables	**(16,075)**	-
Interest bearing loans and borrowings	**(1,355,412)**	-
Total identifiable net assets at fair value	**130**	2
Less: carrying amount prior to acquisition	**(130)**	-
Consideration for acquisition	-	2
Cash inflow/(outflow):		
Cash consideration	-	(2)
Add: balances acquired		
Cash	**130**	-
Net inflow/(outflow) of cash – investing activities	**130**	(2)

(a) The fair value of acquired trade and other receivables is the gross contractual amount.

(b) For the period from acquisition to the end of the financial year, the acquired business recorded revenues of $333,370 and profit after tax of $192,605. If the acquisition had occurred on 1 July 2019, consolidated pro-forma revenue would have been $346,060 and profit after tax would have been $192,605.

(c) The acquired business did not contribute any revenue or net profit to CVC for the period from acquisition to the end of the 2019 financial year. If the acquisition had occurred on 1 July 2018, there would be no contribution to consolidated pro-forma revenue and profit after tax for the year.

2.3 INTEREST IN MATERIAL SUBSIDIARIES

(a) Significant restrictions

CVC also has constitutional restrictions on its ability to access or use the assets of 79 Logan Road Trust, CVC Caboolture Unit Trust, CVC Masters Unit Trust, Eildon Debt Fund, Eildon Property Investment (E) Fund, Elara Development Trust, iLiv CVC Rockhampton Trust, LAC JV Unit Trust, LAC JV No. 2 Unit Trust and Marsden Park Development Trust, which arise from the operation of the various Trust Deeds of the entities. CVC has an interest in the equity of the entities, but does not provide it a right to their assets or liabilities.

The carrying amount of the non-controlling interests of the various entities included within the consolidated financial statements to which these restrictions apply is a net asset of $48,358,460 (2019: net liability of $220,267).

(b) Information on subsidiaries

Set out below are those entities that have non-controlling interests that are material to CVC.

CVC Caboolture Unit Trust: a commercial property development in Caboolture, Queensland.

CVC Masters Unit Trust: a commercial property development in Port Macquarie, New South Wales.

Eildon Debt Fund: a contributory trust which provides investors with strong risk-adjusted returns through investing in select Australian property finance transactions.

iLiv CVC Rockhampton Trust: a residential property development in Rockhampton, Queensland.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.3 INTEREST IN MATERIAL SUBSIDIARIES (CONT.)

(b) Information on subsidiaries (cont.)

LAC JV No. 2 Unit Trust: a residential property development in Turrella, New South Wales.

Marsden Park Development Trust: a residential property development in Riverstone, New South Wales.

Eildon Capital Group: an active property investment entity which participates in retail, industrial, residential and commercial opportunities.

79 Logan Road Trust: a commercial property in Woolloongabba, Queensland with a long term lease to an ASX listed entity, with residential development approval.

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to CVC. The amounts disclosed for each subsidiary are before inter-company eliminations.

	Marsden Park Development Trust	
	2020 $	2019 $
Summarised statement of financial position		
Current assets	**12,327**	2,902
Current liabilities	**22,000**	12,292
Current net assets	**(9,673)**	(9,390)
Non-current assets	**12,396,003**	12,066,100
Non-current liabilities	**15,853,567**	14,712,101
Non-current net assets	**(3,457,564)**	(2,646,001)
Net assets	**(3,467,237)**	(2,655,391)
Accumulated NCI	**(1,623,701)**	(1,342,850)
Summarised statement of comprehensive income		
Revenue	**10,909**	410,909
(Loss)/profit for the period	**(811,846)**	(347,621)
Other comprehensive income	**-**	-
Total comprehensive income	**(811,846)**	(347,621)
(Loss)/profit allocated to NCI	**(284,065)**	(121,632)
Dividends paid to NCI	**-**	-
Summarised statement of cash flows		
Cash flows (used in)/from operating activities	**(323,492)**	127,413
Cash flows from/(used in) financing activities	**321,413**	(126,729)
Net (decrease)/increase cash and cash equivalents	**(2,079)**	684

CVC Caboolture Unit Trust 2020 $	CVC Caboolture Unit Trust 2019 $	iLiv CVC Rockhampton Trust 2020 $	iLiv CVC Rockhampton Trust 2019 $	LAC JV No.2 Unit Trust 2020 $	LAC JV No.2 Unit Trust 2019 $
369,213	517,147	**1,857,480**	3,371,314	**16,187**	46,789
244,628	645,065	**1,856,957**	2,330,790	**35,907**	955
124,585	(127,918)	**523**	1,040,524	**(19,720)**	45,834
11,659,842	9,862,857	**-**	-	**1,915,413**	1,247,699
13,411,786	9,946,443	**-**	-	**-**	-
(1,751,944)	(83,586)	**-**	-	**1,915,413**	1,247,699
(1,627,359)	(211,504)	**523**	1,040,524	**1,895,693**	1,293,533
(650,943)	(84,601)	**(258)**	519,742	**473,655**	323,325
242,757	2,013,461	**2,789,117**	1,071,524	**2**	19
(1,415,855)	635,634	**290,098**	10,161	**(840)**	(550)
-	-	**-**	-	**-**	-
(1,415,855)	635,634	**290,098**	10,161	**(840)**	(550)
(566,342)	254,254	**159,554**	5,589	**(420)**	-
-	67,045	**165,142**	5,589	**-**	-
(2,000,308)	871,031	**2,211,433**	302,781	**(644,275)**	(296,274)
1,850,066	(872,045)	**(1,840,000)**	(360,000)	**603,000**	297,760
(150,242)	(1,014)	**371,433**	(57,219)	**(41,275)**	1,486

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 2: CONTROLLED ENTITIES (CONT.)

2.3 INTEREST IN MATERIAL SUBSIDIARIES (CONT.)

(b) Information on subsidiaries (cont.)

	CVC Masters Unit Trust 2020 $	CVC Masters Unit Trust 2019 $
Summarised statement of financial position		
Current assets	**768,132**	4,558,870
Current liabilities	**768,032**	4,560,706
Current net assets	**100**	(1,836)
Non-current assets	**-**	-
Non-current liabilities	**-**	-
Non-current net assets	**-**	-
Net assets	**100**	(1,836)
Accumulated NCI	**(29,524)**	(30,492)
Summarised statement of comprehensive income		
Revenue	**113,956**	43,691,850
(Loss)/profit for the period	**108,323**	6,186,308
Other comprehensive income	**-**	-
Total comprehensive income	**108,323**	6,186,308
(Loss)/profit allocated to NCI	**54,162**	2,927,102
Dividends paid to NCI	**53,194**	4,708,170
Summarised statement of cash flows		
Cash flows (used in)/from operating activities	**(1,949,243)**	19,933,661
Cash flows from/(used in) financing activities	**(1,629,143)**	(15,988,093)
Net (decrease)/increase cash and cash equivalents	**(3,578,386)**	3,945,568

(a) During the financial year Eildon Capital Group and 79 Logan Road Trust became controlled entities of CVC. The amounts disclosed relate to the period from when Eildon Capital Group and 79 Logan Road Trust became controlled entities of CVC to the end of the period. Refer note 2.2.

Eildon Debt Fund		Eildon Capital Group (a)		79 Logan Road Trust (a)	
2020	2019	2020	2019	2020	2019
$	$	$	$	$	$
22,601,044	-	28,453,135	-	123,356	-
1,565,879	-	1,098,484	-	137,481	-
21,035,165	-	27,354,651	-	(14,125)	-
17,132,964	-	17,716,952	-	23,900,000	-
-	-	476,649	-	11,490,000	-
17,132,964	-	17,240,303	-	12,410,000	-
38,168,129	-	44,594,954	-	12,395,875	-
22,166,581	-	24,289,542	-	3,718,761	-
5,767,007	-	-	-	-	-
5,370,880	-	-	-	-	-
-	-	-	-	-	-
5,370,880	-	-	-	-	-
2,811,909	-	-	-	-	-
2,811,909	-	-	-	-	-
(5,824,408)	-	-	-	-	-
4,406,100	-	-	-	-	-
(1,418,308)	-	-	-	-	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 3: PARENT COMPANY INFORMATION

3.1 SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent company, CVC Limited, show the following aggregate amounts:

	2020 $	2019 $
Current assets	**42,383,013**	69,565,453
TOTAL ASSETS	**236,732,471**	254,761,593
Current liabilities	**1,001,913**	5,808,023
TOTAL LIABILITIES	**131,453,623**	141,935,094
EQUITY		
Contributed equity	**98,096,404**	98,768,308
Retained earnings	**5,301,039**	12,176,786
Other equity	**1,881,405**	1,881,405
TOTAL EQUITY	**105,278,848**	112,826,499
Net profit/(loss)	**2,538,012**	(8,369,349)
Total comprehensive income/(loss) for the year	**2,538,012**	(8,369,349)

The financial information for the Company has been prepared on the same basis as the consolidated financial statements with the exception of investments in associates and controlled entities which are accounted for as “fair value through profit or loss” investments.

3.2 COMMITMENTS AND CONTINGENT LIABILITIES OF THE PARENT ENTITY

The Company did not have any contingent liabilities and capital commitments as at 30 June 2020 and 30 June 2019. Refer note 26.3 for information about guarantees given by the Company.

NOTE 4: INCOME

	2020 $	2019 $
Interest and fee income:		
Interest income	**13,673,717**	11,269,367
Fee income	**706,122**	205,083
Total interest and fee income	**14,379,839**	11,474,450
Net profit from property development activities:		
Contract revenue	**106,544**	32,630,943
Contract costs	**-**	(25,083,512)
Change in fair value of investment property	**12,981**	1,041,016
Sale of land	**2,789,117**	12,471,524
Cost of land sold	**(2,484,667)**	(12,284,035)
Total net profit from property development activities	**423,975**	8,775,936
Other income:		
Rental income	**212,127**	595,869
All other income	**121,562**	424,631
Total other income	**333,689**	1,020,500

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 5: PROFIT BEFORE INCOME TAX EXPENSE		
Profit before income tax expense has been arrived at after charging the following items:		
Finance costs:		
Interest and finance charges paid/payable for financial liabilities at amortised cost	**5,072,117**	5,637,250
Amortisation of prepaid finance cost (a)	**1,258,457**	13,754
Lease liabilities	**1,668**	-
Total finance costs expensed	**6,332,242**	5,651,004

(a) The finance cost is in relation to the guarantee provided by a third party to the vendor of the property in Moorebank, New South Wales, being purchased by LAC JV Unit Trust. The guarantee is being amortised over the term that the facility is being provided.

	2020 $	2019 $
Net loss from share investments:		
Net loss from equity investments		
Net loss on financial assets at fair value through profit or loss	**3,689,152**	9,473,297
Dividends	**(759,079)**	(1,782,444)
Fee income	**(243,116)**	(203,912)
Gain on change of control (note 2.2c)	**(1,759,634)**	-
Impairment of investments	**4,075,172**	1,227,337
Total net loss from share investments	**5,002,495**	8,714,278
Impairment of financial assets at amortised cost:		
Impairment of loans	**5,404,158**	2,963,528
Impairment recovery of loans	**(115,354)**	-
Total impairment of financial assets at amortised cost	**5,288,804**	2,963,528
Overhead expenses:		
Audit fees	**167,250**	162,864
Depreciation and amortisation	**771,975**	91,789
Directors fee	**784,511**	714,288
Impairment of property, plant and equipment	**145,795**	-
Operating lease rental	**-**	594,855
All other overhead expenses	**2,179,225**	2,191,981
Total overhead expenses	**4,048,756**	3,755,777

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 6: INCOME TAX		
6.1 INCOME TAX EXPENSE		
Accounting (loss)/profit before income tax	**(2,248,248)**	1,054,963
Income tax (benefit)/expense at the statutory income tax rate of 30%	**(674,474)**	316,489
Increase in income tax expense due to:		
Sundry items	**32,909**	29,836
Trust losses not deductible	**678,345**	-
Net deferred tax not recognised	**454,656**	2,499,696
Decrease in income tax expense due to:		
Dividends received	**(1,738,756)**	(1,607,234)
Trust profit not assessable	**(852,110)**	(383,666)
Tax losses previously not recognised utilised	**(158,223)**	(777,094)
	(2,257,653)	78,027
Adjustments in respect of current income tax of previous years	**(86,073)**	(31,223)
Income tax (benefit)/expense	**(2,343,726)**	46,804
The major components of income tax expense are:		
Current income tax charge	**364,642**	-
Deferred income tax	**(2,622,295)**	78,027
Adjustments in respect of current income tax of previous years	**(86,073)**	(31,223)
Income tax (benefit)/expense reported in the statement of financial performance	**(2,343,726)**	46,804

	Included in Income $	Included in Equity $	Total $
6.2 DEFERRED TAX ASSETS			
Deferred income tax at 30 June related to the following deferred tax assets:			
Year ended 30 June 2020			
Provisions and accrued expenses	**412,729**	-	**412,729**
Financial assets	**4,396,282**	-	**4,396,282**
Property, plant and equipment	**218,354**	-	**218,354**
Intangible assets	**412,802**	-	**412,802**
Equity accounted income	**693,705**	-	**693,705**
Other	**69,291**	**96,840**	**166,131**
Tax losses	**1,042,520**	-	**1,042,520**
Deferred tax assets not recognised	**(1,559,847)**	-	**(1,559,847)**
	5,685,836	**96,840**	**5,782,676**

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	Included in Income $	Included in Equity $	Total $

NOTE 6: INCOME TAX (CONT.)

