

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**FINANCIAL REPORT**

ARSN 107 276 184

ABN 32 224 732 497

For the financial year ended  
30 June 2011

**The financial report was authorised for issue by the Directors of the Responsible Entity on 26 August 2011. The Responsible Entity has the power to amend and reissue the financial report.**

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## COMPANY PARTICULARS

### **CVC Property Fund**

ARSN 107 276 184

ABN 32 224 732 497

### **RESPONSIBLE ENTITY**

CVC Property Managers Limited

Level 42, 259 George St

Sydney NSW 2000

ACN 066 092 028

ABN 72 066 092 028

### **REGISTERED OFFICE**

Level 42, 259 George St

Sydney NSW 2000

Telephone: (02) 9087 8000

Facsimile: (02) 9087 8088

### **CUSTODIAN**

Trust Company Limited

Level 17, 20 Bond Street

Sydney, NSW 2000, Australia

ACN 113 947 309

Telephone: (02) 8295 8800

Facsimile: (02) 8295 8675

### **DIRECTORS OF THE RESPONSIBLE ENTITY**

Vanda Russell Gould (Chairman and Executive Director)

Alexander Damien Beard (Executive Director)

Kim Warren McGrath (Non-Executive Director)

John Tak Ching Lau (Non-Executive Director)

### **SOLICITORS TO RESPONSIBLE ENTITY**

Thompsons Lawyers

Level 16, Waterfront Place

1 Eagle Street

Brisbane QLD 4000

Telephone: (07) 3246 4000

Facsimile: (07) 3229 4077

### **COMPLIANCE COMMITTEE**

Gordon Quah-Smith (Chairperson)

Russell Wheeler

Peter Kalantzis

### **AUDITORS TO THE GROUP**

HLB Mann Judd

Chartered Accountants

Level 19, 207 Kent Street

SYDNEY, NSW 2000, AUSTRALIA

Telephone: (02) 9020 4000

Facsimile: (02) 9020 4191

### **COMPANY SECRETARY**

John Andrew Hunter

### **UNIT REGISTRY**

Gould Ralph Services Pty Limited

Share Registry Division

Level 42, 259 George Street

SYDNEY, NSW 2000, AUSTRALIA

Telephone: (02) 9032 3000

Facsimile: (02) 9032 3088

### **STOCK EXCHANGE LISTING**

Australian Stock Exchange Limited

# **CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES**

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# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## DIRECTORS' REPORT

The Directors of CVC Property Managers Limited (ACN 066 092 028), ("the Responsible Entity"), submit herewith the financial report of CVC Property Fund ("the Fund") and its controlled entities ("the Group") for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

### DIRECTORS

The names of the Directors of the Responsible Entity during or since the end of the financial year and their qualifications are:

**Vanda Russell Gould** (Chairman and Executive Director)

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

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

During the past three years Mr Gould has also served as a Director and Chairman of CVC Limited, Cyclopharm Limited and Vita Life Sciences Limited, as well as numerous private and public companies including educational establishments.

**Alexander Damien Beard** (Executive Director)

B. Com. (Uni. of NSW)

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

During the past three years Mr Beard has also served as Chairman of Cellnet Limited and as Director of the following other listed companies: CVC Limited, Mnet Group Limited, Cyclopharm Limited, Villa World Group and Amadeus Energy Limited.

**Kim Warren McGrath** (Non-Executive Director)

BEC(Hons) LLB (ANU), Adv Management Prog (Oxon), Dip Fin Services (AFMA), Fin Analysis Cert (UTS), FAIT, FAICD, CPA and Practising Solicitor (Victoria), and ASIC PS146/164 compliant.

During the past three years Mr McGrath has also served as a Director of the following other listed companies: Redbank Copper Limited, Oil Basins Limited and Strategic Energy Resources Limited.

**John Tak Ching Lau** (Non-Executive Director)

MAppFin (Macq), BBus (UTS), Ad Dip Property (Valuation), Dip Bus (Real Estate Management), Cert IV in Ass & Workplace Training, ASIC PS146/164 compliant, LVal, LREA, PAAPI, Justice of Peace (NSW)

Mr Lau is currently a Director of a private company group with its main focus being in residential property development since the early 1990's.

The above named Directors held office during and since the end of the financial year unless otherwise stated.

### COMPANY SECRETARY

**John Andrew Hunter**

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

Member of the Institute of Chartered Accountants in Australia.

### PRINCIPAL ACTIVITIES

The Fund is a listed registered managed investment scheme domiciled in Australia.

The Group's principal activity during the financial year was to hold a portfolio of property investments in accordance with the provisions of the Constitution. There has been no significant change in the activities of the Group during the financial year. The Group did not have any employees during the year.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## DIRECTORS' REPORT (CONTINUED)

### REVIEW OF OPERATIONS

#### *Results*

The results of the operations of the Group are disclosed in the statement of comprehensive income of this financial report. The net loss attributable to unitholders for the year ended 30 June 2011 was \$317,913 (2010: loss of \$4,375,081).

Following the acquisition of the commercial properties in Frenchs Forest, New South Wales and Knoxfield, Victoria in March 2010, and the recapitalisation of the Fund in June 2010, the Group is currently generating positive cashflows from operations.

