

All of us might wish at times that we lived in a more tranquil world, but we don't. **AND IF OUR TIMES ARE DIFFICULT AND PERPLEXING, SO ARE THEY CHALLENGING AND FILLED WITH OPPORTUNITY.**

*Robert Kennedy*

CVC's investment performance will only ever be as good as the performance of the underlying managers with whom we effectively form "informal" partnerships. **WE WORK VERY HARD TO ENDEAVOUR TO ALIGN THE INTERESTS OF THESE MANAGERS WITH CVC'S FINANCIAL INTEREST.**

# COMPANY PARTICULARS

**CVC LIMITED ABN 34 002 700 361 AFSL 239665**

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## REGISTERED OFFICE

Level 6, Gold Fields House, 1 Alfred Street  
Sydney NSW 2000

## DIRECTORS

- |               |                   |
|---------------|-------------------|
| – Vanda Gould | – Alexander Beard |
| – John Read   | – Jason Ters      |

## MANAGEMENT TEAM

- |                    |                    |
|--------------------|--------------------|
| – Vanda Gould      | – John Leaver      |
| – Christine Shean  | – Alexander Beard  |
| – Elliott Kaplan   | – John Hunter      |
| – Jason Ters       | – William Highland |
| – Michael Bower    | – Jo Hume          |
| – Mark Avery       | – Andrew Harris    |
| – Christian Jensen | – Ivy Liao         |
| – Joanna Jiang     | – Charles Williams |
| – Louise Macklin   |                    |

## SECRETARIES

- |                   |               |
|-------------------|---------------|
| – Alexander Beard | – John Hunter |
|-------------------|---------------|

## BANKERS

Suncorp-Metway Limited  
Westpac Banking Corporation Limited

## AUDITORS

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

## SHARE REGISTRY

Gould Ralph Pty Limited  
Level 29, 259 George Street  
Sydney NSW 2000

# CHAIRMAN'S report

FOR THE YEAR ENDED 30 JUNE 2014

A good reputation is more desirable than great riches; **TO BE ESTEEMED IS BETTER THAN SILVER OR GOLD.**

*Proverb 22:1*

## Dear Shareholder

The CVC management team have done a wonderful job during the last financial year. In fact, CVC has achieved one of its best years in terms of financial performance and our Managing Director, Sandy Beard, is to be particularly congratulated.

It is also clear that 2014 has been a year in which CVC has benefited substantially from decisions we made after the Global Financial Crisis which some commentators believed were imprudent. Shareholders however will appreciate that our investment style is essentially contrarian in nature as we are particularly focused upon achieving a portfolio of investments purchased at values which have substantial upside over the forthcoming years. By avoiding using bank debt within the public company itself we are masters of our own destiny.

Of course, CVC's investment performance will only ever be as good as the performance of the underlying managers with whom we effectively form "informal" partnerships. We work very hard to endeavour to align the interests of these managers with CVC's financial interest.

“All this goes to show that CVC’s successful business of providing mezzanine debt has a long history and the rates we charge have a very ancient pedigree!”

In particular, the management teams at Green’s Foods Holdings Pty Limited, Ron Finemore Transport Pty Limited, Villa World Limited, Vita Life Sciences Limited and Battery Energy Power Solutions Pty Limited are to be commended for their work in delivering excellent results which underpinned CVC’s strong performance.

The truth of the old biblical adage of King Solomon – *There is nothing new under the sun [Ecc 1:9]* – becomes apparent when you look at loan investments made by CVC as against those made by, say, entrepreneurs in ancient Babylon.

Places like Sumer in Mesopotamia, Babylon and Assyria developed the famous Babylonian code. In Sumer from 3000 BC to 1900 BC, the usual interest rate for a loan of barley was 33%, whereas the rate for a loan of silver was 20%. The difference between the two rates reflected the fact that barley loans were riskier than silver loans, since the latter could not be consumed nor spoiled. All this goes to show that CVC’s successful business of providing mezzanine debt has a long history and the rates we charge have a very ancient pedigree!