6.2 DEFERRED TAX ASSETS (CONT.)

	Included in Income $	Included in Equity $	Total $
Year ended 30 June 2019			
Provisions and accrued expenses	947,956	-	947,956
Financial assets	892,095	-	892,095
Property, plant and equipment	243,444	-	243,444
Equity accounted income	546,244	-	546,244
Other	110,820	-	110,820
Tax losses	1,248,824	-	1,248,824
Deferred tax assets not recognised	(1,276,779)	-	(1,276,779)
	2,712,604	-	2,712,604

6.3 DEFERRED TAX LIABILITIES

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

	Included in Income $	Included in Equity $	Total $
Year ended 30 June 2020			
Financial assets	**-**	**806,316**	**806,316**
Equity accounted income	**12,036,588**	**-**	**12,036,588**
Intangible assets	**21,000**	**-**	**21,000**
Gain on acquisition	**817,008**	**-**	**817,008**
Other	**21,508**	**-**	**21,508**
Deferred tax assets not recognised	**(7,016,371)**	**-**	**(7,016,371)**
	5,879,733	**806,316**	**6,686,049**
Year ended 30 June 2019			
Financial assets	2,977,281	806,316	3,783,597
Equity accounted income	9,091,708	-	9,091,708
Intangible assets	21,000	-	21,000
Gain on acquisition	405,247	-	405,247
Deferred tax assets not recognised	(7,115,442)	-	(7,115,442)
	5,379,794	806,316	6,186,110

Deferred income tax assets are offset against deferred income tax liabilities to the extent that it is probable that the timing of the utilisation of the temporary differences will occur in the same accounting period, a legally enforceable right exists to set off tax assets and liabilities and that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

CVC estimates future taxable profits based on forecasts. Future taxable profits are influenced by a variety of general economic and business conditions, which are outside the control of CVC. A change in any of these assumptions could have an impact on the future profitability of CVC and may affect the recovery of deferred tax assets. The potential business impacts of COVID-19 have been reflected in the current forecasts. The recoverability of deferred tax assets including those arising from tax losses has been determined with reference to these forecasts.

NOTE 6: INCOME TAX (CONT.)

6.4 TAX CONSOLIDATION

The controlled entities of the Company implemented the tax consolidation legislation as at 30 June 2003. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities to subsidiaries in the event the tax liability is not paid.

The entities in the consolidated group continue to account for their own current and deferred tax amounts. The members of the tax consolidated group have applied the “stand-alone taxpayer” approach in determining the appropriate amount of current taxes and deferred taxes to be allocated to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the Company recognises the current tax liabilities (or assets) from controlled entities in the tax consolidated group. To the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised the Company recognises the deferred tax assets from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the allocation of tax within the group is calculated as if each entity was an individual entity for tax purposes. Unless agreed between the members the tax funding agreement requires payment as a result of the transfer of tax amounts.

NOTE 7: EARNINGS PER SHARE

	2020 $	2019 $
Basic and diluted earnings per share	**(0.0177)**	(0.0173)
Net loss attributable to members of the parent entity	**2,074,480**	2,060,002
	Number of Shares	
Weighted average number of ordinary shares – Basic and Diluted	**117,490,423**	119,393,856
Number of shares on issue at the end of the year	**117,357,320**	117,690,259

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 8: DIVIDENDS

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

Declared during the financial year and included within the statement of changes in equity:

	Cents Per Share	Total $	Date of Payment	Tax rate for Franking Credit	Percentage Franked
2019 Final dividend on ordinary shares	8.00	9,413,760	20 August 2019	30%	100%
2019 Interim dividend on ordinary shares	7.00	8,357,505	8 March 2019	30%	100%
2018 Final dividend on ordinary shares	8.00	9,562,623	5 September 2018	30%	100%

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

No dividend has been declared or paid after the end of the financial period.

	The Company	
	2020 $	2019 $
Dividend franking account		
Franking credits available to shareholders for subsequent financial years	**2,472,842**	3,641,826

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
(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 profits to declare dividends.

NOTE 9: FINANCIAL ASSETS AT AMORTISED COST

Current		
Trade receivables	**409,563**	1,158,249
Other receivables and prepayments	**2,216,973**	802,035
Loans to associated entities	**4,225,871**	10,503,536
Expected credit loss for loans to associated entities	**(470,199)**	-
Loans to entities associated with key management personnel	**7,550,425**	-
Loans to other related entities	**-**	4,020,994
Loans to other corporations	**71,695,322**	18,596,399
Expected credit loss for loans to other corporations	**(634,550)**	-
	84,993,405	35,081,213
Non-current		
Loans to associated entities	**26,778,319**	6,604,132
Expected credit loss for loans to associated entities	**(680,072)**	-
Loans to other corporations	**43,190,975**	11,964,638
Expected credit loss for loans to other corporations	**(3,795,119)**	-
	65,494,103	18,568,770

NOTE 9: FINANCIAL ASSETS AT AMORTISED COST (CONT.)

9.1 TRADE RECEIVABLES

Trade receivables are non-interest bearing and are generally on 30 - 120 day terms. CVC applies the AASB 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade and other receivables. The measurement of expected loss is based on CVC's historical credit losses experienced and then adjusted for current and forward-looking information affecting CVC's customers.

	2020 $	2019 $
Movements in the allowance for expected credit losses were as follows:		
Carrying amount at the beginning of the year	**-**	-
Receivables written off during the year as uncollectible	**(138,625)**	(308,389)
Provision for impairment recognised during the year	**138,625**	308,389
Carrying amount at the end of the year	**-**	-

The ageing analysis of the trade receivables is as follows:

	Total $	Not past due $	0 – 30 days (PDNI) $	31 – 60 days (PDNI) $	61 – 90 days (PDNI) $	+91 days (PDNI) $
Closing balance - 2020	**409,563**	**409,563**	**-**	**-**	**-**	**-**
Closing balance - 2019	1,158,249	504,349	-	4,400	106,600	542,900

PDNI – Past due not impaired

The gross carrying amounts of trade receivables of $409,563 (2019: $1,158,249) are not considered to have an exposure to credit risk over their lifetime.

9.2 LOANS

Following the economic consequences of COVID-19 at the reporting date the timing of contractual recovery is subject to evolving regulatory and industry support for counterparties requesting such support.

In the event that a counterparty default on a loan, CVC may take possession of security provided. CVC has not repossessed any assets that have been provided as security.

Expected credit loss on loans are disclosed as a deduction against the gross carrying amount. CVC regularly reviews loans to determine if there is a significant increase in credit risk, which may be evidenced by either qualitative or quantitative factors. These factors include if a counterparty does not pay a scheduled payment of principal and interest, requests a variation to the repayment terms, or management consider that there has been an adverse change in the underlying value of assets securing the loan. The significant increase in credit risk methodology is based on an actual credit risk review approach which considers changes in a counterparty's credit risk since origination. The outcome of the review identifies the probability of default and the loss given default of the loan, which are used to determine the impairment required to be made in relation to a loan.

A loss allowance is identified at the time that there is a significant increase in credit risk of the borrower, and the loan is impaired once it is determined that an amount is not recoverable.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 9: FINANCIAL ASSETS AT AMORTISED COST (CONT.)

9.2 LOANS (CONT.)

The table below represents the reconciliation of the expected credit loss allowance on loan assets to which the impairment requirements under AASB 9 are applied.

	2020 $	2019 $
Movements in the provision for impairment loss were as follows:		
Carrying amount at the beginning of the year	**-**	-
Expected credit loss allowance recognised during the year	**5,579,940**	-
Carrying amount at the end of the year	**5,579,940**	-

Further details of loans are set out in note 29.

In response to COVID-19 CVC has reviewed its loans for a significant increase in credit risk and expected credit loss. The review considered the counterparty credit quality, the security held, exposure at default and the effect of repayment terms as at reporting date.

9.3 FAIR VALUE

Due to the short-term nature of the current financial assets at amortised cost, their carrying amount is considered to be the same as their fair value. For the majority of the non-current financial assets at amortised cost, the fair values are also not significantly different from their carrying amounts.

NOTE 10: CONTRACT LIABILITIES

Current		
Contract liabilities – construction contract	**916,175**	2,133,503

Revenue recognised that was included in the contract liability balance at the beginning of the financial year is $106,544 (2019: nil).

CVC develops commercial properties. There is ordinarily one performance obligation, being the delivery of a completed building to a customer, including design, construction and leasing (if applicable) of the building. The performance obligation is satisfied, and revenue including costs and margin is recognised, over time with progress determined by reference to a progress certificate issued by the project manager. The progress certificate issued by the project manager represents the current state of completion and is a reliable estimate of the works that have been done. This involves reporting revenue, expenses and profit attributable to the proportion of work completed. Where revenues are associated with uncertain project expenditure, including rental guarantees and lease incentive payments, the revenue is not recognised in the profit or loss until it is highly probable that there will be no reversal or adjustment in the future.

Construction contract assets are recognised for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is a contract liability.

Where the contract term is for periods of one year or less, as permitted under AASB 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	30 June 2020 $	1 July 2019 $
NOTE 11: LEASE		
Right-of-use assets		
Buildings	**365,028**	2,789,872
Equipment	**36,052**	60,964
	401,080	2,850,836
Lease liabilities		
Current	**107,217**	624,152
Non-current	**293,800**	2,226,684
	401,017	2,850,836

Additions to the right-of-use assets during the year ended 30 June 2020 were $415,855 and the total cash outflow for leases was $686,169. The office lease associated with the buildings was assigned to an external party during the year. The relevant lease liabilities have been derecognised. Refer note 24.4.

	2020 $	2019 $
Depreciation charge of right-of-use assets		
Buildings	**659,526**	-
Equipment	**24,911**	-
	684,437	-

NOTE 12: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Current		
Shares in listed corporations	**27,423,831**	31,348,641
Shares in unlisted corporations	**-**	11,775,395
	27,423,831	43,124,036
Non-current		
Shares in listed corporations	**-**	27,745,323
Shares in unlisted corporations	**6,581,920**	12,410,811
	6,581,920	40,156,134

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 12: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT.)

12.1 SHARES IN LISTED CORPORATIONS

The carrying value of investments classified as “Shares in listed corporations” has been determined by using the fair value approach. Refer note 30. The price within the bid-ask spread was determined to be an appropriate indication for the fair value of the investments. The closing “last-price” has been used for the current financial year and “bid-price” has been used for the 2019 financial year. If the last price was used in the prior year to determine the fair value of shares, this would have resulted in an immaterial variance to what is presented above.

Significant share holdings are held in Cyclopharm Limited, Heritage Brands Ltd, Longtable Group Ltd, Mitchell Services Limited, Tasfoods Limited and Universal Biosensors Inc. The number of shares held is greater than what would reasonably be considered to be liquid as each company does not trade on a daily basis; each trade that is executed, excluding those by CVC, is small in size; and the market capitalisation is small. CVC has determined that although an active market may not exist, the active market in small amounts of trading does provide a guide for valuation in that it indicates whether or not the market values the intangible assets of an entity. Additionally, CVC has been able to exit larger shareholdings over a period of time without impacting the prevailing share price, particularly when larger investors are seeking to acquire holdings. This factor has been used in determining the valuation of each company.

12.2 SHARES IN UNLISTED CORPORATIONS

The carrying value of investments classified as “Shares in unlisted corporations” has been determined by using appropriate valuation techniques. Such techniques include using recent arm’s length market transactions; net asset backing; reference to the current market value of another instrument that is substantially the same and discounted cash flow analysis. Refer note 30 for further information on fair value measurement.

The impact of the COVID-19 pandemic on unlisted investments is as follows:

(a) Externally managed investments - the impact of COVID-19 would be considered by the investment manager when determining the underlying value of investments and reporting at financial year end.

(b) Investments on business operations – businesses have provided updates regarding the impact of COVID-19 on their operations and CVC is of the opinion that there has been no impact on the basis of determining the carrying value of investments.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 13: INVENTORIES		
Current		
Land development sites held for resale	**1,425,803**	3,323,321
Non-current		
Land development sites held for resale	**34,121,095**	19,528,957

CVC develops residential and commercial properties for the purpose of sale rather than being held as an investment property. Development projects are valued at the lower of cost and net realisable value (NRV). Cost includes costs of acquisition, development and all other costs directly related to specific projects. NRV is the estimated selling price in the ordinary course of business less estimated costs to complete and sell the development. The carrying value has been determined as follows:

Current land development sites

The land development project in Rockhampton, Queensland is currently being actively marketed and sold. The sale prices achieved exceed the current carrying value, and as such the development project is valued at cost. COVID-19 has not materially impacted on the sale prices being achieved by the project.

Non-current land development sites

The projects represent developments at Marsden Park, New South Wales and Caboolture, Queensland. The current NRV of the projects exceed the carrying values which has been based on the following:

(a) **Elara Village Neighbourhood Centre, Marsden Park, New South Wales**
The acquisition of the property was completed on 15 June 2020. CVC is of the opinion that the purchase price is a reasonable estimate of the carrying value of the property.

(b) **Residential development, Marsden Park, New South Wales**
An Independent valuation was completed by Landsburys Valuation & Advisory Pty Ltd on 11 July 2017 valuing the site at $65.0 million on a direct comparison basis compared to a current carrying value of $12.4 million. CVC is of the opinion that the current value would be significantly higher as further progress has been made in rezoning the site.