On 6 August 2010 the Fund completed a rights issue of 1.5 units for each unit held at 1.2 cents. The total acceptances received, including CVC Limited, amounted to \$5,303,284 representing 441,940,365 units.

#### *Distributions*

No distribution has been declared during the financial year or since the end of the financial year (2010: nil).

### CHANGES IN STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the Group other than that referred to in the financial statements or notes thereto.

### SUBSEQUENT EVENTS

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial periods subsequent to 30 June 2011.

### LIKELY DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

### OPTIONS GRANTED

No options were:

- (i) Granted over unissued units in the Group during or since the end of the financial year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Group were under option as at the date on which this Report is made.

No units were issued in the Group during or since the end of the financial year as a result of the exercise of an option over unissued units in the Group.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## DIRECTORS' REPORT (CONTINUED)

### INDEMNIFICATION OF OFFICERS OF THE RESPONSIBLE ENTITY AND AUDITORS

During or since the financial year the Group has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

The Responsible Entity has paid insurance premiums in respect of liability and legal expenses that may be incurred by the Directors' and Officers' of the Responsible Entity.

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.

The Responsible Entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an auditor of the Group.

### AUDITOR'S INDEPENDENCE DECLARATION

During the financial year the auditor, HLB Mann Judd did not provide non-audit services to the Group. The auditor's independence declaration is included on page 5 of the financial report.

### SCHEME INFORMATION IN THE DIRECTORS' REPORT

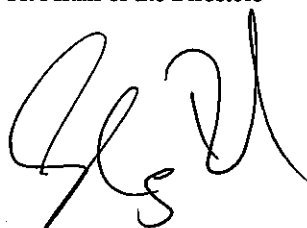
Fees paid to the Responsible Entity and its associates from the Group during the financial year are disclosed in note 15 to the financial statements.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 15 to the financial statements.

The number of units issued by the Fund during the financial year and the number of units in the Fund at the end of the financial year are disclosed in note 9 to the financial statements.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Alexander Damien Beard  
Director  
CVC Property Managers Limited  
26 August 2011

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES  
ARSN 107 276 184**

**AUDITOR'S INDEPENDENCE DECLARATION**

**To the Directors of CVC Property Managers Limited:**

As lead auditor for the audit of CVC Property Fund for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration includes CVC Property Fund and the entities it controlled during the year.



**P B Meade**  
Partner

**Sydney**  
**26 August 2011**

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>INCOME</b>			
Interest income		3,851	7,501
Rental income		5,825,983	2,606,680
Outgoings recovered		830,791	417,421
Other income		1,000	-
<b>Total income</b>	<b>3(a)</b>	<b>6,661,625</b>	<b>3,031,602</b>
<b>EXPENSES</b>			
Change in fair value of investment properties		1,063,330	3,989,012
Investment property-related expenses		841,126	432,959
Administrative expenses		607,456	421,153
Borrowing costs		4,467,626	2,563,559
<b>Total expenses</b>	<b>3(b)</b>	<b>6,979,538</b>	<b>7,406,683</b>
<b>Net Loss attributable to unitholders</b>		<b>(317,913)</b>	<b>(4,375,081)</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(317,913)</b>	<b>(4,375,081)</b>
<b>Basic and diluted earnings per unit (cents per unit)</b>		<b>(0.04)</b>	<b>(4.14)</b>

*Notes to the statement of comprehensive income are included on pages 10 to 23.*



**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	12(a)	163,480	61,352
Trade and other receivables	5	288,219	238,039
Current tax assets		17,887	17,887
<b>Total current assets</b>		<u>469,586</u>	<u>317,278</u>
<b>NON-CURRENT ASSETS</b>			
Investment properties	6	67,800,000	68,700,000
<b>Total non-current assets</b>		<u>67,800,000</u>	<u>68,700,000</u>
<b>Total assets</b>		<u>68,269,586</u>	<u>69,017,278</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	651,323	436,156
Interest bearing liabilities	8	-	24,266,732
<b>Total current liabilities</b>		<u>651,323</u>	<u>24,702,888</u>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing liabilities	8	54,249,960	35,900,000
<b>Total non-current liabilities</b>		<u>54,249,960</u>	<u>35,900,000</u>
<b>Total liabilities</b>		<u>54,901,283</u>	<u>60,602,888</u>
<b>Net assets</b>		<u>13,368,303</u>	<u>8,414,390</u>
<b>Equity</b>			
Contributed equity	9	32,468,074	27,196,248
Unallocated losses	10	(19,099,771)	(18,781,858)
<b>Total unitholders' equity</b>		<u>13,368,303</u>	<u>8,414,390</u>