We expect the current rates of interest to rise which will change investment dynamics. Again, some knowledge of history is helpful – at the apex of the Roman Empire in the First and Second Centuries AD interest rates were as low as 4%, but interest rates well in excess of 40% were recorded in the 12th century in Europe. Hopefully in this current cycle we will not experience extreme rates like those in the Twelfth Century or as Australia has experienced in the past 30 years, but we need to select investments which can withstand interest rate storms that may emerge.

In the 2014 year we have realised a number of our long-term investments and this has continued into the 2015 financial year so that we are looking forward to another strong year. In particular, we have realised our investments in Ron Finemore Transport Pty Limited, Battery Energy Power Solutions Pty Limited and recently Villa World Limited as

whilst those entities will continue to perform strongly it has been our management team’s belief that it was an appropriate time to redeploy the capital involved. In part it reflects our belief that equity values will tend to fall as interest rates rise.

CVC has also built up its human capital resources over the past 12 months so that we have a first-class management team to both work in the identification of investment opportunities as well as to work with existing management teams to realise the potential that exists in the investments we undertake. I am very pleased to welcome Jason Ters who has joined us from GPG/Ron Brierley, and to welcome back Christian Jensen and Andrew Harris.

There are a number of warning signs in the domestic market as we enter 2015 as the resources boom slows further and understanding how the current boom in property resulting from Chinese investors will play out any differently than occurred in the ‘90s from Japanese property investors.

I would like to thank our shareholders for their support of John Leaver and myself for what has been a very trying 12 months. I recently gave evidence to the Parliamentary Inquiry into abuses by the Australian Taxation Office and that evidence is available in Hansard if any shareholder is interested. But perhaps for us the guiding principle is Proverbs 22:1: *A good reputation is more desirable than great riches; to be esteemed is better than silver or gold.*

Over the next financial year our management team will continue to diligently work so that investments CVC has made achieve their potential. We look forward to again reporting substantial progress in the 2015 financial year and thank you for your continued support of CVC.

**Vanda Gould**  
Chairman

# THE YEAR IN REVIEW

**1 JULY 2013 – 30 JUNE 2014**

## OVERVIEW

2014 WAS A SIGNIFICANTLY PROFITABLE YEAR WITH A NET PROFIT AFTER TAX OF \$27.3 MILLION. PLEASEINGLY THE PROFITABILITY WAS BROADLY BASED WITH CONTRIBUTIONS FROM SALE OF LONGER TERM INVESTMENTS, OPERATING CONTRIBUTIONS, SHORT-TERM TRADING STRATEGIES AND PROPERTY BACKED INVESTMENTS.

**With net tangible asset backing increasing by 21 cents per share, and dividend payments of 10 cents per share, total returns to shareholders for the year represented 31 cents per share, or 22%.**

**With cash holdings in excess of \$48 million and a number of other realisations subsequent to June 30, the Company is in a strong financial position to capitalise on attractive investment opportunities. Additionally, a number of investments have progressed during the course of the year wherein they may meaningfully contribute to profitability in 2015 and beyond.**

### HIGHLIGHTS OF THE YEAR INCLUDE:

- Realisations and strong profitability from Green's Foods Holdings Pty Limited
- Realisations and strong profitability from Villa World Limited
- Sale of shareholding in Ron Finemore Transport Pty Limited
- Strong profit contribution from the property financing segment
- Realisations and strong profit contribution from a number of listed equity investments including Vita Life Sciences Limited
- Continued progression of investment in the Marsden Park property development
- Dividends paid of 10 cents per share
- Buy-back of 1.8 million shares during year at an average price of \$1.21 per share

## MANAGEMENT TEAM

CVC has retained the core of its management team for more than 10 years, which allows for the development of a deep understanding of the strengths of each individual and the ability to harness those collective strengths. During the year we welcomed Jason Ters, Andrew Harris and Christian Jensen to the team – who bring considerable experience working with similar investment strategies. The team has worked effectively in all facets of the investment cycle, including realisation of investments, improved operating performance, new investment, business development and business rationalisation.