(c) **Retail precinct development, Caboolture, Queensland**
An Independent valuation was completed by Jones Lang LaSalle Advisory Services on 29 September 2017 valuing the site at $13.875 million on a direct comparison basis compared to a current carrying value of $9.2 million. CVC is of the opinion that the current value would be significantly higher as further progress has been made in developing the site.

Although COVID-19 may have had an impact on underlying property values, CVC is of the opinion that the NRV of the above land development sites exceeds the current carrying value.

Inventories recognised as an expense for the year ended 30 June 2020 totalled $2,484,667 (2019: $12,284,035). This expense has been included in the Statement of Financial Performance.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 14: OTHER ASSETS		
Current		
Prepayments (a)	**1,495,448**	1,412,728
Other current assets	**492,108**	-
	1,987,556	1,412,728
Non-current		
Prepayments (a)	**2,296,856**	3,551,874
Other non-current assets (b)	**13,564,027**	11,691,283
	15,860,883	15,243,157

(a) The prepayments include an amount of $3,551,874 (2019: $4,810,331) which represents the finance cost in relation to the guarantee provided by a third party to the vendor of the property in Moorebank, New South Wales, being purchased by LAC JV Unit Trust. The guarantee is being amortised over the term that the facility is being provided.

(b) Other non-current assets include call options at deemed cost to purchase property, non-refundable call option fees paid and associated due diligence costs paid in relation to land subject to rezoning and further development.

An Independent valuation was completed by Landsburys Valuation & Advisory Pty Ltd on 27 June 2019 valuing the option at $26.0 million on a direct comparison basis. CVC is of the opinion that the current value would be significantly higher as further progress has been made in rezoning the underlying site.

Although COVID-19 may have had an impact on underlying property values, CVC is of the opinion that the value of the option exceeds the carrying value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2020 $	2019 $
Non-current		
Equity accounted interests in joint ventures	**6,426,413**	7,821,157
Equity accounted shares in listed associated companies	-	18,779,948
Equity accounted shares in other associated companies	**30,952,647**	21,808,008
	37,379,060	48,409,113

Management have reviewed the recoverable amount of investments to determine whether an impairment is required taking into account any impacts of COVID-19. The amount of any impairment has been determined after consideration of the recoverable amount of the investments, being a recent share price where an active market exists, or alternative valuation methodologies from a review of the operations and assets of the company where an active market does not exist. Management assesses the results to determine the most appropriate valuation. Refer to note 32.1 and 32.2.

	2020 $	2019 $
Reconciliation		
Balance at the beginning of the year	**48,409,113**	32,436,702
New interests acquired	**27,242,771**	9,515,056
Share of profits	**5,983,976**	9,499,968
Share of associate reserve	-	73,470
Return of capital	**(14,700,432)**	(2,261,213)
Dividend paid	**(5,441,966)**	(1,458,477)
Revaluation of investment	**(4,075,172)**	(1,027,337)
Discount on acquisition	-	432,651
Reclassification of investments (a)	**(20,039,230)**	1,198,293
Balance at the end of the year	**37,379,060**	48,409,113

(a) Reclassification of investments includes associates that became controlled entities during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.1 DETAILS OF MATERIAL INTERESTS IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD ARE AS FOLLOWS:

	Ownership Interest Consolidated 2020 %	2019 %	Investment Information
Associated entities in Australia			
79 Logan Road Pty Ltd (e)	**n/a**	35.0	Trustee of 79 Logan Road Trust
79 Logan Road Trust (e)	**n/a**	35.0	A commercial property in Woolloongabba, Queensland with a long term lease to an ASX listed entity, with residential development approval
Australian Invoice Finance Limited (d)	**44.1**	47.6	An investment company that provides finance to small business
Bigstone Capital Pty Limited (b)	**34.0**	34.0	An investment company that provides finance to small business using a peer-to-peer marketplace to fund loans
BioPower Systems Pty Limited	**25.1**	25.1	Non-operating company
Burnley Maltings Pty Ltd (b)	**32.2**	n/a	A residential property development in Yarra, Victoria
Causeway Income Partners Limited (a), (c)	**50.0**	50.0	A fund manager providing investors with steady income by investing in a diverse portfolio of quality SME and middle market corporate loans
Cedar and Stone Pty Ltd (d)	**43.3**	43.3	A 100% plant based skin care company
Cravenda Pty Ltd (a), (b)	**50.0**	50.0	Trustee of Cravenda Unit Trust
Cravenda Unit Trust (a), (b)	**50.0**	50.0	A residential property development in Mernda, Victoria
CVC Emerging Companies Fund (b)	**22.3**	22.3	A wholesale unit trust that invest in listed and unlisted growth or expansion stage companies
CVC Emerging Companies IM Pty Ltd (a), (c)	**50.0**	50.0	Manager of CVC Emerging Companies Fund
Donnybrook JV Pty Ltd (b)	**49.0**	49.0	A residential property development in Donnybrook, Victoria
Eildon Capital Group (e)	**n/a**	40.3	An active property investment entity which participates in retail, industrial, residential and commercial opportunities
Eildon Funds Management Limited	**n/a**	40.0	An investment manager and the holder of a financial services licence
JAK Contributory Mortgage Fund Loan Trust No 3 (b)	**20.8**	20.8	An investment entity that provides Senior Debt Funding to residential property developers
JAK Investment Group Pty Ltd (c)	**40.0**	40.0	A boutique real estate finance and investment house specialising in the provision of real estate capital solutions
Kingsgrove Property LMC Pty Ltd (a)	**-**	50.0	Trustee of The Kingsgrove (Vanessa Road) Unit Trust
LC Menangle Unit Trust (a), (b)	**50.0**	-	A residential property development in Menangle, New South Wales

(a) Causeway Income Partners Limited, Cravenda Pty Ltd, Cravenda Unit Trust, CVC Emerging Companies IM Pty Ltd, Kingsgrove Property LMC Pty Ltd and LC Menangle Unit Trust are not considered to be controlled entities of CVC as CVC does not have the power to direct the relevant activities of the investee, in order to affect its returns from each entity.

(b) The underlying investments are asset based and management have undertaken a review of the investments taking into account the impact of the COVID-19 pandemic to determine the recoverable amount of the investment.

(c) The investment is in a fund and asset management operation where the impact of COVID-19 has had minimal impact on the recoverable value.

(d) The recoverable value has been assessed based on transactions that have been completed since the commencement of COVID-19.

(e) During the financial year 79 Logan Road Pty Ltd, 79 Logan Road Trust and Eildon Capital Group became controlled entities of CVC. Refer note 2.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.1 DETAILS OF MATERIAL INTERESTS IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD ARE AS FOLLOWS (CONT.):

	Ownership Interest Consolidated 2020 %	Ownership Interest Consolidated 2019 %	Investment Information
Associated entities in Australia			
Lewcorp Properties Pty Ltd (b)	**20.0**	20.0	A residential property development in Elsternwick, Victoria
Mooloolaba Wharf Holding Company and Pty Limited (a), (c)	**50.0**	50.0	The landowner of "The Wharf" Mooloolaba, Parkland Parade River Esplanade in Mooloolaba, Queensland
The Kingsgrove (Vanessa Road) Unit Trust	**-**	25.0	A residential property development in Kingsgrove, New South Wales
The Maroochydore Medical Centre Facility Unit Trust (a), (c)	**50.0**	50.0	A residential property development in Maroochydore, Queensland
Turrella Property Pty Ltd (c)	**32.5**	32.5	A residential property development in Turrella, New South Wales
Turrella Property Unit Trust (c)	**32.5**	32.5	Trustee of Turrella Property Unit Trust
Urban Properties Cairns Pty Limited (c)	**20.0**	20.0	A dormant company
Urban Properties Centenary Pty Limited (c)	**20.0**	20.0	A dormant company
Urban Properties Pty Limited (c)	**-**	33.3	A residential property development in Manoora, Queensland
US Residential Fund (b)	**22.2**	22.2	An ex-ASX listed entity in the process of winding up
Joint Ventures in Australia			
JAK Mickleham Road Pty Ltd & North Victorian Buddhist Association Inc Joint Venture (a), (c)	**50.0**	-	A residential property development in Craigieburn West, Victoria
MAKE 246 EBRB Pty Ltd (a), (c)	**50.0**	50.0	The landowner of a commercial site at 240-246 East Boundary Rd, East Bentleigh, Victoria. The property is progressing through a re-zoning process for a range of commercial, retail and residential uses
MAKE EBRB Dev Nominee Pty Ltd (a), (c)	**50.0**	50.0	The developer of 240-246 East Boundary Rd, East Bentleigh, Victoria

(a) Mooloolaba Wharf Holding Company Pty Limited, The Maroochydore Medical Centre Facility Unit Trust, JAK Mickleham Road Pty Ltd and North Victorian Buddhist Association Inc Joint Venture, MAKE EBRB Dev Nominee Pty Ltd and MAKE 246 EBRB Pty Ltd are not considered to be controlled entities of CVC as CVC does not have the power to direct the relevant activities of the investee, in order to affect its returns from each entity.

(b) The reporting date of all the associated entities and joint ventures except US Residential Fund is 30 June. US Residential Fund has a reporting date of 31 December.

(c) The underlying investments are asset based and management have undertaken a review of the investments taking into account the impact of the COVID-19 pandemic to determine the recoverable amount of the investment.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.2 SUMMARISED FINANCIAL INFORMATION FOR INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The table below provides summarised financial information for those investments accounted for using the equity method that are material to CVC. The information disclosed reflects the amounts presented in the financial statements of the relevant investments accounted for using the equity method and not CVC's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

Joint Venture	MAKE EBRB Dev Nominee Pty Limited 2020 $	2019 $
Summarised statement of financial position		
Cash and cash equivalents	**65,319**	63,754
Other assets	**1,222,319**	616,285
Current assets	**1,287,638**	680,039
Non-current assets	**40,025,415**	40,076,509
Other current liabilities	**659,088**	391,439
Current liabilities	**659,088**	391,439
Financial liabilities (excluding trade payables)	**28,031,241**	24,722,637
Non-current liabilities	**28,031,241**	24,722,637
Net assets	**12,622,724**	15,642,472
Reconciliation to carrying amounts:		
Opening net assets 1 July	**15,642,472**	5,704,653
Shares issued	**-**	160
(Loss)/profit for the period	**(3,019,748)**	9,937,659
Closing net assets	**12,622,724**	15,642,472
Group's share - percentage	**50%**	50%
Group's share - dollars	**6,311,362**	7,821,236
Adjusted to market value	**(79)**	(79)
Carrying amount	**6,311,283**	7,821,157
Summarised statement of comprehensive income		
Revenue	**1,700,249**	15,168,955
Interest income	**93**	258
Depreciation and amortisation	**(30,176)**	(25,509)
Interest expense	**(2,832,023)**	(2,309,637)
(Loss)/profit for the period	**(3,019,748)**	9,937,659
Total comprehensive income	**(3,019,748)**	9,937,659
Dividends received	**-**	-

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.2 SUMMARISED FINANCIAL INFORMATION FOR INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Associates	Australian Invoice Finance Limited 2020 $	2019 $
Summarised statement of financial position		
Current assets	**16,327,698**	9,884,286
Non-current assets	**12,625**	3,486
Current liabilities	**444,426**	5,355,497
Non-current liabilities	**11,076,917**	-
Net assets	**4,818,980**	4,532,275
Reconciliation to carrying amounts:		
Opening net assets 1 July	**4,532,275**	4,794,882
Shares issued	**1,000,000**	-
Shares bought back	**-**	-
Profit/(loss) for the period	**(713,295)**	(262,607)
Dividend paid	**-**	-
Return of capital	**-**	-
Closing net assets	**4,818,980**	4,532,275
Group's share - percentage	**44.1%**	47.6%
Group's share - dollars	**2,125,170**	2,157,363
Impairment	**(1,282,309)**	-
Goodwill	**-**	1,286
Carrying amount	**842,861**	2,158,649
Summarised statement of comprehensive income		
Revenue	**374,645**	2,331,160
Profit/(loss) for the period	**(713,295)**	(262,607)
Total comprehensive income	**(713,295)**	(262,607)
Dividends received	-	-

(a) During the financial year Eildon Capital Group and 79 Logan Road Trust became controlled entities of CVC. The amounts disclosed relate to the beginning of the period until the date Eildon Capital Group and 79 Logan Road Trust became controlled entities of CVC. Refer note 2.

IMPAIRMENT

The carrying value of investment in associates and joint ventures has been reviewed for impairment, including considering the impact of COVID-19. The carrying value of the investments in associates and joint ventures has not been impacted other than as follows:

Australian Invoice Finance Limited

The associate is an investment company that provides finance to small business. The carrying value of the investment represents the recoverable value of CVC's share as determined on the basis of its value in use. The value in use has been calculated with reference to negotiations currently being undertaken to sell the investment, less costs of disposal.