*Notes to the statement of financial position are included on pages 10 to 23.*

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	Contributed equity \$	Unallocated losses \$	Total \$
<b>At 1 July 2010</b>	<b>27,196,248</b>	<b>(18,781,858)</b>	<b>8,414,390</b>
Net loss for the year	-	(317,913)	(317,913)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(317,913)	(317,913)
<b>Transactions with unitholders:</b>			
Units issued	5,303,284	-	5,303,284
Transaction costs in relation to units issued	(31,458)	-	(31,458)
<b>At 30 June 2011</b>	<b>32,468,074</b>	<b>(19,099,771)</b>	<b>13,368,303</b>
<b>At 1 July 2009</b>	<b>20,158,823</b>	<b>(14,406,777)</b>	<b>5,752,046</b>
Net loss for the year	-	(4,375,081)	(4,375,081)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(4,375,081)	(4,375,081)
<b>Transactions with unitholders:</b>			
Units issued	7,092,425	-	7,092,425
Transaction costs in relation to units issued	(55,000)	-	(55,000)
<b>At 30 June 2010</b>	<b>27,196,248</b>	<b>(18,781,858)</b>	<b>8,414,390</b>

*Notes to the statement of changes in equity are included on pages 10 to 23.*

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations (inclusive of GST)		7,689,408	3,060,668
Cash payments in the course of operations (inclusive of GST)		(2,290,166)	(801,784)
Interest received		3,851	7,501
Finance costs		(4,403,864)	(2,292,782)
<b>Net cash provided by/(used in) operating activities</b>	<b>12(b)</b>	<b>999,229</b>	<b>(26,397)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment in relation to investment properties		(239,382)	(46,192,239)
<b>Net cash used in investing activities</b>		<b>(239,382)</b>	<b>(46,192,239)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		1,870,271	46,365,548
Repayment of borrowings		(2,771,773)	(481,945)
Units issued		330,241	-
Transaction costs in relation to units issued		(86,458)	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(657,719)</b>	<b>45,883,603</b>
<b>Net increase/(decrease) in cash and cash equivalents held</b>		<b>102,128</b>	<b>(335,033)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>61,352</b>	<b>396,385</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>12(a)</b>	<b>163,480</b>	<b>61,352</b>

*Notes to the statement of cash flows are included on pages 10 to 23.*

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES

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

#### **Basis of Preparation**

CVC Property Managers Limited ABN 72 066 092 028 is the Responsible Entity of the CVC Property Fund ("the Fund") and its controlled entities ("the Group"). The Responsible Entity's registered office is Level 42, 259 George St, Sydney, NSW 2000. The Fund commenced operations on 10 October 1980.

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 also been prepared on a historical cost basis, except for investment properties which have been measured at fair value.

#### **Critical accounting estimates**

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 the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 6 (properties held).

#### **Statement of Compliance**

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

The group has adopted the following new and amended Australian Accounting Standards and AASB interpretations as of 1 July 2010:

AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010.

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

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* which have been recently issued but is effective for reporting periods commencing on or after 1 January 2013. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial report.

### **1.1 Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the CVC Property Fund and its controlled entities during the year ended 30 June 2011. The financial statements of controlled entities are included in the results only from the date control commences until the date control ceases and include those entities over which the Fund has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In preparing the consolidated financial statements, all inter company balances and transactions, income and expenses and profits and losses resulting from intra-group transactions 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 controlled entities 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.

#### **Parent entity information**

The financial information of the Fund is disclosed in note 2 and has been prepared on the same basis as the consolidated financial statements. Investments in controlled entities are initially recorded at cost. Following initial recognition investments are carried at cost less any accumulated impairment losses.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES (Cont.)

#### 1.2 Revenue Recognition

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

##### *Interest*

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 discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

##### *Rental income*

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

##### *Outgoings recovered*

Recovery of outgoings in relation to the operating leases is recognised on a straight line basis over the term of the lease.

##### *Investment Properties*

Investment properties are stated at fair value, which reflects market conditions at balance sheet date. Gains and losses arising from changes in the fair values of investment properties are recognised on profit or loss in the year which they arise.

#### 1.3 Cash and Cash Equivalents

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

#### 1.4 Trade and Other Receivables

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

A provision for impairment is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### 1.5 Investment Property

Investment properties are measured initially at cost, which includes transaction costs. After initial recognition, investment properties are measured at fair value. Changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise.

#### 1.6 Trade and Other Payables

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

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 1: STATEMENT OF ACCOUNTING POLICIES (Cont.)

#### 1.7 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 consists of interest and other costs relating to the financing of the acquisition of investment properties, and are expensed in the period they occur.

#### 1.8 Income Tax and Other Taxes

Under current income tax legislation the Group is not liable to pay income tax as income of the Group is fully distributed to unitholders.

Realised capital losses are not distributed to unitholders but retained to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

#### *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.

#### 1.9 Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders by way of cash.

#### 1.10 Comparative Figures

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

#### 1.11 Impairment

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 2: PARENT COMPANY INFORMATION**

The salient financial information in relation to the parent entity, CVC Property Fund, is as follows:

	2011	2010
	\$	\$
Current assets	39,110	40,147
Total assets	<u>14,338,425</u>	<u>10,210,144</u>
Current liabilities	85,926	97,517
Total liabilities	<u>1,423,321</u>	<u>1,795,754</u>
Net assets	<u>12,915,104</u>	<u>8,414,390</u>
<b>Equity</b>		
Contributed equity	32,468,074	27,196,248
Unallocated losses	<u>(19,552,970)</u>	<u>(18,781,858)</u>
	<u>12,915,104</u>	<u>8,414,390</u>
Net loss	<u>(771,112)</u>	<u>(4,375,081)</u>
Total comprehensive loss for the year	<u>(771,112)</u>	<u>(4,375,081)</u>