Considerable focus has been made in strengthening CVC's property expertise which was a source of significant activity during the year.

Our daily interaction with investee companies continues to introduce us to new investment opportunities and managers who will likely play a key role in the future development of CVC.

### SKILLS OF THE MANAGEMENT TEAM INCLUDE:

- Sourcing, selection, and structuring of investment opportunities;
- Operational management of investee companies, including strategy and corporate advisory, board positions on investee companies including Chairmanship where appropriate;
- Corporate advisory skills, including under-writing of placements and general offers;
- Divestments, including trade sales, demergers, initial public offerings, mergers and acquisitions, management buyouts and financial restructuring;
- Infrastructure investment capabilities, including financial feasibility, negotiation of off-take agreements, negotiation of senior and mezzanine debt facilities and sourcing of equity;
- Distressed debt recoveries and investment turn-arounds;
- Project financing and property development capabilities, including structuring, joint ventures, feasibility and mezzanine financing;
- Financial product development and distribution;
- Availability and access to government grants;
- Advice/implementation of internal control procedures, management information systems, monthly reporting procedures and statutory reports;
- Development of distribution networks, licensing of technology, patent and advice on portfolio/intellectual property protection, and export market penetration;
- Specialist investment skills in environmental industries, with a depth of expertise in low emission and cleaner technologies; and
- Long term investment performance.

## APPROACH

CVC's investment portfolio is structured for a balance of capital growth and income producing assets. The asset mix has historically included, and will continue to include, private equity investments, a core portfolio of ASX-listed securities managed for a return, mezzanine finance to property backed investments including direct property holdings, strategic long-term investments (both listed and unlisted) that are largely equity accounted, income producing finance activities and funds management initiatives.

The inherent nature of private equity investment is that the opportunity to realise substantial returns is accompanied by factors largely beyond the control of the investment manager, including volatility in listed markets, the strength of the economy and negotiations between buyers and sellers.

## NET ASSETS per share

163 cents

2013	142	2012	130	2011	126
2010	124	2009	110	2008	169
2007	201	2006	143	2005	122

CVC adopts a value based methodology in its investment selections, including an analysis of company fundamentals, including low price earnings multiples, earnings growth, relativity of price to net tangible assets, multiples of free cash flow, dividend history, competitive market positioning and arbitrage opportunities. In all investments assessed, CVC looks for an ability to add value to the investment to maximise potential investment returns, (i.e. through restructuring an under-performing company or obtaining development approvals or new tenants for a real estate transaction or in an ability to assist with synergistic business acquisitions in small emerging companies).

Most importantly, CVC is focussed on the integrity and competence of investee management teams, with our analysis of new investment opportunities involving an assessment of the track record and potential of the individuals within a targeted company, existing corporate governance measures and internal operational and financial controls in place.

Sound investment decisions require a thorough methodology and the time necessary to identify, target, negotiate, conduct due diligence and structure a potential investment opportunity. CVC adopts a timely, yet patient, approach to these initial phases, as well as the subsequent development of the business and the realisation phase of the investment lifecycle (with investment exits often made by way of a trade sale, initial public offering or on-market sell down).

## DIVIDEND POLICY

During the year, CVC paid a fully franked dividend of 7 cents per share on March 5, 2014 and 3 cents per share on September 4, 2013. Our continued emphasis on developing recurring profit streams reflects our objective to pay dividends into the future. Subject to available franking credits, dividends are expected to be 100% franked.

## CAPITAL MANAGEMENT

CVC will continue to periodically purchase shares under its share buy-back scheme, dependent on price. Historically the buy-back scheme has enabled a better matching of assets with recurrent earnings and has achieved accretion in both net tangible assets and e share. Throughout the 2014 financial year 1,888,697 shares were purchased under the company's buy-back.