Donnybrook JV Pty Limited 2020 $	Donnybrook JV Pty Limited 2019 $	Eildon Capital Group (a) 2020 $	Eildon Capital Group (a) 2019 $	79 Logan Road Trust (a) 2020 $	79 Logan Road Trust (a) 2019 $
32,143,025	437,848	-	33,092,239	-	122,417
1,958,251	30,469,949	-	16,536,647	-	19,674,518
22,128,533	23,961,953	-	1,443,316	-	41,081
-	-	-	-	-	11,490,000
11,972,743	6,945,844	-	48,185,570	-	8,265,854
6,945,844	6,486,690	-	47,872,354	-	8,649,206
5,232,711	630,000	-	62,201	-	-
-	-	-	(609,993)	-	-
(205,812)	(170,846)	-	4,386,507	-	200,648
-	-	-	(3,525,499)	-	(200,648)
-	-	-	-	-	(383,352)
11,972,743	6,945,844	-	48,185,570	-	8,265,854
49%	49%	**n/a**	40.3%	**n/a**	35%
5,866,644	3,403,464	-	19,418,785	-	2,893,049
-	-	-	(709,738)	-	-
1,355,789	-	-	-	-	-
7,222,433	3,403,464	-	18,709,047	-	2,893,049
30,390	53,717	**7,793,075**	7,636,774	**5,676,177**	1,205,229
(205,812)	(170,846)	**4,730,453**	4,386,507	**4,723,021**	200,648
(205,812)	(170,846)	**4,730,453**	4,386,507	**4,723,021**	200,648
-	-	**4,252,098**	1,059,262	**64,229**	70,227

IMPAIRMENT (CONT.)

Eildon Capital Group

The associate is an active property investment entity which participates in retail, industrial, residential and commercial opportunities which is listed on the Australian Securities Exchange. The underlying investments of the associate represents a portfolio of loans and equity investments in property projects that is managed by a subsidiary of CVC.

In the prior year, the carrying value of the investment in the associate represents the recoverable value of CVC's share as determined on the basis of value in use, with reference to the closing share price at 30 June. The value in use is calculated in accordance with accounting standards and does not represents CVC's assessment of the investment's underlying value, which is based on Net Tangible Assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.2 SUMMARISED FINANCIAL INFORMATION FOR INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

Associates	Mooloolaba Wharf Holding Company Pty Limited 2020 $	2019 $
Summarised statement of financial position		
Current assets	**1,230,001**	611,182
Non-current assets	**20,110,828**	20,504,495
Current liabilities	**328,511**	371,607
Non-current liabilities	**14,067,634**	13,674,865
Net assets	**6,944,684**	7,069,205
Reconciliation to carrying amounts:		
Opening net assets 1 July	**7,069,205**	(35,713)
Shares issued	**-**	-
Other comprehensive income	**-**	-
Profit/(loss) for the period	**(124,521)**	7,104,918
Dividend paid	**-**	-
Closing net assets	**6,944,684**	7,069,205
Group's share - percentage	**50%**	50%
Group's share - dollars	**3,472,342**	3,534,603
Impairment	**(25)**	(25)
Goodwill	**-**	-
Carrying amount	**3,472,317**	3,534,578
Summarised statement of comprehensive income		
Revenue	**3,557,269**	13,726,080
Profit/(loss) for the period	**(124,521)**	7,104,918
Total comprehensive income	**(124,521)**	7,104,918
Dividends received	**-**	-

IMPAIRMENT

The carrying value of investments in associates and joint ventures has been reviewed for impairment, including considering the impact of COVID-19. The carrying value of the investments in associates and joint ventures has not been impacted other than as follows:

Bigstone Capital Pty Limited

The associate is an asset manager that provides finance to small business using a peer-to-peer marketplace to fund loans. The carrying value of the investment represents the recoverable value of CVC's share as determined on the basis of value in use. The value in use was determined after considering the current scale of the business relative to its ongoing operating costs and its current reduced lending activity.

JAK Contributory Mortgage Fund Loan Trust No 3

The underlying investment in the associate represents a loan provided to a property developer which is managed by JAK Investment Group Pty Limited (the Manager). The carrying value of the investment represents CVC's share in the fair value of the loan, which has been determined on the basis of the net asset backing methodology. The Manager considers that the carrying value reflects the recoverable value after assessing the impact of COVID-19.

CVC Emerging Companies Fund		Bigstone Capital Pty Limited		JAK Contributory Mortgage Fund Loan Trust No 3	
2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
4,853,596	5,910,303	**12,242,864**	15,017,423	**27,917,285**	5,143,203
42,429,470	9,119,938	**15,375,015**	7,441,732	**1,510,814**	8,965,881
84,436	94,007	**11,005,894**	13,328,629	**3,917,285**	809,093
3,043,942	-	**14,957,917**	6,496,986	**-**	-
44,154,688	14,936,234	**1,654,068**	2,633,540	**25,510,814**	13,299,991
14,936,234	-	**2,633,540**	(81,044)	**13,299,991**	-
14,936,234	14,936,234	**-**	5,434,582	**12,210,823**	13,300,000
-	-	**(130,736)**	-	**-**	-
14,282,220	-	**(848,736)**	(2,719,998)	**3,108,201**	941,584
-	-	**-**	-	**(3,108,201)**	(941,593)
44,154,688	14,936,234	**1,654,068**	2,633,540	**25,510,814**	13,299,991
22.3%	22.3%	**34%**	34%	**20.8%**	20.8%
9,846,495	3,330,780	**562,383**	895,404	**5,306,249**	2,766,398
-	-	**(562,383)**	-	**(306,249)**	-
5,107	2,554	**-**	948,102	**-**	4,435
9,851,602	3,333,334	**-**	1,843,506	**5,000,000**	2,770,833
18,520,743	27,186	**2,660,203**	1,660,670	**3,108,321**	941,635
14,282,220	-	**(848,736)**	(2,719,998)	**3,108,201**	941,584
14,282,220	-	**(848,736)**	(2,719,998)	**3,108,201**	941,584
-	-	**-**	-	**-**	-

NOTE 15: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT.)

15.3 INDIVIDUALLY IMMATERIAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

In addition to the interests in investments accounted for using the equity method disclosed above, CVC also has interests in a number of individually immaterial investments that are accounted for using the equity method.

	2020 $	2019 $
Aggregate carrying amount of individually immaterial investments accounted for using the equity method	**4,678,564**	1,941,496
Aggregate amounts of CVC's share of:		
Profit for the period	**192,131**	108,151
Total comprehensive income	**192,131**	108,151

NOTE 16: INVESTMENT PROPERTIES

	2020 $	2019 $
Non-current		
Leased properties	**26,300,000**	2,400,000
Reconciliation:		
Investment properties at the beginning of the year	**2,400,000**	1,350,000
Additions – capital expenditure	**20,010**	8,984
Reclassification to inventory	**(32,991)**	-
Additions – acquisition of subsidiary	**23,900,000**	-
Fair value adjustment	**12,981**	1,041,016
Carrying amount at the end of the year	**26,300,000**	2,400,000
Amounts recognised in comprehensive income		
Rental income	**212,127**	204,901
Outgoing recovery	**23,925**	27,131
Direct operating expenses from property that generated rental income	**31,735**	35,870
Leased properties		
423 – 479 Pumicestone Road, Caboolture	**2,400,000**	2,400,000

The fair value has been determined based on an independent valuation prepared by Jones Lang LaSalle Advisory Services Pty Ltd on 15 January 2019 based on a yield of 8.95%. The directors have undertaken a review of the risk of vacancy from the existing tenant, or if the event arises locating a replacement tenant and estimated rental income that would be negotiated and the impact on the capitalisation rates and yield of the property.

The directors are of the opinion the valuation has not changed materially when considering the following inputs:

	2020	2019
Implied capitalisation rate	**9.63%**	9.17%
Lease expiry	**3.33 years**	4.34 years
Occupancy	**100%**	100%

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 16: INVESTMENT PROPERTIES (CONT.)		
Leased properties (cont.)		
79 Logan Road, Woolloongabba, Queensland	**23,900,000**	-

The fair value has been determined based on an independent valuation prepared by Herron Todd White (Brisbane) Pty Ltd on 3 October 2019 based on a capitalisation rate of 5.26%. The directors have undertaken a review of the risk of vacancy from the existing tenant, or if the event arises locating a replacement tenant and estimated rental income that would be negotiated and the impact on the capitalisation rates and yield of the property.

The directors are of the opinion the valuation has not changed materially when considering the following inputs:

	2020
Implied capitalisation rate	**5.26%**
Lease expiry	**4.42 years**
Occupancy	**100%**

	2020 $	2019 $
NOTE 17: INTANGIBLE ASSETS		
Goodwill	**1,570,000**	-
Reconciliations:		
Carrying amount at the beginning of the period	**-**	-
Acquisition of business	**2,946,006**	-
Impairment of goodwill	**(1,376,006)**	-
Carrying amount at the end of the year	**1,570,000**	-

The goodwill is attributable to the acquisition of the funds management business in Eildon Funds Management Limited on 8 August 2019. The acquisition price was based on an independent valuation prepared by Lonergan Edwards and Associates Limited on 2 August 2019. The beneficiaries of the sale included associates of Messrs Mark Avery, John Hunter and Alexander Beard.

Goodwill has been impaired as the internal management fees of CVC have been excluded from the assessment of the carrying value. All other valuation metrics and principles applied by Lonergan Edwards in determining the value on 2 August 2019 have been used to calculate the carrying value of goodwill as at 30 June 2020, as these were considered to remain appropriate. This includes the following:

- Earnings before interest and taxes multiple: 4.0 – 4.5x; and
- Funds Under Management: 1.4% – 1.8%.

Goodwill is not deductible for tax purpose. Refer to note 2.2.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 18: TRADE AND OTHER PAYABLES		
Current		
Trade payables (a)	**5,358,134**	6,205,947
Sundry creditors and accruals	**5,057,835**	7,958,839
	10,415,969	14,164,786
Non-current		
Trade payables (a)	-	5,000,000

(a) Trade payables includes a $2,596,242 (2019: $7,001,293) payable for the purchase of units in the LAC JV Unit Trust and $2,403,758 (2019: $2,998,707) in relation to the finance cost remaining to be paid for a guarantee provided by a third party to the vendor of the property in Moorebank, New South Wales, being purchased by LAC JV Unit Trust.

NOTE 19: PROVISIONS

	2020 $	2019 $
Current		
Employee entitlements	**587,695**	854,699
Non-current		
Employee entitlements	-	104,136

NOTE 20: INTEREST BEARING LOANS AND BORROWINGS

	2020 $	2019 $
Current		
Secured loan	**4,729,164**	-
Non-current		
Secured loans	**28,041,076**	14,669,132
Unsecured loan from associated entity	**9,581,805**	9,613,092
Convertible notes	**54,817,879**	56,053,518
	92,440,760	80,335,742

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $

NOTE 20: INTEREST BEARING LOANS AND BORROWINGS (CONT.)

20.1 SECURED LOANS

The secured loans are generally for periods up to 10 years. The loans attract interest rates ranging from 2.6% to 10% (2019: 5% to 5.3%) per annum. The secured loans are secured by a first ranking charge over the applicable assets.

	2020 $	2019 $
Facility Amount		
Lot 11 Richards Road, Riverstone, New South Wales	**15,444,975**	14,669,132
Lot 1, 423 – 479 Pumicestone Road, Caboolture, Queensland	**1,106,101**	-
Lots 1101 and 1102 in DP1191303, Corner of Northbourne Drive and Harvest Street, Marsden Park, New South Wales	**3,381,759**	-
22 Whiteside Street, Beveridge, Victoria	**1,347,405**	-
79 Logan Road, Woolloongabba, Queensland	**11,490,000**	-
	32,770,240	14,669,132
Security		
Lot 11 Richards Road, Riverstone, New South Wales (note 13)	**12,396,003**	12,066,100
Lot 1, 423 – 479 Pumicestone Road, Caboolture Queensland (note 16)	**2,400,000**	-
Lots 1101 and 1102 in DP1191303, Corner of Northbourne Drive and Harvest Street, Marsden Park, New South Wales (note 13)	**10,494,355**	-
22 Whiteside Street, Beveridge, Victoria	**16,830,000**	-
79 Logan Road, Woolloongabba, Queensland (note 16)	**23,900,000**	-
ASX listed shares		
Financial assets – "at fair value through profit or loss"		
Current (note 12)	**27,423,831**	31,348,641
Non-current (note 12)	**-**	27,745,323
Investments accounted for using the equity method (note 15)	**-**	18,779,948
Eildon Capital Group (note 2)	**18,545,778**	-
	45,969,609	77,873,912

20.2 UNSECURED LOAN FROM ASSOCIATED ENTITY

This loan is an unsecured loan from Winten (No. 20) Pty Limited at an interest rate of 5.25% per annum repayable by 10 July 2021. Refer note 28.3.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 20: INTEREST BEARING LOANS AND BORROWINGS (CONT.)

20.3 CONVERTIBLE NOTES

The Company issued 600,000 convertible notes for $60 million on 22 June 2018. The coupon rate for the note is 3.75% plus the 90 day Bank Bill Swap Rate. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable on 22 June 2023. The conversion price is $3.40 per ordinary share but subject to adjustments for reconstructions of equity. A total of 22,336 notes were bought back during the year. The convertible notes are presented in the Statement of Financial Position as follows:

	2020 $	2019 $
Face value of notes issued at the end of the year	**57,766,400**	60,000,000
Other equity securities – value of conversion rights (note 22)	**(2,784,907)**	(2,784,907)
Transaction cost – liability component	**(1,996,652)**	(1,996,652)
	52,984,841	55,218,441
Cumulative interest expense (a)	**7,997,933**	4,358,092
Cumulative interest paid	**(6,277,160)**	(3,523,015)
Gain on notes bought back	**328,859**	-
Debt settlement expenses (b)	**(216,594)**	-
Non-current liability	**54,817,879**	56,053,518
Accrued interest expense (c)	**6,097**	24,415

(a) Interest expense is calculated by applying the effective interest rate of 7.16% to the liability component adjusted for actual interest paid/payable.