**CVC PROPERTY FUND  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
<b>NOTE 3: INCOME AND EXPENSES</b>		
Loss attributable to unit holders has been determined after:		
<b>(a) Income</b>		
Interest receipts – other entities	3,851	7,501
Rental income	5,825,983	2,606,680
Outgoings recovered	830,791	417,421
Other income	1,000	-
	6,661,625	3,031,602
<b>(b) Expenses</b>		
Audit	47,750	41,000
Borrowing Costs		
Related entities	1,881,559	1,372,601
Other entity	2,586,067	1,190,958
Change in fair value of investment properties	1,063,330	3,989,012
Land tax	260,415	185,784
Management fees	446,538	244,227
Other expenses	693,879	383,101
	6,979,538	7,406,683

**NOTE 4: REMUNERATION OF AUDITORS**

Amounts received or due and receivable by auditor of the Group:

Auditing or reviewing the financial report	42,750	36,000
Other audit services – compliance plan audit	5,000	5,000
	47,750	41,000

The auditor of the Group is HLB Mann Judd.



# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
<b>NOTE 5: TRADE AND OTHER RECEIVABLES</b>		
Prepayments	288,219	216,147
Other receivables	-	21,892
	288,219	238,039

<b>NOTE 6: INVESTMENT PROPERTIES</b>		
Investment properties	67,800,000	68,700,000
	67,800,000	68,700,000

Name	Ownership %	Acquisition Date	Acquisition Price (\$'million)	Total Cost including additions (\$'million)	Date of Latest External Valuation	Independent Valuer	Movement since Acquisition (\$'million)	Consolidated Book Value 30 June 2011 (\$'million)	Consolidated Book Value 30 June 2010 (\$'million)
1 Narabang Way, Belrose NSW (a)	100%	Apr 2007	\$13.7	\$15.1	21 Oct 2008	Colliers International	(\$9.2)	\$5.9 (a)	\$6.8
8 Rodborough Rd Frenchs Forest NSW (b)	100%	Oct 2007	\$21.0	\$22.4	12 Mar 2010	CB Richard Ellis	(\$4.6)	\$17.8	\$17.8
357-373 Warringah Rd Frenchs Forest NSW (b)	100%	Mar 2010	\$14.2	\$15.2	2 Feb 2010	Colliers International	(\$0.1)	\$15.1	\$15.1
1464 Ferntree Gully Rd Knoxfield VIC (b)	100%	Mar 2010	\$28.8	\$30.5	5 Feb 2010	Jones Lang LaSalle	(\$1.5)	\$29.0	\$29.0

(a) The fair value has been determined by Directors based on the unimproved land value assessed by the Office of State Revenue effective 1 January 2011. The basis of the valuation has been determined by using a direct comparison approach.

(b) The fair value has been determined by the directors based on an independent valuation using a combination of discounted cash flow, capitalisations of income and direct comparison approaches. The directors are of the opinion that the independent valuation is a reasonable reflection of the current market value. The below table illustrates the key valuation assumptions used in the determination of the investment properties fair value.

	Weighted average	
	2011	2010
Capitalisation rate	9.5%	9.4%
Lease expiry	6.59 years	7.59 years
Occupancy	100%	100%

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	2011	2010
	\$	\$
<b>NOTE 6: INVESTMENT PROPERTIES (Cont.)</b>		
Investment property	67,800,000	68,700,000
	<u>67,800,000</u>	<u>68,700,000</u>
<b>Gross carrying amount</b>		
Opening balance	68,700,000	18,000,000
Reclassification from property, plant and equipment following change in accounting standard	-	8,500,000
Additions - acquisition of properties	-	45,673,604
Additions – capital expenditure	163,330	515,408
Fair value adjustment	(1,063,330)	(3,989,012)
	<u>67,800,000</u>	<u>68,700,000</u>
Closing balance	67,800,000	68,700,000
	<u>67,800,000</u>	<u>68,700,000</u>
<b>NOTE 7: TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
<b>Unsecured:</b>		
Trade creditors	162,823	47,869
Accruals	64,731	211,918
Goods and services tax	151,918	139,803
Other payables	271,851	36,566
	<u>651,323</u>	<u>436,156</u>
	<u>651,323</u>	<u>436,156</u>

Payables are non-interest bearing and are normally settled within 30 days.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
<b>NOTE 8: INTEREST BEARING LIABILITIES</b>		
<b>Current</b>		
<b>Unsecured:</b>		
Related entities (a)	-	24,266,732
	<u>                    </u>	<u>                    </u>
<b>Non-Current</b>		
<b>Unsecured:</b>		
Related entities (a)	18,349,960	-
<b>Secured:</b>		
Unrelated entity (b)	35,900,000	35,900,000
	<u>                    </u>	<u>                    </u>
	<u>54,249,960</u>	<u>35,900,000</u>

(a) Borrowing from related party is an unsecured loan. The loan attracts an interest rate of 10% per annum and has a maturity date of 31 October 2013.