## GROUP SUMMARY

### EARNINGS PER SHARE

21.03 cents

2013 7.62 cents

### TOTAL ASSETS EMPLOYED

\$270.5 million

2013 \$250.3 million

### SHAREHOLDERS EQUITY

\$195.1 million

2013 \$172 million

### RETURN ON SHAREHOLDERS EQUITY\*

22% 2013 13%

### SHARES ON ISSUE AT YEAR END

119,532,788

2013 121,421,485

### NET ASSETS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

\$1.63 2013 \$1.42

### DIVIDENDS PER SHARE

10 cents 2013 5 cents

\*Includes movements in reserves and profit or loss for the year.

# THE YEAR IN REVIEW

1 JULY 2013 – 30 JUNE 2014

## CORPORATE GOVERNANCE

CVC continues to review its corporate governance initiatives in accordance with the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council on an on-going basis. Further information on CVC's corporate governance is provided in the corporate governance statement.

## OUTLOOK AND GROWTH

CVC expects to be able to capitalise on its strong financial position and an improved economic outlook to continue to develop relevant portfolio investments, undertake quality new investments and the potential to pursue a stock exchange listing for some existing investments. With cash holdings at 30 June 2014 in excess of \$48.0 million, the Group is well placed to capitalise on these opportunities during 2015, however CVC will be patient in the deployment of capital as we perceive there will be more favourable opportunities presented later in 2015 and beyond.

### THE 2015 YEAR WILL LIKELY SEE THE FOLLOWING DEVELOPMENTS:

## PROPERTY

2015 will see CVC continue to finance a number of residential and industrial developments secured by adequate mortgage security and in addition:

- Seek to realise direct property investments and redirect the proceeds into higher yielding investment opportunities;
- Continue to progress planning approvals and development of Marsden Park and other properties, typically in joint venture with other developers; and
- Continue to provide mezzanine finance to appropriate projects and developers at rates of return and terms consistent with those achieved during 2014.

## PRIVATE EQUITY / VENTURE CAPITAL

- Continued development of Greens Food's Holdings Pty Limited and its food processing activities;
- Identify new investment opportunities that meet CVC's investment criteria and realise investments within the portfolio, as appropriate;
- Undertake "bridging" finance and other high yielding alternative investment opportunities; and
- Invest in pre-IPO companies with sound fundamentals and work with them to achieve a market listing.

## LISTED INVESTMENTS

- Continued strategic holdings in Cellnet Limited, Buru Energy Limited, Bionomics Limited, Vita Life Sciences Limited, Mnemon Limited and Cyclopharm Limited. CVC will derive income from these strategic listed investments, including dividend income, equity accounted income, and where appropriate profits from realisations, directors and advisory fees and underwriting fees;
- Active management of key strategic investments via assistance with both acquisitive and organic growth and operational and financial restructuring, where appropriate; and
- Identification of other strategic investments in which CVC can acquire significant and meaningful stakes to complement existing major holdings and contribute a source of dividends and capital growth.

## FUNDS MANAGEMENT

- Finalise restructure of CVC Property Fund (ASX:CJT) as an appropriate investment vehicle;
- Continue to support Australian Mid-Cap Equities Manager, Concise Asset Management which continues to perform above expectations in building funds under management; and
- Evaluate other opportunities to invest in new or established specialist fund managers who are seeking the opportunity to expand or develop their business.

## INVESTEE COMPANIES

Bionomics Limited	4.0%
Buru Energy Limited	1.7%
Cellnet Group Limited	53.0%
Cyclopharm Limited	19.4%
Green's Foods Holdings Pty Limited	43.5%
Mnemon Limited	21.9%
Resource Generation Limited	2.3%
Vita Life Sciences Limited	4.8%



# **FINANCIAL REPORT** for the year ended 30 june 2014

# DIRECTOR'S report

**FOR THE YEAR ENDED 30 JUNE 2014**

Your Directors present the Financial Report of CVC Limited (the "Company") and its controlled entities ("CVC"), for the year ended 30 June 2014 together with the Auditors' Report thereon.