(b) Debt settlement expenses is the difference between the carrying value and the fair value of the notes at the time they were bought back.

(c) Interest accrued as at 30 June 2020 and 30 June 2019 were included in other payables. Refer to note 18.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is regarded as the value of the conversion rights and is recognised in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent periods. Interest on convertible notes is expensed in profit or loss.

20.4 FAIR VALUE

For the majority of the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

20.5 COVID-19 RESPONSE

As part of the COVID-19 response CVC has been buying back and cancelling convertible notes which has the impact of improving the loan to value ratio and reduces the risk of a breach of a lending covenant in the event that the values of assets were to fall. CVC continues to hold sufficient cash reserves and manage its cash flows in the event that it is required to repay borrowings when facilities fall due.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	The Company			
	2020		2019	
	Number	$	Number	$
NOTE 21: CONTRIBUTED EQUITY				
Issued and paid-up ordinary share capital				
Balance at the beginning of the year	**117,690,259**	**98,768,308**	119,532,788	103,646,848
Shares bought back	**(332,939)**	**(670,688)**	(1,842,529)	(4,870,858)
Share buyback transaction costs	**-**	**(1,737)**	-	(10,975)
Income tax on buyback transaction costs	**-**	**521**	-	3,293
Balance at the end of the year	**117,357,320**	**98,096,404**	117,690,259	98,768,308

On 25 November 2019 CVC received approval from shareholders to undertake an on-market share buy-back scheme for a duration of 12 months and limited to 20,000,000 ordinary shares. At the date of this report 174,951 shares had been bought back under this scheme with 19,825,049 available to be bought back.

	2020 $	2019 $
NOTE 22: OTHER EQUITY		
Value of conversion rights – convertible notes	**2,784,907**	2,784,907
Transaction cost – equity component	**(97,186)**	(97,186)
Deferred tax liability component	**(806,316)**	(806,316)
	1,881,405	1,881,405

The value of the conversion rights relates to the convertible notes. See note 20.3

NOTE 23: OTHER RESERVES

Asset Revaluation Reserve		
Balance at the beginning of the year	**266,808**	318,237
Share of associate reserve	**-**	(73,470)
Tax on share of associate reserve	**-**	22,041
Acquisition of interest in controlled entities	**180,447**	-
Disposal of interest in controlled entities	**(13,600)**	-
Balance at the end of the year	**433,655**	266,808

The asset revaluation reserve includes CVC's share of the unrealised change in value arising from the acquisition and disposal of a non-controlling interest in a controlled entity by CVC.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: NOTES TO STATEMENT OF CASH FLOWS

24.1 RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

	2020 $	2019 $
Cash on deposit	**22,625,871**	56,399,645
Funds held by bank	**-**	758,092
Cash and cash equivalents	**22,625,871**	57,157,737

24.2 RECONCILIATION OF PROFIT AFTER INCOME TAX TO CASH PROVIDED BY OPERATING ACTIVITIES

Net profit	**95,478**	1,008,159
Adjustments for:		
Share of equity accounted profit	**(5,983,976)**	(9,499,968)
Depreciation of property, plant and equipment	**771,975**	91,789
Gain on change of control	**(1,759,634)**	-
Bad debts	**138,625**	308,389
Facility fee	**(472,763)**	-
Change in fair value of investment properties	**(12,981)**	(1,041,016)
Impairment of intangible assets	**1,376,006**	-
Impairment expenses on financial instruments	**9,479,330**	4,190,865
Impairment recoveries on financial instruments	**(115,354)**	-
Impairment of plant and equipment	**145,795**	-
Net loss on equity investments	**3,689,152**	9,473,297
Net foreign currency differences	**79,189**	(137,006)
Non-cash finance cost	**1,258,457**	728,208
Interest income not received	**(4,433,254)**	(5,373,898)
Interest expense not paid	**511,826**	634,592
Dividend income	**1,432,480**	1,627,627
Movement in current tax liabilities	**683,334**	(2,446,899)
Movement in deferred tax assets and liabilities	**(2,744,187)**	(172,720)
Changes in operating assets and liabilities:		
Inventories	**(12,852,433)**	10,690,619
Equity investments	**22,686,370**	13,858,892
Trade and other receivables	**(35,811,979)**	(5,662,374)
Trade and other payables	**(9,782,457)**	2,630,772
Provisions	**(371,140)**	70,032
Other assets	**(2,372,870)**	232,356
Net cash (used in)/provided by operating activities	**(34,365,011)**	21,211,716

24.3 FINANCING FACILITIES

At 30 June 2020, CVC had access to the following specific lines of credit.

Total facilities available:		
Secured non-bank loan	**20,174,139**	14,669,132
Secured bank loan	**32,596,101**	20,000,000
Total facilities	**52,770,240**	34,669,132
Total facilities used (note 20.1):		
Secured non-bank loan	**20,174,139**	14,669,132
Secured bank loan	**12,596,101**	-
	32,770,240	14,669,132

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 24: NOTES TO STATEMENT OF CASH FLOWS (CONT.)

24.4 INTEREST BEARING LOANS AND BORROWINGS

Reconciliation:	*Liabilities from financing activities*		
	Borrowings $	Leases (a) $	Total $
Year ended 30 June 2020			
Liabilities at the beginning of the year	**80,335,742**	**-**	**80,335,742**
Recognised on adoption of AASB 16 (note 33)	**-**	**2,850,836**	**2,850,836**
Acquisition - leases	**-**	**415,855**	**415,855**
Cash flows	**1,975,108**	**(684,501)**	**1,290,607**
Acquisition of subsidiary	**11,490,000**	**-**	**11,490,000**
Other changes	**3,369,074**	**(2,181,173)**	**1,187,901**
Liabilities at the end of the year	**97,169,924**	**401,017**	**97,570,941**

(a) The office lease associated with the buildings was assigned to an external party during the year. The relevant lease liabilities have been derecognised and included in other changes.

Year ended 30 June 2019			
Liabilities at the beginning of the year	81,428,322	-	81,428,322
Cash flows	(6,780,806)	-	(6,780,806)
Other changes	5,688,226	-	5,688,226
Liabilities at the end of the year	80,335,742	-	80,335,742

NOTE 25: AUDITORS' REMUNERATION

The auditor of the Company is HLB Mann Judd (NSW Partnership).

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

	2020 $	2019 $
Audit or review of the financial report	**167,250**	162,864

No fees were paid to HLB Mann Judd (NSW Partnership) in respect of non-audit services during the year. The Auditors received no other benefits.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 26: COMMITMENTS AND CONTINGENCIES

26.1 OPERATING LEASE COMMITMENTS

Non-cancellable operating lease expense

CVC leases various offices and equipment. From 1 July 2019, CVC has recognised right-of-use assets for the leases, see note 33 for further information.

	2020 $	2019 $
Future operating lease commitments not provided for in the financial statements and payable:		
- within one year	-	613,855
- later than one year but not later than five years	-	2,443,070
	-	3,056,925

26.2 OPERATING LEASES - LEASES AS LESSOR

An investment property is leased to a tenant under an operating lease with rentals payable monthly. The remaining lease terms are on average 4.32 years (2019: 4.34 years), excluding options for lease extensions upon completion of the lease term.

The future minimum lease payments under non-cancellable leases are as follows:

Less than one year	**1,525,467**	224,400
Between one and five years	**5,293,485**	796,943
	6,818,952	1,021,343

Refer to note 16 for more information.

26.3 FINANCIAL GUARANTEES

Guarantees

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

Parent		
Guarantee (a)	**11,752,650**	11,752,650
Guarantee (b)	**18,500,000**	-
Subsidiaries		
Bank guarantees (c)	**845,415**	758,092
Guarantee (d)	-	2,500,000
Guarantee (e)	**6,250,000**	6,250,000
Guarantee (f)	**1,738,800**	869,400

(a) The guarantee provided by CVC to National Australia Bank Limited is used as security for a loan facility in relation to 960-1000 Donnybrook Victoria.

(b) The guarantee was provided by CVC to the vendor and developer of the property in Lots 911, 912, 913 and 921, 'Harpley', 270 Bulban Road, Werribee, Victoria for settlement and delivery of the project.

(c) The bank guarantees provided by CVC are secured by a term deposit.

(d) The guarantee provided by CVC to National Australia Bank Limited is used as security for a loan facility and is secured by an interest in the Marsden Park Development Trust and other additional security. The guarantee was released during the year.

(e) The guarantee provided by CVC to Australia and New Zealand Banking Group Limited is used as security for a loan facility in relation to 246 East Boundary Road, East Bentleigh, Victoria.

(f) The guarantee provided by CVC to Australia and New Zealand Banking Group Limited is used as security for a loan facility in relation to 33-45 Gibdon Street, Burnley, Victoria.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $

NOTE 26: COMMITMENTS AND CONTINGENCIES (CONT.)

26.4 CAPITAL COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2020 $	2019 $
Construction contract		
Less than one year	**48,563**	-

26.5 LOANS AND OTHER INVESTMENTS

	2020 $	2019 $
Amounts available to be drawn by borrowers under existing loan facility agreements		
Associated entities	**620,386**	2,343,307
Key management personnel	**1,465,485**	-
Unrelated entities	**9,055,847**	15,150,069
	11,141,718	17,493,376
Amounts available to be called by investees for partially paid shares and units		
Unrelated entities	**7,174,171**	5,492,830

NOTE 27: SEGMENT INFORMATION

27.1 PRIMARY SEGMENTS - BUSINESS SEGMENTS

Information for each business segment is shown in the following tables, in round thousands, as permitted under ASIC class order “ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191”.

Composition of each business segment is as follows:

- Direct Property Investment involves direct exposure, including in ordinary equity, preference equity, joint ventures and options to acquire an interest in direct property subject to planning outcomes.
- Property backed lending comprises loans backed by underlying property assets.
- Funds Management comprises investments in listed equities managers, property investment managers, debt managers and litigation funding managers.
- Equity Investments comprises investments in listed and unlisted investments.
- Commercial Debt and Alternative Investments comprises secured lending to corporates, projects and individuals against various securities and assets, including receivables, contracted income, resources, listed equities, litigation claims and others.

27.2 SECONDARY SEGMENTS - GEOGRAPHICAL SEGMENTS

CVC operates predominantly in Australia.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: SEGMENT INFORMATION (CONT.)

	Direct Property Investments $'000's	Property Backed Lending $'000's	Funds Management $'000's	Equity Investments $'000's	Commercial Debt and Alternative Assets $'000's	Eliminations $'000's	Consolidated $'000's
Year Ended 30 June 2020							
Revenue:							
Total revenue for reportable segments	**660**	**11,793**	**2,354**	**-**	**1,336**	**-**	**16,143**
Inter-segment revenue	**1,850**	**-**	**10,415**	**-**	**-**	**(12,265)**	**-**
Unallocated amounts:							
Interest income							**331**
Corporate income							**95**
Consolidated revenue							**16,569**
Equity accounted income	**313**	**605**	**5,162**	**(96)**	**-**	**-**	**5,984**
Results:							
Total profit for reportable segments	**(1,421)**	**10,293**	**(4,631)**	**(3,170)**	**66**	**-**	**1,137**
Unallocated amounts: corporate expenses							**(7,026)**
Share of profit of equity accounted associates							**5,984**
Consolidated profit after tax							**95**

All revenue during the financial year is recognised at a point in time when the performance obligation is satisfied.

NOTE 27: SEGMENT INFORMATION (CONT.)

	Direct Property Investments $'000's	Property Backed Lending $'000's	Funds Management $'000's	Equity Investments $'000's	Commercial Debt and Alternative Assets $'000's	Eliminations $'000's	Consolidated $'000's
Year Ended 30 June 2019							
Revenue:							
Total revenue for reportable segments	9,449	7,238	2,909	323	2,096	-	22,015
Inter-segment revenue	2,205	-	13,331	-	-		(15,536) -
Unallocated amounts:							
Interest income							764
Consolidated revenue							22,779
Equity accounted income	8,398	189	1,107	(194)	-	-	9,500
Results:							
Total profit for reportable segments	8,031	5,602	396	(7,233)	335	-	7,131
Unallocated amounts: corporate expenses							(15,623)
Share of profit of equity accounted associates							9,500
Consolidated profit after tax							1,008
Disaggregation of revenue from contracts with customers							
Timing of revenue recognition							
At a point in time	14,186	7,238	2,909	323	2,096	-	26,752
Over time	32,631	-	-	-	-	-	32,631
	46,817	7,238	2,909	323	2,096	-	59,383

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 27: SEGMENT INFORMATION (CONT.)

	Direct Property Investments $'000's	Property Backed Lending $'000's	Funds Management $'000's	Equity Investments $'000's	Commercial Debt and Alternative Assets $'000's	Eliminations $'000's	Consolidated $'000's
Year Ended 30 June 2020							
Assets:							
Segment assets	**100,477**	**135,945**	**23,971**	**34,108**	**6,436**	-	**300,937**
Unallocated amounts:							
Cash and cash equivalents							**22,626**
Other assets							**8,686**
Total assets							**332,249**
Liabilities:							
Segment liabilities	**38,348**	**11,920**	-	-	-	-	**50,268**
Unallocated amounts:							
Other liabilities							**65,940**
Total liabilities							**116,208**
Year Ended 30 June 2019							
Assets:							
Segment assets	61,945	50,948	32,395	70,814	10,222	-	226,324
Unallocated amounts:							
Cash and cash equivalents							57,158
Other assets							5,086
Total assets							288,568
Liabilities:							
Segment liabilities	28,879	9,613	-	-	350	-	38,842
Unallocated amounts:							
Other liabilities							69,937
Total liabilities							108,779

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: RELATED PARTY INFORMATION

Parent entity

CVC Limited is the parent entity.