(b) Borrowings from the unrelated entity are from National Australia Bank, attracts a rate of interest of BBSY plus 1.85% per annum and are secured by first ranking mortgages over the properties at 8 Rodborough Road Frenchs Forest NSW, 1 Narabang Way, Belrose NSW, 357-373 Warringah Rd Frenchs Forest NSW and 1464 Ferntree Gully Rd Knoxfield VIC. The terms of the loan include the maintenance of loan valuation ratio of not more than 55% and an interest cover ratio of 1.5 times with the maturity of the facility at 31 October 2012.

### NOTE 9: CONTRIBUTED EQUITY

Movements in unitholder's equity were as follows:

	2011		2010	
	Number	\$	Number	\$
Balance at the beginning of the year	325,909,839	27,196,248	105,648,188	20,158,823
Units issued	441,940,365	5,303,284	220,261,651	7,092,425
Transaction costs in relation to units issued	-	(31,458)	-	(55,000)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance at the end of the year	<u>767,850,204</u>	<u>32,468,074</u>	<u>325,909,839</u>	<u>27,196,248</u>
Net tangible asset backing (cents per unit)		<u>1.74</u>		<u>2.58</u>

All units on issue were of the one class, namely fully paid ordinary voting units and carry the right to distributions. Each unitholder is entitled to one vote on a show of hands on any matter at a meeting of unitholders. On a poll, each member has one vote for each dollar of the value of the total interests they have in the Fund.

### NOTE 10: UNALLOCATED LOSSES

	2011	2010
	\$	\$
Unallocated losses at the beginning of the year	(18,781,858)	(14,406,777)
Net loss attributable to unitholders	(317,913)	(4,375,081)
	<u>                    </u>	<u>                    </u>
Unallocated losses at the end of the year	<u>(19,099,771)</u>	<u>(18,781,858)</u>

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 11: EARNINGS PER UNIT**

	2011	2010
Basic and diluted earnings per unit (cents per unit)	<u>(0.04)</u>	<u>(4.14)</u>
	2011	2010
	\$	\$
Earnings used in the calculation of basic and diluted earnings per unit	<u>(317,913)</u>	<u>(4,375,081)</u>
Weighted average number of units used in the calculation of basic and diluted earnings per unit	<u>723,050,770</u>	<u>105,648,188</u>

**NOTE 12: NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of cash and cash equivalents:**

For the purposes of the cash flow statement, cash includes cash on hand and in banks, investments in money market instruments net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

	2011	2010
	\$	\$
Cash and cash equivalents	<u>163,480</u>	<u>61,352</u>

**(b) Reconciliation of cash flow from operating activities to loss for the period:**

Net loss attributable to unitholders	(317,913)	(4,375,081)
<i>Non cash flows loss</i>		
Impairment of investment properties	1,063,330	3,989,012
<i>Changes in assets and liabilities</i>		
Increase in trade and other receivables	(50,180)	(129,622)
Increase in trade and other payables	303,992	489,294
Net cash provided by/(used in) operating activities	<u>999,229</u>	<u>(26,397)</u>

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 13: FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The Group'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.

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

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

#### (a) Interest rate risk

The Groups' exposure to interest rate risks of financial assets and liabilities, both recognised and unrecognised at the balance date are as follows:

	Note	Floating Interest Rate \$	Fixed Interest 1 Year or Less \$	1 to 5 Years \$	Non Interest Bearing \$	Total \$
<b>2011:</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	12	128,180	35,300	-	-	163,480
Trade and other receivables	5	-	-	-	288,219	288,219
<b>Financial Liabilities</b>						
Trade and other payables	7	-	-	-	651,323	651,323
Interest bearing liabilities	8	35,900,000	-	18,349,960	-	54,249,960
<b>2010:</b>						
<b>Financial Assets</b>						
Cash and cash equivalents	12	26,052	35,300	-	-	61,352
Trade and other receivables	5	-	-	-	238,039	238,039
<b>Financial Liabilities</b>						
Trade and other payables	7	-	-	-	436,156	436,156
Interest bearing liabilities	8	35,900,000	24,266,732	-	-	60,166,732

The Group holds a significant amount of cash balances. The Group's exposure to interest rates on financial assets and liabilities are detailed in the liquidity risk section below.

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

	Decrease of 50 bp \$	Increase of 50 bp \$
<b>2011</b>		
Net profit	176,696	n/a
Equity increase	176,696	n/a
<b>2010</b>		
Net loss	n/a	96,789
Equity decrease	n/a	96,789

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 13: FINANCIAL INSTRUMENTS (Cont.)

#### (b) Credit risk

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

The Group's exposure to credit risk includes:

- (i) 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
- (ii) Rental income generated from investment properties, which is mitigated by leasing the properties to high grade tenants and obtaining bank guarantees.

At reporting date there are no overdue trade debtors.

#### (c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash balances to meet commitments.

The following table details the Group's contractual maturity for its financial assets and financial liabilities as at 30 June 2011:

	Less than 6 months	6 to 12 months	1 to 5 years	Total
	\$	\$	\$	\$
<b>2011</b>				
Trade and other payables	651,323	-	-	651,323
Interest bearing liabilities	-	-	54,249,960	54,249,960
<b>2010</b>				
Trade and other payables	436,156	-	-	436,156
Interest bearing liabilities	-	24,266,732	35,900,000	60,166,732

The interest bearing liability due between 1 to 5 years includes a secured loan with a maturity date of 31 October 2012 and a unsecured loan with a maturity date of 31 October 2013.