## DIRECTORS

The names of Directors in office throughout the financial year and to the date of this report are Vanda Russell Gould (Chairman), John Douglas Read, Alexander Damien Harry Beard. Those Directors that did not hold office for the entire period include John Scott Leaver who held office of Director until 29 November 2013 and Jason Ters who was appointed as Director on 29 November 2013. The names of Company Secretaries in office throughout the financial year and to the date of this report are Mr Alexander Damien Harry Beard and Mr John Andrew Hunter. Details of qualifications, experience and special responsibilities of Directors are as follows:

### **Vanda Russell Gould** (Chairman)

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

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

Board member from 1984 – 1994, from 1996 - 2013 and from 2014 to date. Member of the audit committee. Resigned as Chairman 21 October 2013, resigned as Director 29 November 2013 and re-appointed as director and Chairman 13 May 2014.

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

During the past three years Mr Gould has also served as a Director of Cyclopharm Limited, Vita Life Sciences Limited and CVC Property Managers Limited as Responsible Entity for CVC Property Fund.

### **John Scott Leaver** (Executive Director)

*B.Ec. (Uni. of Sydney)*

Australian Financial Services Licence holder.

Board member from 1984 to 2013, Managing Director of the Company until 2001. Resigned as Director 29 November 2013 and continues to hold an executive role.

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

### **John Douglas Read** (Non-Executive Director)

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

Fellow of the Australian Institute of Company Directors.

Board member since 1989 and Chairman of the audit committee of the Company. Appointed as Chairman 25 November 2013 and resigned as Chairman 13 May 2014.

Mr Read has over 25 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 Director of Patrys Limited and The Environmental Group Limited.

### **Alexander Damien Harry Beard** (Director and Company Secretary)

*B.Com. (Uni. of NSW)*

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

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

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

During the past three years Mr Beard has also served as Chairman of Cellnet Group Limited and Villa World Limited and Director of the following other listed companies: Villa World Limited, Mnemon Limited (formerly Mnet Group Limited), Lonestar Resources Limited (formerly Amadeus Energy Limited) and CVC Property Managers Limited as Responsible Entity for CVC Property Fund.

### **Jason Ters** (Executive Director)

*B.Bus (UTS), MAppFin (Macquarie Uni.)*

Appointed as Non-Executive Director on 29 November 2013 and appointed as Executive Director on 11 August 2014. Member of the audit committee.

Mr Ters has over 18 years experience in the finance industry, predominantly in capital markets and investment management. He has held directorships in a number of Australian companies, both public and private.

Most recently, Mr Ters held the role of Investment Manager at Guinness Peat Group (Australia) (GPG). During his 13 years at GPG, Mr Ters was responsible for identifying suitable investments and developing and executing strategies to create or unlock value for investee companies. Mr Ters was also a core member of the management team responsible for implementing GPG's strategic plan to divest its investment portfolio valued at over \$1 billion.

Over the years Mr Ters has served as a director of Farm Pride Foods Limited, CPI Group Limited, Australian Wealth Management Limited (Alternate Director), Gosford Quarry Holdings Pty Limited and Green's General Foods Pty Limited.

## COMPANY SECRETARIES

### **John Andrew Hunter**

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

Member of the Institute of Chartered Accountants in Australia.

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

## DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS	
	No. of meetings attended	No. of meetings eligible to attend
Vanda Russell Gould	3	3
John Scott Leaver	2	2
John Douglas Read	10	10
Alexander Damien Harry Beard	10	10
Jason Ters	8	8

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
John Douglas Read	2	2
Alexander Damien Harry Beard	2	2
Vanda Russell Gould	1	1
Jason Ters	1	1

## DIRECTORS' AND EXECUTIVE OFFICER'S INTERESTS

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

	Ordinary Shares
Mr V.R. Gould	21,773,522
Mr J.S. Leaver (a)	22,670,639
Mr J.D. Read	528,956
Mr A.D.H. Beard	1,381,136

(a) Mr Leaver resigned as Director on 29 November 2013 and maintains the role of Executive Officer.