Subsidiaries

Interest in subsidiaries are set out in note 2.

Associates

Interest in associates are set out in note 15.

	2020 $	2019 $
28.1 KEY MANAGEMENT PERSONNEL COMPENSATION		
Short-term employee benefits	**1,314,867**	1,116,754
Post-employment benefits	**103,641**	89,657
Termination benefits	**-**	1,815,000
Total	**1,418,508**	3,021,411

Details of key management personnel remuneration, superannuation and termination benefits are set out in the Remuneration Report section of the Directors' Report.

28.2 SHARES HELD BY KEY MANAGEMENT PERSONNEL

(a) On 8 August 2019, CVC acquired 60% of Eildon Funds Management Limited from Messrs Avery, Beard and Hunter for a consideration of $3,623,500. The price was based on an independent valuation prepared by Lonergan Edwards and Associates Limited. Refer to note 2.2.

(b) Mr Rapajic-Leaver and his related entity hold interest in the following CVC subsidiaries at the beginning and end of the year:

	Interest Held
LAC JV Pty Limited	33.3%
LAC JV Unit Trust	33.3%
LAC JV No. 2 Pty Limited	33.3%
LAC JV No. 2 Unit Trust	33.3%
Marsden Park Development Trust	34.0%

	2020 $	2019 $
28.3 LOANS WITH RELATED PARTIES		
Loans from associates		
Beginning of the year	**9,613,092**	9,677,586
Loan repayments made	**(543,113)**	(699,086)
Interest charged	**511,826**	634,592
End of the year	**9,581,805**	9,613,092

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $

NOTE 28: RELATED PARTY INFORMATION (CONT.)

28.3 LOANS WITH RELATED PARTIES (CONT.)

Loans to associates		
Beginning of the year	**17,107,668**	17,159,828
Loans advanced	**5,298,055**	13,222,901
Loan repayments received	**(1,397,655)**	(13,524,476)
Interest charged	**1,810,104**	1,974,657
Interest received	**(81,031)**	(545,170)
Impairment	**(1,221,656)**	(1,180,072)
Impairment recovery	**80,000**	-
End of the year	**1,595,485**	17,107,668

The loans to associates are generally for periods up to 10 years. The loans attract interest rates ranging from 0% to 17% (2019: 0% to 20%) per annum. The security held in relation to the various loans, differs for each loan and ranges from:

- registered mortgage;
- general security agreements;
- appointment to Project Control Group: and
- equity ownership.

Loans to key management personnel (a)		
Beginning of the year	**-**	-
Transfer from loans to other related entities (b)	**4,020,994**	-
Loans advanced	**3,020,275**	-
Interest charged	**509,156**	-
End of the year	**7,550,425**	-

Loans to other related entities		
Beginning of the year	**4,020,994**	-
Transfer from loans to unrelated entities (b)	**-**	4,020,994
Transfer to loans to entities associated with key management personnel (b)	**(4,020,994)**	-
End of the year	**-**	4,020,994

(a) This relates to loans to entities related to Mr Rapajic-Leaver.

(b) Mr Rapajic-Leaver was appointed as director from 1 July 2019.

Loans to key management personnel are for periods that match the timing of delivery of the underlying projects that are being delivered. The loans attract an interest rate of 10% (2019: 10% to 20%) per annum and are secured by the projects listed in note 28.2.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 28: RELATED PARTY INFORMATION (CONT.)

28.4 OTHER TRANSACTIONS

The following represent income and expenditure generated from transactions with related parties with CVC and its controlled entities during the financial year.

(a) Amounts recognised as assets and liabilities

Key management personnel have made co-investments in the projects of CVC and have contractual rights to receive distributions and capital returns received by CVC from the following projects.

Marsden Park Development Trust

- the landowner of the property project in Marsden Park North, New South Wales.

Donnybrook JV Pty Limited

- the landowner of the property project in Donnybrook, Victoria.

The following table shows the entitlement movement during the year:

	Opening	Sales	Other changes during the year	Closing
Marsden Park Development Trust				
Mr M.A. Avery	0.5%	-	-	0.5%
Mr J.A. Hunter	0.5%	-	-	0.5%
Mr A.D.H. Beard (b)	0.5%	(0.5%)	-	-
Donnybrook JV Pty Limited				
Mr M.A. Avery	1.3%	-	-	1.3%
Mr A.J. Rapajic-Leaver(a)	-	-	0.4%	0.4%
Mr J.A. Hunter	0.8%	-	-	0.8%
Mr A.D.H. Beard (b)	1.0%	(1.0%)	-	-
Mr J.S. Leaver	2.0%	-	-	2.0%

(a) Mr Rapajic-Leaver was appointed as director on 1 July 2019.

(b) During the financial year, CVC acquired Mr Beard's investment in Marsden Park Development Trust and Donnybrook JV Pty Limited for a total consideration of $640,000 following his resignation on 1 August 2019.

At the end of the reporting period the following aggregate amounts were recognised in relation to the co-investment in Marsden Park and Donnybrook Projects.

	2020 $	2019 $
Trade and other payables	**240,827**	331,711

Apart from the details disclosed in this financial report, no other Director or key management personnel 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.

NOTE 28: RELATED PARTY INFORMATION (CONT.)

	2020 Paid $	2020 Received $	2019 Paid $	2019 Received $
28.4 OTHER TRANSACTIONS (CONT.)				
(b) Amounts recognised as revenue or expense				
Amounts recognised as revenue or expense				
Management and consulting fees				
Associated entities	**93,141**	**1,352,388**	1,686,219	1,353,795
Key management personnel	**620,000**	**-**	-	-
Other related entities	**-**	**5,825**	-	52,624
Interest income				
Associated entities	**-**	**1,810,104**	-	1,974,657
Key management personnel	**-**	**509,156**	-	-
Other related entities	**-**	**-**	-	685,410
Dividend and distribution				
Other related entities	**-**	**-**	-	561,046
Marsden Park distribution (refer to note 28.4(a))				
Key management personnel	**156**	**-**	4,259	-
Borrowing costs				
Associated entities	**511,826**	**-**	634,592	-
Administrative cost				
Key management personnel	**-**	**68,546**	-	-

	2020 Impairment $	2020 Impairment Recovery $	2019 Impairment $	2019 Impairment Recovery $
Investment in associated entities	**4,075,172**	**-**	1,227,337	-
Loan to associated entities	**1,221,656**	**80,000**	1,180,072	-

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

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

CVC 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, foreign exchange and price risk.

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

29.1 INTEREST RATE RISK

CVC's exposure to interest rate risks of financial assets and liabilities at the reporting date are as follows:

	Note	Weighted Average Interest Rate	Floating Interest Rate $	Fixed Interest 1 Year or Less $	Fixed Interest 1 to 5 Years $	Non-Interest Bearing $	Total $
2020							
Financial assets							
Cash and cash equivalents	24	**0.2%**	**22,625,369**	**-**	**-**	**502**	**22,625,871**
Financial assets at amortised cost	9	**11.9%**	**-**	**82,183,870**	**64,176,692**	**4,126,946**	**150,487,508**
Financial liabilities							
Trade and other payables	18	**-**	**-**	**-**	**-**	**10,415,969**	**10,415,969**
Interest bearing liabilities	20	**4.5%**	**55,923,980**	**4,729,164**	**36,516,780**	**-**	**97,169,924**
2019							
Financial assets							
Cash and cash equivalents	24	1.1%	56,399,143	758,092	-	502	57,157,737
Financial assets at amortised cost	9	13.0%	-	33,120,928	18,568,770	1,960,285	53,649,983
Financial liabilities							
Trade and other payables	18	-	-	-	-	19,164,786	19,164,786
Interest bearing liabilities	20	5.1%	56,053,518	-	24,282,224	-	80,335,742

NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

29.1 INTEREST RATE RISK (CONT.)

CVC holds a significant amount of cash balances which are exposed to movements in interest rates. Further, the majority of borrowings of CVC are at variable interest rates.

CVC has made a commercial decision to not hedge against movements in interest rates. CVC business operations includes borrowing funds at low interest rates and lending at higher rates. Although hedging provides a level of certainty from moving interest rates, it reduces the flexibility of being able to repay loans with excess, undeployed funds if the need arises.

To reduce the risk CVC typically deposits uncommitted cash in high interest rate accounts with financial institutions. Interest bearing loans and receivables are made at fixed rates. CVC is not charged interest on outstanding trade and other payable balances. CVC enters into loans and borrowings with fixed rates of interest when it is considered commercial and necessary to manage cash flows.

Sensitivity

As CVC expects interest rates to stay the same during the 2021 financial year (2020: 50 basis points lower), at reporting date there would be no impact on CVC, with all other variables held constant. The impact for the 2019 financial year would be:

	Decrease of 50 bp $
2019	
Net profit	104,655
Equity increase	104,655

29.2 PRICE RISK

Equity Securities Price Risk

CVC has investments in listed securities which could be adversely affected if general equity market values were to decline. CVC 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. CVC does not hedge its exposure to the risk of a general decline in equity market values, believing that such strategies are not cost-effective.

Sensitivity

At reporting date, if equity prices had been 10% higher/(lower) while all other variables were held constant the impact would be:

	Increase of 10% $	Decrease of 10% $
2020		
Net profit/(loss)	**3,217,873**	**(3,217,873)**
Equity increase/(decrease)	**3,217,873**	**(3,217,873)**
2019		
Net profit/(loss)	5,451,174	(5,451,174)
Equity increase/(decrease)	5,451,174	(5,451,174)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

29.3 CREDIT RISK EXPOSURE

Credit risk refers to the loss that CVC would incur if a debtor or counterparty fails to perform under its obligations. CVC is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables and loans to various entities. The carrying amounts of financial assets recognised in the statement of financial position best represent CVC's maximum exposure to credit risk at reporting date.

CVC's significant concentration of credit risk relates to deposits held with financial institutions, which is mitigated by the requirement that deposits are only held with institutions with an "investment grade" credit rating, and loans made to various entities, which are mitigated by collateral held with a value in excess of the counterparty's obligations to CVC, providing a "margin of safety" against loss.

CVC 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 – 120 days.

29.4 LIQUIDITY RISK

Liquidity risk is the risk that CVC might be unable to meet its obligations. CVC manages liquidity risk by maintaining sufficient cash balances and holding liquid investments that could be realised to meet commitments. CVC continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details maturity profiles of CVC's contractual liabilities:

	Less than 6 months $	6 months to 1 Year $	1 to 5 Years $	Total $
2020				
Trade and other payables	**10,415,969**	**-**	**-**	**10,415,969**
Interest bearing liabilities	**3,381,759**	**1,347,405**	**92,440,760**	**97,169,924**
Lease liabilities	**53,324**	**53,893**	**293,800**	**401,017**
2019				
Trade and other payables	14,164,786	-	5,000,000	19,164,786
Interest bearing liabilities	-	-	80,335,742	80,335,742

29.5 CURRENCY RISK

Currency risk is measured using sensitivity analysis. A portion of CVC investments are in companies listed on foreign exchanges and sales and purchases are made in foreign currencies. CVC is exposed to a decline in the values of those currencies relative to the Australian dollar.

Considering the quantum of the investments in absolute terms as well as relative terms compared to CVC's total investment portfolio it is not cost-effective to hedge against foreign exchange fluctuations.

NOTE 29: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (CONT.)

29.5 CURRENCY RISK (CONT.)

At balance date CVC had the following exposure to the United States dollar, New Zealand dollar and British pound that is not designated as cash flow hedges:

	2020 $	2019 $
Financial assets		
Financial assets at amortised cost	**3,265,136**	3,339,171
Financial assets at fair value through profit or loss	**1,566,009**	4,632,763
	4,831,145	7,971,934

Foreign currency sensitivity

CVC is exposed to the US dollar (USD), New Zealand dollar (NZD) and British pound (GBP). The following table details CVC's sensitivity to a 10% change in the Australian dollar against the respective currencies with all other variables held constant as at reporting date for unhedged foreign exchange exposure. A positive number indicates an increase in net profit/equity.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historic basis and market expectations for future movement.

	Net profit/(loss)		Equity increase/(decrease)	
	2020 $	2019 $	2020 $	2019 $
USD				
Increase in AUD of 10%	**(81,123)**	(151,412)	**(81,123)**	(151,412)
Decrease in AUD of 10%	**99,150**	185,059	**99,150**	185,059
NZD				
Increase in AUD of 10%	**(207,781)**	(212,493)	**(207,781)**	(212,493)
Decrease in AUD of 10%	**253,955**	259,713	**253,955**	259,713
GBP				
Increase in AUD of 10%	**-**	(63,079)	**-**	(63,079)
Decrease in AUD of 10%	**-**	77,097	**-**	77,097

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: FAIR VALUE MEASUREMENTS

Fair value reflects the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Quoted prices or rates are used to determine fair value where an active market exists. If the market for an asset is not active, fair values are estimated using valuation techniques, based on market conditions prevailing at the measurement date. Such techniques include using recent arm's length market transactions; net asset backing; reference to current market value of another instrument that is substantially the same and discounted cash flow analysis.