#### (d) Net fair value

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

### NOTE 14: SEGMENT REPORTING AND ADDITIONAL INFORMATION

The Fund is a listed managed investment scheme, operating in Australia. There are no employees of the Group.

The Group operates predominantly in one industry being property investment and development and in one geographical location being Australia.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 15: RELATED PARTY DISCLOSURE

#### (a) Key management personnel

The names of the key management personnel of the Group during the financial year were:

- Vanda Russell Gould (Chairman and Executive Director)
- Alexander Damien Beard (Executive Director)
- Kim Warren McGrath (Non-Executive Director)
- John Tak Ching Lau (Non-Executive Director)

The positions noted above for the Group's key management personnel are the positions held within the Responsible Entity and not the Group itself.

#### (b) Compensation of key management personnel

No amounts were paid by the Group directly to key management personnel. The table below discloses the remuneration received by key management personnel from the Responsible Entity and related parties. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries. No share-based compensation or other benefits except as disclosed are granted to Directors.

		Short-term employee benefits		Post - employ't benefits		Total
		Base Salary Fees	STI Bonus	Superannuation	Other (c)	
Vanda R. Gould(a)	2011	275,000	-	24,754	3,638	303,392
	2010	200,000	-	-	-	200,000
Alexander D. Beard(b)	2011	296,290	150,000	25,000	3,638	474,928
	2010	229,357	20,000	20,642	3,375	273,374
Kim W. McGrath	2011	24,000	-	2,160	-	26,160
	2010	24,000	-	2,160	-	26,160
John T. K. Lau	2011	10,000	-	900	-	10,900
	2010	10,000	-	900	-	10,900
Total	2011	605,290	150,000	52,814	7,276	815,380
	2010	463,357	20,000	23,702	3,375	510,434

(a) Mr Gould is a Director of CVC Limited, a shareholder of the Responsible Entity. Mr Gould is not remunerated by the Responsible Entity. The amount disclosed is the remuneration paid by CVC Limited for the period that Mr Gould has been a Director of the Responsible Entity, as this can not be apportioned between his responsibilities as Director of the Responsible Entity and other unrelated duties.

(b) Mr Beard is an employee of CVC Managers Pty Limited, a subsidiary of CVC Limited. Mr Beard is not remunerated by the Responsible Entity. The amount disclosed is for the financial year and represents the total remuneration paid by CVC Managers Pty Limited as this can not be apportioned between his responsibilities as Director of the Responsible Entity and other unrelated duties.

(c) No other long-term employee benefits, termination benefits or share based payment have been received by key management personnel.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 15: RELATED PARTY DISCLOSURE (Cont.)

#### (c) Holdings of units by key management personnel and their related parties.

	Units held at 1 July 2010 No.	Movement in units held during year No.	Units held at 30 June 2011 No.
Vanda R. Gould	4,687,500	7,031,250	11,718,750
Alexander D. Beard	1,250,000	-	1,250,000
	<u>5,937,500</u>	<u>7,031,250</u>	<u>12,968,750</u>

#### (d) Responsible Entity, Manager and Custodian

The Responsible Entity of the Group is CVC Property Managers Limited ABN 72 066 092 028, AFSL 229 809.

CVC Property Managers Limited also acts as manager of the Group and Trust Company Australia Limited is the custodian.

#### (e) Holdings of units by Responsible Entity and its Associates

The Responsible Entity does not hold, and has not held units in the Group. On 31 July 2010 CVC Limited acquired an additional 414,420,286 units in the Fund for the consideration of \$4,973,043 in exchange for a reduction in a loan facility provided for the same amount. The interests in the units issued by the Fund to related entities of the Responsible Entity during the financial are as follows

	Units held at 1 July 2010 No.	Movement in units held during year No.	Units held at 30 June 2011 No.
CVC Limited and its subsidiaries	275,820,163	414,420,286	690,240,449

#### (f) Loans to key management personnel

No loans were made by the Group to key management personnel or other related parties.

#### (g) Transactions with related parties

Transactions with related parties have taken place at arms length and in the ordinary course of business.

- (i) Management fees of \$446,538 (2010: \$244,227) were paid to CVC Property Managers Limited;
- (ii) The Directors of the Responsible Entity named in the foregoing Directors' Report each held office as a Director of the Responsible Entity throughout the year ended 30 June 2011;
- (iii) Custodian fees of \$27,333 (2010: \$22,046) were paid to Trust Company Australia Limited as Custodian of the Fund of which \$6,828 (2010: \$6,945) is included in accruals at year end;
- (iv) Trustee fees of \$22,150 (2010: \$66,172) were paid to Trust Company Australia Limited as Trustee of Belrose Unit Trust No. 1, Belrose Unit Trust No. 2 and Belrose Unit Trust No. 3. The amount includes an accrual of \$5,493 at year end;
- (v) During the year, a repayment of \$21,226 was made to extinguish the loan and accrued interest between Frenchs Forest No.1 Trust and CVC Limited;



# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 15: RELATED PARTY DISCLOSURE (Cont.)