## 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 dividend in respect of the year ended 30 June 2014 of 3 cents per share was declared on 18 August 2014 to be paid on 3 September 2014 to those shareholders registered on 25 August 2014. An interim dividend of 2 cents per share and a special dividend of 5 cents per share amounting \$8,472,843 was paid on 5 March 2014.

A final dividend in respect of the year ended 30 June 2013 of 3 cents per share amounting to \$3,637,838 was paid on 17 September 2013. An interim dividend of 2 cents per share amounting to \$2,437,360 was paid on 7 March 2013.

## PRINCIPAL ACTIVITIES

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

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

## CONSOLIDATED RESULTS

The financial performance for the 2014 financial year is as follows:

- Profit before tax of \$29.2 million (2013: \$12.1 million);
- Net profit after tax of \$27.3 million (2013: \$11.1 million);
- Earnings per share of 21 cents (2013: 8 cents);
- Increase in Net Tangible Assets per share of 21 cents (2013: 12 cents), following dividends per share totalling 10 cents (2013: 5 cents) paid during the year representing a return on net worth to shareholders of 22% (2013: 13%); and
- Net increase in value of investments through reserves of \$12.2 million (2013: \$10.7 million).

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

	2014 \$	2013 \$
Net profit after income tax	27,326,077	11,079,448
Non-controlling interests	(1,942,503)	(1,789,312)
Net profit after income tax attributable to members	25,383,574	9,290,136

## REVIEW OF OPERATIONS

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

CVC has cash holdings of \$49 million (equivalent to 40.7 cents per share) and is well placed to pursue investment opportunities as and when they emerge.

# DIRECTOR'S report

**FOR THE YEAR ENDED 30 JUNE 2014**

## REVIEW OF OPERATIONS [cont.]

### Listed Investments:

The contribution to comprehensive income included a profit of \$9.1 million (2013: loss of \$4.6 million) and revaluation of investments through reserves to market value of \$12.2 million (2013: \$10.7 million) attributable to listed investments.

The profit for the year was directly attributed to the reduction in the shareholdings of:

- Vita Life Sciences Limited of \$5.9 million;
- Villa World Limited of \$3.8 million; and
- Lonestar Resources Limited of \$1.9 million.

However, the profit was offset by the impairment of investments to market value, which amounted to \$6.1 million (2013: \$9.5 million) including impairment of ASX listed related entities, to reflect prevailing share prices. This included impairment charges in relation to:

- Buru Energy Limited of \$3.2 million (share price of \$0.775);
- Resource Generation Limited of \$1.0 million (share price of \$0.125); and
- Kea Petroleum Plc of \$1.5 million (share price of AUD\$0.025).

Distributions received from various investments during the financial year amounted to \$1.2 million (2013: \$0.7 million), with \$0.9 million received from Villa World Limited after it recommended the payment of dividends during the year.

Comprehensive income includes the revaluation of listed investments through reserves of \$12.2 million (2013: \$10.7 million).

### Private Equity:

The contribution to comprehensive income was \$2.8 million (2013: \$7.6 million). In addition \$13.2 million of equity accounted results are classified as private equity investments.

The profit for the year includes:

- CVC's share of the equity accounted result of Ron Finemore Transport Pty Limited and the sale of shares announced on 13 June 2014 amounting to \$4.3 million; and
- CVC's equity accounted share of the operating result of Green's Foods Holdings Pty Limited of \$11.1 million;

### Property:

Property contributed \$4.4 million (2013: \$5.9 million) to comprehensive income which included interest related income generated from the provision of mezzanine funding of \$4.3 million (2013: \$7.3 million) and net rental income after interest related expense of \$1.7 million (2013: \$1.5 million).

The segment has seen a reduction in fair value adjustments in relation to directly held property assets with impairments of \$1.7 million (2013: \$2.3 million) during the year.