The fair value of liquid assets maturing within three months are approximate to their carrying amounts. This assumption is applied to liquid assets and the short-term portion of all other financial assets and financial liabilities. Judgements and estimates were made in determining the fair values of certain 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, CVC 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 assets and liabilities 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 ended 30 June 2020				
Financial assets				
"Fair value through profit or loss" investments				
Shares in listed corporations	**1,387,110**	**26,036,721**	**-**	**27,423,831**
Shares in unlisted corporations	**-**	**-**	**6,581,920**	**6,581,920**
Non-financial assets				
Investment properties	**-**	**-**	**26,300,000**	**26,300,000**
	1,387,110	**26,036,721**	**32,881,920**	**60,305,751**
Year ended 30 June 2019				
Financial assets				
"Fair value through profit or loss" investments				
Shares in listed corporations	17,186,400	41,907,564	-	59,093,964
Shares in unlisted corporations	-	-	24,186,206	24,186,206
Non-financial assets				
Investment properties	-	-	2,400,000	2,400,000
	17,186,400	41,907,564	26,586,206	85,680,170

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

	2020 $	2019 $
NOTE 30: FAIR VALUE MEASUREMENTS (CONT.)		
Reconciliation of Level 3 fair value movements:		
Balance at the beginning of the year	**26,586,206**	19,602,318
Purchases	**2,003,966**	20,472,959
Purchases – acquisition of subsidiary (c)	**23,900,000**	-
Sales	**(2,090,619)**	(11,874,190)
Capital return	**(406,036)**	-
Loss recognised in other income (a)	**(3,415,855)**	(805,281)
Transfer out of Level 3 to Level 1	**(250,000)**	(809,600)
Transfer out of Level 3 to equity accounting investment	**(1,670,347)**	-
Transfer out of Level 3 (b)	**(11,775,395)**	-
Balance at the end of the year	**32,881,920**	26,586,206
(a) Unrealised loss recognised in profit or loss attributable to assets held at the end of the reporting period.	**(3,645,276)**	(1,510,063)

(b) The equity investments held by CVC in Eildon Debt Fund were reclassified to loans at the time that it became a controlled entity of CVC on 8 August 2019. Refer note 2.2(b).

(c) CVC is deemed to acquire the property situated in 79 Logan Road, Woolloongabba, Queensland when 79 Logan Road Trust became a subsidiary of CVC on 25 May 2020. Refer note 2.2(d).

The fair value of Level 2 financial assets at fair value through profit or loss has been determined using available prices where trading does not occur in an active market.

The fair value of Level 3 assets has been determined as follows:

(a) Financial assets at fair value through profit or loss – with reference to valuation techniques, including:
  - recent arm's length market transactions; and
  - net asset backing.

  Refer note 12

(b) Investment properties – independent valuation. Refer note 16.

Sensitivity analysis

The table below shows the pre-tax sensitivity to reasonable possible alternative assumptions for Level 3 assets whose fair values are determined in whole or in part using unobservable inputs.

	Net profit/(loss)		Equity increase/(decrease)	
	2020 $	2019 $	2020 $	2019 $
Shares in unlisted corporations				
Favourable changes	**658,192**	2,418,621	**658,192**	2,418,621
Unfavourable changes	**(658,192)**	(2,418,621)	**(658,192)**	(2,418,621)
Investment properties				
Favourable changes	**1,685,584**	283,825	**1,685,584**	283,825
Unfavourable changes	**(4,326,134)**	(14,378)	**(4,326,134)**	(14,378)

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 30: FAIR VALUE MEASUREMENTS (CONT.)

Significant unobservable inputs

The following table contains information about the significant unobservable inputs used in Level 3 valuations, and the valuation techniques used to measure fair value. The range of values represent the highest and lowest input used in the valuation techniques. Therefore, the range does not reflect the level of uncertainty regarding a particular input, but rather the different underlying characteristics of the relevant assets.

	Valuation Techniques	Significant Unobservable Inputs	Year	Range of Inputs Minimum	Maximum
Shares in unlisted corporations	Net asset backing	Value per security	**2020**	**Down 10%**	**Up 10%**
			2019	Down 10%	Up 10%
Investment properties	Capitalisation of income	Capitalisation Rate	**2020**	**5.3%**	**6.80%**
			2019	8.0%	9.0%

NOTE 31: EVENTS SUBSEQUENT TO YEAR END

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 CVC, the results of those operations or the state of affairs of CVC in future financial years.

NOTE 32: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

CVC makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

32.1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – UNLISTED INVESTMENTS

The carrying value of the following investments have been valued based on the net asset backing methodology, using the most recent reports provided by the entity:

- 79 Logan Road Trust as $2,893,049 as at 30 June 2019. The entity became a controlled entity of CVC during the year;
- CVC Emerging Companies Fund as $9,851,602 (2019: $3,333,334);
- JAK Contributory Mortgage Fund Loan Trust No 3 as $5,000,000 (2019: $2,770,833);
- JAK Investment Group Pty Limited as $126,391 (2019: $227,037);
- Lewcorp Properties Pty Limited as $632,832 (2019: $818,853);
- MAKE EBRB Dev Nominee Pty Ltd as $6,311,283 (2019: $7,821,157);
- Mooloolaba Wharf Holding Company Pty Limited as $3,472,317 (2019: $3,534,578); and
- Turrella Property Unit Trust as $245,957 (2019: $267,727).

The carrying value of Australian Invoice Finance Limited has been impaired to $842,861 as at 30 June 2020. The carrying value as at 30 June 2019 was $2,158,649 based on the net asset backing methodology, using the most recent reports provided by the entity.

The carrying value of Bigstone Capital Pty Limited has been impaired to nil as at 30 June 2020. The carrying value as at 30 June 2019 was $1,843,506 based on the net asset backing methodology, using the most recent reports provided by the entity.

The carrying value of Donnybrook JV Pty Limited has been calculated as $7,222,433 (2019: $3,403,464) based on the net asset backing methodology, using the most recent reports provided by the entity. A valuation of the property of $79.95 million indicates that CVC's investment would have a value of approximately $31.6 million.

During the financial year, Eildon Funds Management Limited became a controlled entity of CVC. The carrying value of the investment for the year ended 30 June 2019 was calculated as $460,548 based on the net asset backing methodology, using the most recent reports provided by the entity.

NOTE 32: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

32.1 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – UNLISTED INVESTMENTS (CONT.)

Net asset backing methodology

The net asset backing methodology considers that the net assets of an entity reflects the future value of the business. This is because:

- the underlying value of the business operations may be focused specifically on increasing the value of its assets base; or
- there is insufficient repetitive income or profits to justify the use of different valuation techniques such as discounted cash flows or multiple of earnings.

32.2 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – LISTED INVESTMENTS

During the financial year, Eildon Capital Group ("EDC") became a controlled entity of CVC. The carrying value of EDC for the year ended 30 June 2019 has been calculated at $18,709,047. The carrying value has been determined using the fair value approach. The closing "bid-price" of EDC on 30 June 2019 was $1.01 per share which was determined to be an appropriate indication for the fair value of the investment, despite the lack of an active market. The reported net tangible assets of EDC as at 30 June 2019 was reported as $1.06 which indicates the value of CVC's investment is approximately $19.4 million.

The carrying value of US Residential Fund ("USR") has been calculated at $nil (2019: $70,901). The entity is in the process of winding up.

32.3 SUBSIDIARY ENTITIES

During the year, Eildon Capital Group ("EDC") completed a restructure on 25 May 2020 which resulted in CVC's holdings in EDC increasing to 45.5%. The impact of the restructure has been that both EDC and 79 Logan Road Trust are treated as subsidiaries of CVC notwithstanding:

- EDC has a board that comprises a majority of independent directors which operate the entity without direction for CVC; and
- The minority investor in 79 Logan Road Trust is responsible for the ongoing management of the investment property owned by the trust.

Although both entities operate autonomously to CVC, as CVC had increased its ownership in EDC to a point where it has the ability to determine the outcome of any resolutions EDC is considered to be a controlled entity for accounting purposes.

NOTE 33: CHANGES IN ACCOUNTING POLICIES

CVC has adopted AASB 16 *Leases* from 1 July 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

(a) CVC's leasing activities and how these are accounted for

CVC leases various offices and equipment. Rental contracts are typically made for fixed periods of 4 years to 7 years, without any extension options.

Contracts may contain both lease and non-lease components. CVC allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by CVC.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by CVC under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects CVC exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in CVC, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

NOTE 33: CHANGES IN ACCOUNTING POLICIES (CONT.)

(a) CVC's leasing activities and how these are accounted for (cont.)

Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

(b) Impact of adoption

On adoption of AASB 16, CVC recognised lease liabilities and associated right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4%.

Amounts recognised in the consolidated statement of financial position and consolidated statement of financial performance are disclosed in note 11.

(c) Practical expedients applied

In applying AASB 16 for the first time, CVC has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 July 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) Measurement of lease liabilities

Below is a reconciliation between the operating lease commitments reported as at 30 June 2019 and lease liabilities recognised under AASB 16 *Leases* on 1 July 2019.

	2019 $
Operating lease commitments disclosed as at 30 June 2019	3,056,925
Discounted using the lessee's incremental borrowing rate as at the date of initial application	2,694,775
Add:	
Contracts reassessed as lease contracts	48,196
Adjustments relating to changes in CVC's incremental borrowing rate	107,865
Lease liability recognised as at 1 July 2019	2,850,836
Of which are:	
Current lease liabilities	624,152
Non-current lease liabilities	2,226,684
	2,850,836

(e) Adjustments recognised in the condensed consolidated statement of financial position on 1 July *2019*

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 July 2019:

- right-of-use assets – increase by $2,850,836; and
- lease liabilities – increase by $2,850,836.

There was no impact on retained earnings on 1 July 2019 as CVC has elected to measure right of use assets at amounts equal to the corresponding lease liabilities, as permitted by the transitional provisions of AASB 16.

(f) Lessor accounting

CVC did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

Directors' Declaration

FOR THE YEAR ENDED 30 JUNE 2020

In the opinion of the Directors of CVC Limited:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and the *Corporations 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 CVC Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with s. 295A of the *Corporations Act 2001* for the financial period ended 30 June 2020.

Dated at Sydney 29 September 2020.

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

MA Avery
Director

AJ Rapajic-Leaver
Director

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

To the Members of CVC Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of CVC Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of financial performance, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
Recoverability of Financial Assets at Amortised Cost (Note 9)	
The Group has a material balance of loan receivable assets as at 30 June 2020 which requires a significant amount of judgement in assessing the recoverable values. A large portion of the balance relates to loans provided to corporate entities associated with property development activities and asset backed finance lending. The Group assesses the recoverability of loans utilising an Expected Credit Loss model. The Group applied judgement in the determination of the expected loss rates in respect of the loan balances. This included an assessment of the creditworthiness of the relevant counterparties and consideration of the estimated value of any secured assets provided as collateral. The expected loss rates included consideration of the economic impacts and impact on property related asset values due to the COVID-19 pandemic in Australia.	We reviewed loan agreements and other supporting documentation to gain an understanding of the loan facilities and any related secured assets provided as collateral by the borrowers. We obtained management's assessment of loan recoverability and expected credit loss assessment. We discussed the assessment methodology and assumptions and judgement adopted with management. We assessed the expected credit loss assessment for reasonableness against our understanding of historical losses experienced by the Group and the observed economic impact of COVID-19 on the loan counterparties and the industries in which they operate. We considered and assessed the estimated value of a sample of the secured assets provided as collateral for the loans.

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

Key Audit Matters (Cont.)

Key Audit Matter	How our audit addressed the key audit matter
Fair value of Unlisted Investments (Note 12)	
The Group holds interests in unlisted investments, held at fair value. Management assess the fair value of unlisted investments via the application of valuation techniques which include recent arm's length transactions in the equity of the investee, net asset backing, discounted cash flow analysis or with reference to the market value of another instrument that is substantially the same. The value of these investments are material to the financial statements, and determining the fair value of the investments requires a high degree of judgement and estimation. Therefore, it is considered to be a key audit matter.	Our procedures in relation to the valuation of unlisted investments included; A review of management's adopted valuation methodologies and applied techniques; reviewing valuation inputs including evidence of recent arm's length transactions and agreeing these transactions to external sources; assessing the relevance and sensitivity of various inputs to the applied valuation techniques including reference to market and economic trends and observations, as applicable to the industries and markets in which the investee operates. We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020 for compliance with Australian Accounting Standards.
Carrying value of Inventories (Note 13)	
The carrying value of the inventories are recognised at the lower of cost and net realisable value. The Group's estimate of net realisable value includes assumptions about future market and economic conditions which are subject to estimation uncertainty. As the value of property related inventories is material to the financial statements and the degree of judgement required in estimating net realisable values is high, the carrying value of inventories is considered to be a key audit matter.	We reviewed management's calculated cost of property related inventory assets with assessment of value, with reference to historical acquisition cost and other supporting documentation. Management's assessment of net realisable value was assessed with reference to external valuations and other supporting evidence. We assessed the competence, independence and integrity of the external experts appointed by management. We reviewed the treatment of revaluation movements for compliance with Australian Accounting Standards. We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020.

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

Key Audit Matters (Cont.)