#### (g) Transactions with related parties (Cont.)

(vi) CVC Limited has provided loans to certain entities of the Group. The transactions during the year are as follows:

	Opening balance	Repayments	Proceeds	Units issued to offset loan	Interest charged	Closing balance
Frenchs Forest No.2 Trust	9,767,682	(2,207,321)	1,107,430	(4,973,043)	459,928	4,154,676
CVC Knoxfield Unit Trust No.1	14,477,823	(2,467,000)	762,841	-	1,421,620	14,195,284

### NOTE 16: EVENTS SUBSEQUENT TO YEAR END

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in financial periods subsequent to 30 June 2011.

### NOTE 17: FINANCIAL ASSETS

#### 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.

	Interest Held by Consolidated Entity	
	2011 %	2010 %
<b>CVC Property Fund</b>		
Belrose Unit Trust No. 1	100	100
Belrose Unit Trust No. 2	100	100
Belrose Unit Trust No. 3	100	100
CVC Knoxfield Unit Trust No. 1	100	100
Frenchs Forest No. 1 Trust	100	100
Frenchs Forest No. 2 Trust	100	100
Lauden CVC Property Trust	100	100

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## DIRECTORS' DECLARATION

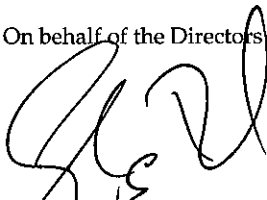
In the opinion of the Directors of the Responsible Entity:

- (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 2011 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 the Fund 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 section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2011.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



Alexander Damien Beard  
Director  
CVC Property Managers Limited  
26 August 2011

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES  
ARSN 107 276 184**

**INDEPENDENT AUDITOR'S REPORT**

To the unitholders of CVC Property Fund

**Report on the Financial Report**

We have audited the accompanying financial report of CVC Property Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the Fund and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 6 to 24.

***Directors' Responsibility for the Financial Report***

The directors of CVC Property Managers Limited, the responsible entity for the Fund, 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 is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report 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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

**CVC PROPERTY FUND  
AND ITS CONTROLLED ENTITIES  
ARSN 107 276 184**

**INDEPENDENT AUDITOR'S REPORT (continued)**

***Independence***


In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of CVC Property Managers Limited as responsible entity for CVC Property Fund on 26 August 2011, would be in the same terms if provided to the directors as at the time of this auditor's report.

***Auditor's Opinion***

In our opinion:

- (a) the financial report of CVC Property Fund is 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 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

  
**HLB MANN JUDD**  
Chartered Accountants

  
**P B Meade**  
Partner

**Sydney**  
26 August 2011

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Responsible Entity (the "Board") is responsible for the corporate governance in its management of the Fund. The Board is required to act with integrity, honesty, in good faith and in the best interest of the Fund as a whole in the execution of its duties including setting, guiding and monitoring the business and affairs of the Fund, including risk management and compliance with regulatory, legal and ethical standards. The Board is responsible for the oversight of reporting to the unitholders. At the date of this report the Directors in office are as follows:

Vanda Russell Gould (*Chairman and Executive Director*)  
Alexander Damien Beard (*Executive Director*)  
Kim Warren McGrath (*Independent Director*)  
John Tak Chin Lau (*Independent Director*)

The respective roles of the Board and management of the Responsible Entity are set out in the Compliance Plan which is available to members. Appointment to the Board of Directors is dependent on skills, experience and other qualifications rather than solely on achieving a pre-specified diversity target. Details of skills, experience and other qualifications of Directors are included in the Directors' Report. The Board of Directors is, given the size and scale of the organisation, currently evaluating the implications of adopting a policy and measurable targets in relation to diversity. The Responsible Entity and the Fund does not employ any staff other than the Directors.

The Board considers that the Fund seeks to comply, where appropriate, with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council. Where the Fund 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 maybe inappropriate. Entities are at liberty to determine whether each recommendation is appropriate. Different entities 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 the Fund, 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 Board chose to comply with selected recommendations throughout the financial year ended 30 June 2011, in particular those discussed in detail below:

### **Board Composition of the Responsible Entity**

The Board of the Responsible Entity comprises two independent Directors and two executive Directors.

The Chairman is responsible for leading the Board, ensuring the Board's activities are organised and efficiently conducted and for ensuring Directors are properly briefed for meetings.

The Managing Director is responsible for the management and operation of the Responsible Entity and the Fund. Those powers not specifically reserved to the Board and which are required for the management and operation of the Fund, are conferred on the Managing Director.

The Board believes that the current structure of the Board operates effectively and efficiently, allowing the Board to collectively exercise its authority without the need for many sub-committees and is appropriate to manage the Fund given its size and complexity. Further, the Board has considered the competencies and experience of each of the Directors and believes that it is not in the interests of unitholders to seek to replace any of the current Board members.

The Board has established a Compliance Committee comprising three members who are independent of the Board. These are as follows:

Gordon Quah-Smith (Chairperson), Dip Law, FCIS  
Russell Wheeler, B.Laws, B.Arts  
Peter Kalantzis, B. Commerce, Dip Accounting

The Board, in conjunction with the Compliance Committee, is responsible for ensuring that there is adequate oversight and management of material business risks facing the Fund. The Board ensures that there are appropriate systems in place to identify, assess, monitor and manage market, operational and compliance risks. This is achieved via a strong control environment, accountability and review of risk profiles.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## CORPORATE GOVERNANCE STATEMENT

The Compliance Committee meets on a quarterly basis. The role of the Compliance Committee is to monitor the Responsible Entity's compliance with the Fund's Compliance Plan and Constitution, the *Corporations Act 2001* and any offer documents to ensure that the Responsible Entity and its directors and officers act in the best interests of the members.