During the financial year settlement of lots at the residential joint venture at Rockhampton, Queensland commenced and the property located at Richards Road, Riverstone was released by the New South Wales Department of Planning and Environment for

planning the Marsden Park North precinct under the New South Wales Government's Precinct Acceleration Protocol for the North West Growth Centre.

### Funds Management:

The contribution to comprehensive income of this segment was \$1.2 million (2013: \$1.2 million) which is consistent with the prior financial year. Concise Asset Management Limited (Mid Cap Australian Equities Specialist) continued to increase its funds under management in excess of \$1 billion at balance date.

### Controlled Investees:

On 31 March 2014 CVC sold its investment in Battery Energy Power Solutions Pty Limited generating a profit of \$2.1 million. During the period prior to the sale, Battery Energy Power Solutions Pty Limited also contributed a further \$2.1 million to CVC's operating profit.

## 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.

## 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 year.

## ENVIRONMENTAL REGULATION

CVC's operations are not subject to environmental regulations.

## EVENTS SUBSEQUENT TO BALANCE DATE

A final dividend in respect of the year ended 30 June 2014 of 3 cents per share was declared on 18 August 2014 to be paid on 3 September 2014 to those shareholders registered on 25 August 2014.

Other than as set out above, 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 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. Subsidiaries of the Company which have option plans include CVC Private Equity Limited and Cellnet Group Limited.

### a) CVC Private Equity Limited

Options issued over shares of CVC Private Equity Limited, a controlled entity of CVC are granted under its Option Plan. Under the plan, participants are granted options which are exercisable after the expiration of 3 years. There are no performance conditions attached to the options, and participation in the plan is at the discretion of the Board of CVC Private Equity Limited and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted carry no dividend or voting rights or rights to participate in any other share issue of CVC Private Equity Limited or any other entity. When exercisable, each option is convertible into one ordinary share.

	Share Options
<b>ADH BEARD</b>	
Balance at start of the year	1,200,000
Options issued	-
Balance at the end of the year	1,200,000
Vested	1,200,000

Model inputs for options granted during the year are disclosed in note 32.2 of the financial report.

### b) Cellnet Group Limited

Options issued over shares of Cellnet Group Limited, a controlled entity of CVC are granted under its Executive share option plan. Under the plan, participants are granted options on terms at the discretion of its own Directors. The Directors of the Company have not participated in the Executive share option plan of Cellnet Group Limited.

Details of the Cellnet Group Limited Executive share option plan are disclosed in note 32.2 of the financial 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 Directors and Executive Officers that comprise the key management personnel (the "KMP") of the Company and its 100% owned entities in accordance with the requirements of the *Corporations Act 2001* and its regulations. For clarity it excludes the remuneration of director's arrangements of Cellnet Group Limited, CVC Private Equity Limited and Battery Energy Power Solutions Pty Limited. This information has been audited as required by s. 308(3C) of the *Corporations Act 2001*. The remuneration report details the remuneration arrangements for KMP 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 Executive remuneration 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 \$550,000, to be allocated amongst the Directors as they see fit. It has been set to balance the need to attract and retain Directors of the highest calibre at a cost that is acceptable to shareholders.

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

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

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.

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

# DIRECTOR'S report

**FOR THE YEAR ENDED 30 JUNE 2014**

## REMUNERATION REPORT (AUDITED)

### Remuneration structure (cont.)

In general terms, under the plan:

- key employees are invited by the Directors to acquire shares in the Company subject to certain conditions;
- the conditions specify performance hurdles and time periods in which they are required to be achieved;
- all shares issued under the plan to date cover a three year period and require that the total return to shareholders over the three year period exceeds the rate of growth over the same period for the S&P/ASX Small Ordinaries Accumulation Index;
- shares are issued at market value and the Company provides a loan to the participant to cover the cost of the shares;
- interest is charged on the loan equivalent to dividends paid on the shares;
- the shares are restricted and cannot be dealt with by the participant during the period;

- shares are forfeited and the loans are cancelled if the performance hurdles have not been met or the share price at the end of the period is below the issue price;
- if shares are not forfeited, at the end of the period the participant is required to repay the loan, the restrictions on the shares are removed and the shares are taken out of the plan; and
- a maximum of 5 million shares can be issued under the plan.