Key Audit Matter	How our audit addressed the key audit matter
Investments Accounted for using the Equity Method (Note 15)	
The Group accounts for investments held in joint ventures and entities over which it has significant influence utilising the equity method. The initial investments are recognised at cost and subsequently adjusted to recognise the Group's share of profit or loss of the investee. The Group assesses the carrying value of the equity accounted investment for indicators of impairment with reference to the estimated fair value of the assets and liabilities held by the investee. Given the material value of the Group's investments accounted for using the equity method and the degree of judgement and estimation required in assessing the requirement for any additional impairment loss, it is considered to be a key audit matter.	We performed audit procedures over a sample of changes in ownership interests during the year with reference to supporting equity subscription deeds, transaction documentation or similar to support the initial cost of investments. We reviewed management's assessment and documented considerations of significant influence over the investees for which the equity method of accounting is applied. We reviewed management's calculation of the Group's share of the investees profit or loss for the year with reference to the associate's recent financial statements and supporting information. Recalculations of the movement for the period were performed for a sample of investments. We assessed management's application of judgement and estimation in assessing the carrying value of investments in associates for impairment, with reference to external valuations and other supporting documentation. We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020 for compliance with Australian Accounting Standards.
Acquisition of Eildon Capital Limited (Note 2)	
On 25 May 2020, the Group's equity holdings in Eildon Capital Group ("EDC") increased to 45.5%. Management have assessed that as at 25 May 2020, having considered the Group's ownership interest in EDC, and the composition of the EDC share register and other indicators, that the Group's interests had increased to a point where it has the likely ability to determine the outcome of resolutions put to a meeting of EDC securityholders, therefore in accordance with AASB 10: *Consolidated Financial Statements*, EDC is considered from that date to be a controlled entity for financial reporting purposes. Given the significant level of judgement involved in the determination of control, it is considered to be a key audit matter.	We reviewed management's assessment and ensured it was in accordance with the requirements of AASB 10: *Consolidated Financial Statements*. This included assessing and testing management's considerations and assumptions in relation to the ability to exercise power over the relevant activities of EDC. We tested and challenged management's inputs considered in this assessment. We have assessed the adequacy of the disclosures within the financial statements as at 30 June 2020 for compliance with Australian Accounting Standards.

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are

Independent Auditor's Report

FOR THE YEAR ENDED 30 JUNE 2020

therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of CVC Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd	**N J Guest**
Chartered Accountants	*Partner*

Sydney, NSW

29 September 2020

Corporate Governance Statement

CVC LIMITED AND ITS CONTROLLED ENTITIES

The Board of Directors of the Company is responsible for the corporate governance of CVC. It is required to act with integrity, honesty, in good faith and in the best interest of the Company as a whole in the execution of its duties including setting, guiding and monitoring the business and affairs of the Company, including risk management, and compliance with regulatory, legal and ethical standards. The Board is responsible for the oversight of reporting to the shareholders by whom they are elected and to whom they are accountable. It is responsible for ensuring there is adequate oversight and management of material business risks facing the Company and ensuring there are systems in place to identify, assess, monitor and manage market, operational and compliance risks. This is achieved via a control environment, accountability and review of risk profiles.

The Board has delegated to the Managing Director all of the necessary power and authority to manage the business of the Company on a day-to-day basis with the assistance of senior management. This includes execution of the strategy approved by the Board, managing performance, risk management and compliance of the Company. The Company has implemented a risk management framework which describes and sets out the risks (financial and non-financial) facing the business activities of the Company and controls surrounding those risks. The profiles are formally reviewed annually by management. The financial risks that may adversely impact the operations of the Company are described and analysed in the annual financial report.

As at 30 June 2020 the Directors in office are as follows:

Ian Houston Campbell
Appointed 16 March 2015, member of the audit committee

Mark Anthony Avery
Appointed 1 July 2019, member of the audit committee

Alexander Jovan Rapajic-Leaver
Appointed 1 July 2019

Appointment to the Company and the Board is dependent on skills, experience, character and other qualifications rather than solely on achieving a pre-specified diversity target. The Board seeks to ensure its members have an appropriate mix of skills, knowledge and experience to enable it to properly perform its duties, which have been detailed in the Directors' Report, including numbers and attendances of Board and audit committee meetings. Given the size and scale of the organisation the Board has not adopted a policy and measurable targets in relation to diversity but notes that the Board does not have any women appointed, although CVC has two women appointed in senior management roles, and currently represent 35% of employees of the Company.

The Board considers that CVC seeks to comply, where appropriate, with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. Where CVC does not comply, this is primarily due to the current size, scale and nature of the operations. The Council recognises that "a one size fits all" approach may be inappropriate. Companies are at liberty to determine whether each recommendation is appropriate. Different companies face different circumstances hence some recommendations are unnecessary or may even be counter-productive. In particular it acknowledged that it may be inappropriate or uneconomic for smaller companies, such as CVC, to follow the same rules as Australia's largest listed companies. The Council has issued recommendations and require companies to adopt an 'if not why not' approach to reporting compliance, requiring companies to identify the recommendations that have not been followed and give reasons for not following them.

The Company chose to adopt selected recommendations throughout the financial year ended 30 June 2020, in particular those discussed in detail below:

Board Composition and Directors' Experience

The Board of the Company comprises three Directors.

Mr Avery, being Managing Director, is responsible for the management and operation of the Company and ensures that members of the Board are properly briefed on the operations of the Company. Those powers not specifically reserved to the Board and which are required for the management and operation of the Company, are conferred on the Managing Director.

Mr Campbell is an independent non-executive Director and Chairman of the audit committee and has extensive skills, experience and knowledge to perform his duties in that capacity.

Mr Rapajic-Leaver is a non-executive Director and has significant experience in property investing.

The Board elects a member to chair each meeting and believe that the current structure of the Board operates effectively and efficiently, allowing the Board to collectively exercise its authority without the need for the appointment of additional independent directors or the creation of further sub-committees and is appropriate for the size and scale of the Company. The Board has considered the competencies and experience of each of the Directors and believes that it is not in the interest of shareholders to seek to replace or appoint Board members. The Board as a whole reviews Board succession planning and continuing development to ensure the members have an appropriate balance of skills. Directors are encouraged to undertake professional development to enable them to develop and maintain the skills and knowledge needed to effectively perform their roles as Directors, where considered appropriate for the oversight of the Company.

The Company Secretary supports the effectiveness of the Board by monitoring that Board policy and procedures are followed and deals with regulatory bodies on statutory matters.

Corporate Governance Statement

CVC LIMITED AND ITS CONTROLLED ENTITIES

For these reasons, the Company did not adopt the following recommendations throughout the financial year ended 30 June 2020:

- Appointing a majority of independent Directors;
- Appointing an independent Chairman;
- Appointing an internal audit function, audit committee with an independent chairman, a majority of independent Directors or non-executive Directors;
- A nomination committee of the Board;
- A risk committee of the Board;
- Establishment of formal performance policies for Directors and senior management;
- Documentation of a Board skills matrix;
- Implementing a program for inducting new Directors;
- Implementing policies and processes for communication with shareholders and participation at meetings;
- A remuneration committee of the Board;
- Written agreement with directors and senior executives setting out terms of roles; and
- Adopting a policy and measurable targets to achieve gender diversity.

Performance of the Board and Senior Management

The Directors and senior management are regularly reviewed for measureable and qualitative performance. The Board as a whole has the responsibility to review its own performance and of individual directors. The Board undertakes an annual review at 30 June each year of the Managing Director and senior management.

The Board did not undertake a review of the performance of its members during the year ended 30 June 2020. Rather, the Board, mindful of its duties, considers it appropriate to monitor the performance on an ongoing basis and conduct a formal review as necessary.

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

The details of remuneration paid to Directors and senior management are disclosed in the Remuneration Report.

Costs and Benefits of Compliance

A number of the recommendations require the formal documentation of policies and procedures that the Company already substantially performs. The Company considered that to create such documentation independently and specifically for the Company, and create separate Boards and sub-committees to satisfy the requirements of the Corporate Governance Principles and Recommendations would have had minimal additional benefit but substantial additional expense. The Company is also mindful to not adopt such procedures and structures solely for the sake of adoption or where they could actually inhibit the proper function or development of the Company.

The Board has determined that the adoption of such formal policies and procedures must be tailored to the Company at minimal expense and must be appropriate for the Company, taking into account the size and complexity of its operations. The Company is currently considering the adoption and implementation of the following recommendations:

- A formal charter for the audit committee of the Company;
- Written policies and procedures to ensure compliance with ASX listing rules disclosure requirements; and
- A process for performance evaluation of the Board and individual Directors.

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 audit committee comprises three members of the Board, with an independent Director elected as the chairman - this is not the same as the Chairman of the Board of Directors.

In respect of the year ended 30 June 2020, the Managing Director and the Chief Financial Officer have provided certifications to the Board that the financial records of the Company have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company and has a sound system of risk management and internal control which is operating effectively.

The Company has adopted policies in relation to conduct of Directors, senior management and employees of the Company. The policies require Directors, senior management and employees to act ethically, responsibly, honestly, in good faith, and in the best interest of the Company as a whole, whilst complying with laws and regulations.

The Company has adopted a Share Trading Policy, which must be complied with by all directors and employees. The policy summarises the insider trading prohibitions in the *Corporations Act 2001* and provides information on trading windows, exceptional circumstances, excluded trading, and an obligation on directors and employees to disclose all trades in the Company's shares.

The Company's external auditor attends the annual general meeting and is available to answer questions from the shareholders relevant to the audit.

In accordance with the ASX Continuous Disclosure requirements, the Company ensures that price sensitive information is released to the market on a timely basis including through the annual and half-yearly reports. At the election of shareholders reports issued by the Company are provided electronically. Additional information regarding the operation of CVC can be found at www.cvc.com.au, by contacting the Company directly or by attending the annual general meeting.

Additional Information

CVC LIMITED AND ITS CONTROLLED ENTITIES

The following information was current as at 28 August 2020.

DISTRIBUTION SCHEDULE

The distribution of shareholders and their shareholdings was as follows:-

Category (size of holding)	Number of ordinary shareholders	Number of convertible noteholders
1 - 1,000	197	1,292
1,001 - 5,000	244	56
5,001 - 10,000	138	2
10,001 - 100,000	211	2
100,001 - over	68	-
Total	**858**	**1,352**

	Minimum parcel size	Number of shareholders
UNMARKETABLE PARCELS		
Ordinary shares		
Minimum $500.00 parcel at $1.50 per share	334	102
Convertible notes		
Minimum $500.00 parcel at $83 per note	6	-

On market share buy-back

The Company has a current on market share buy-back which commenced on 25 November 2019.

SUBSTANTIAL HOLDERS

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

Shareholder	Number of ordinary shares in which interest held
Mr John Scott Leaver (a)	50,476,985
Southsea (Aust) Pty Limited	17,610,506
Dr Joseph David Ross	12,200,000
Anglo Australian Christian & Charitable Fund	9,712,816

(a) Mr Leaver's holding includes 20,704,611 shares held by Leagou Pty Limited and 3,233,469 shares held by Wenola Pty Limited.

Additional Information

CVC LIMITED AND ITS CONTROLLED ENTITIES

20 largest shareholders – ordinary shares

As at 28 August 2020, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
Ordinary Shares		
Mr John Scott Leaver	26,355,973	22.48
Leagou Pty Limited	20,704,611	17.66
Southsea (Aust) Pty Limited	17,610,506	15.02
Anglo Australian Christian & Charitable Fund	9,712,816	8.28
J K M Securities Pty Limited	6,700,000	5.71
JKM Securities Pty Limited	5,500,000	4.69
Chemical Overseas Limited	4,861,741	4.15
Wenola Pty Limited	2,488,757	2.12
Mr Nigel Cameron Stokes	1,000,000	0.85
Dr Raymond Joseph Healey	817,517	0.70
Melbourne Corporation of Australia Pty Limited	576,893	0.49
Heasman Superannuation Pty Ltd	505,100	0.43
Mr Julian Tertini	480,000	0.41
Cannington Corporation Pty Ltd	466,094	0.40
Syvest Pty Ltd	450,000	0.38
John Angela Pty Limited	445,000	0.38
Wenola Pty Limited	422,052	0.36
JA Investments Limited	420,000	0.36
Jasperson Pty Limited	381,817	0.33
Mr Geoffrey Leaver	350,000	0.30
	100,248,877	85.50
Convertible Notes		
J P Morgan Nominees Australia Pty Limited	28,960	5.15
HSBC Custody Nominees (Australia) Limited	10,756	1.91
Investment Management Co Pty Ltd	6,750	1.20
Mutual Trust Pty Ltd	5,547	0.99
National Nominees Limited	4,753	0.85
Radder Investments Pty Ltd	4,030	0.72
Vision Australia Foundation	3,934	0.70
R S Management Pty Limited	3,734	0.66
Netwealth Investments Limited	3,258	0.58
Pstar Pty Ltd	2,800	0.50
Ciano Investments Pty Ltd	2,550	0.45
Erwin Small Pty Ltd	2,500	0.44
Dr Andrew Robert Small	2,500	0.44
Waterloo Medical Centre Pty Ltd	2,500	0.44
Mr Damien Joseph Kenneally & Mrs Candace Lynn Kenneally	2,358	0.42
Joly Pty Ltd	2,200	0.39
Selbourne Investments Pty Ltd	2,010	0.36
Sutclife Family Administration Pty Ltd	2,006	0.36
Morben Nominees Pty Ltd	2,005	0.36
Abtourk (SYD No 415) Pty Ltd	2,000	0.36
	97,151	17.28

VOTING RIGHTS

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

REGISTERED OFFICE

The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Suite 40.04, Level 40 Governor Phillip Tower, 1 Farrer Place, SYDNEY NSW 2000.

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DESIGN - KETTLE OF FISH DESIGN

CVC Limited

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