It was considered that in acting in the best interests of the members, the Board would minimise costs and to this end, it did not comply with the following recommendations throughout the financial year ended 30 June 2011:

- > having a majority of independent Directors;
- > having an independent Chairperson;
- > having a Nomination Committee of the Board;
- > having a Remuneration Committee of the Board;
- > having an Audit Committee as certain responsibilities have been delegated to the Compliance Committee; and
- > having a policy and measurable targets to achieve gender diversity.

### Cost and benefits of compliance

A number of the recommendations require formal documentation of policies and procedures that the Fund already substantially performs. The Fund's Compliance Plan sets out the compliance arrangements the Responsible Entity has to follow. The Responsible Entity also has in place a Risk Management Statement which identifies and deals with risks in the operation of the Fund.

The adoption of such other formal documentation must be tailored to the Fund at minimal expense and must be appropriate, taking into account the size and complexity of its operations. The Board considered that the creation of additional sub-committees to satisfy the requirements of the Corporate Governance Principles and Recommendations would have minimal additional benefit but substantial additional expense.

The Board is currently considering the adoption and implementation of the following recommendations:

- written policies and procedures to ensure compliance with ASX listing rules disclosure requirements;
- a process for performance evaluation of the Board, its committees and individual Directors; and
- a code of conduct.

### Other Information

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

In respect of the year ended 30 June 2011, the Managing Director and the Chief Financial Officer have provided certifications to the Board in relation to the presentation of the financial reports and the operation of the risk management and internal control system.

The Responsible Entity did not perform a performance evaluation of the Board and its members during the year ended 30 June 2011.

Remuneration of the non-executive Directors of the Responsible Entity are reviewed by the executive Directors of the Board. The Responsible Entity does not have any schemes for retirement benefits, other than statutory superannuation, for non-executive Directors. The details of remuneration paid to the Directors is disclosed in Note 15 of the annual financial report.

In accordance with the ASX Continuous Disclosure requirements, the Responsible Entity ensures that price sensitive information is released to the market on a timely basis including through the annual and half-yearly reports. Additional information regarding the operation of the Fund can be found at [www.cvc.com.au](http://www.cvc.com.au) or by contacting the Responsible Entity directly.

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## AUSTRALIAN STOCK EXCHANGE INFORMATION

The following information was current as at 27 September 2011.

### Substantial holders

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

CVC Limited	690,240,449 ordinary units
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### Voting rights

All issued units are of one class, namely ordinary voting units. Each unitholder is entitled to one vote on a show of hands on any matter put to a vote by a show of hands at a meeting of unitholders. On a poll, each member has one vote for each dollar of the value of the total interests they have in the Fund.

### Distribution schedule

The distribution of unitholders and their unitholdings was as follows:-

Unit Range	Unitholders	Units
1 - 1,000	63	51,389
1,001 - 5,000	111	325,719
5,001 - 10,000	29	235,294
10,001 - 100,000	55	2,115,308
100,001 - over	59	765,122,494
<b>Total</b>	<b>317</b>	<b>767,850,204</b>

### Unmarketable parcels

	Minimum Parcel Size	Holders	Units
Minimum \$500.00 parcel at \$0.011 per unit	45,455	242	1,577,353

# CVC PROPERTY FUND AND ITS CONTROLLED ENTITIES

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## AUSTRALIAN STOCK EXCHANGE INFORMATION

As at 27 September 2011, the top 20 unitholders and their unitholdings were as follows:

Unitholder Name	No. of Units	%
CVC Limited	653,677,949	85.26
CVC Mezzanine Finance Pty Limited	36,562,500	4.63
Melbourne Corporation of Aust Pty Limited	11,718,750	1.53
Sydney Schools Pty Limited	11,251,460	1.47
Spurbest Holdings Pty Limited	11,203,160	1.46
South Seas Holdings Pty Limited	8,437,500	1.10
Mr Trevor Laurence Dean and Mrs Barbara Jean Dean	5,754,631	0.75
Chemical Trustee Limited	2,500,000	0.33
Bow Lane Nominees Pty Limited	2,500,000	0.26
Mr Craig Peter McGrath	1,500,000	0.20
Kitson Pty Limited	1,432,869	0.19
UBS Wealth Management Australia Nominees Pty Limited	1,334,464	0.17
Inksuper Pty Limited	1,250,000	0.16
Dr Andrew Ford	1,000,000	0.13
Mr Elliott Grant Kaplan	1,000,000	0.13
Tom Hale Pty Limited	937,500	0.12
Predaze Pty Limited	935,000	0.12
Saristar Pty Limited	781,250	0.10
Sola Gracia Pty Limited	781,250	0.10
Syvest Pty Limited	755,662	0.10
<b>TOTAL TOP 20</b>	<b>754,813,945</b>	<b>98.31</b>