CVC has not currently issued any shares under the CVC Executive Long Term Incentive Plan.

### Individual remuneration disclosures:

The remuneration paid by the Company during the financial year is Directors' fees paid to Messrs Gould, Leaver, Read and Ters. Following the resignation of Mr Leaver as Director on 29 November 2013 he continued to hold a role of Executive Officer.

### Remuneration of key management personnel:

The only key management personnel of the Company are the Directors and Mr John Leaver.

### Remuneration of Directors and Executive for the year ended 30 June 2014

		Short-term employee benefits Base Salary Fees	STI Bonus (b)	Post – employ't benefits Super'n	Other	Share- based payments (c)	Total	Base % (a)
<b>ADH Beard</b>	<b>2014</b>	<b>321,585</b>	<b>124,647</b>	<b>25,000</b>	<b>33,073</b>	-	<b>504,305</b>	<b>75%</b>
(Director)	2013	321,783	99,000	25,000	36,386	7,200	489,369	78%
<b>VR Gould</b>	<b>2014</b>	<b>340,000</b>	<b>30,000</b>	<b>35,000</b>	<b>17,485</b>	-	<b>422,485</b>	<b>93%</b>
(Chairperson and Executive Director)	2013	330,000	-	25,000	16,562	-	371,562	100%
<b>JS Leaver</b>	<b>2014</b>	<b>340,000</b>	<b>30,000</b>	<b>35,000</b>	<b>17,485</b>	-	<b>422,485</b>	<b>93%</b>
(Executive) (d)	2013	330,000	-	25,000	16,562	-	371,562	100%
<b>JD Read (e)</b>	<b>2014</b>	<b>33,333</b>	-	<b>28,500</b>	-	-	<b>61,833</b>	<b>100%</b>
(Non-Executive Director)	2013	-	-	25,000	-	-	25,000	100%
<b>J Ters</b>	<b>2014</b>	<b>26,697</b>	-	<b>2,469</b>	-	-	<b>29,166</b>	<b>100%</b>
(Executive Director)	2013	-	-	-	-	-	-	-
	<b>2014</b>	<b>1,061,615</b>	<b>184,647</b>	<b>125,969</b>	<b>68,043</b>	-	<b>1,440,274</b>	
	2013	981,783	99,000	100,000	69,510	7,200	1,257,493	

#### Notes:

- Base % reflects the amount of base level remuneration that is not dependent on individual or CVC performance.
- The Short Term Incentive Bonus paid to Messrs Gould, Leaver and Beard represents discretionary bonuses as determined by the Directors of CVC, based on their performance during the year.
- Share based payments received by Mr. Beard represent options issued by CVC Private Equity Limited.
- Mr Leaver resigned as Director on 29 November 2013 he continued to hold a role of Executive Officer.
- Superannuation received by Mr Read includes amounts paid by CVC Limited and CVC Private Equity Limited.

### Consequences of performance on shareholder wealth

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

	2014 \$	2013 \$	2012 \$	2011 \$	2010 \$
Net profit attributable to members of the parent entity	25,383,574	9,290,136	9,133,110	10,228,494	20,114,302
Comprehensive income/(loss) attributable to members of the parent entity	11,858,356	10,690,344	959,714	(4,166,636)	(3,315,913)
Total comprehensive income attributable to members of the parent entity	37,241,930	19,980,480	10,092,824	6,061,858	16,798,389
Dividends paid	12,110,681	6,106,557	6,176,414	6,516,452	2,716,612
Shares bought back on market	2,288,197	878,742	4,164,452	4,709,577	6,940,151
Share price	1.42	1.00	0.895	0.86	0.80
Change in share price	0.42	0.105	0.035	0.06	0.275
Net assets per share	1.63	1.42	1.30	1.26	1.24
Change in net assets per share	0.21	0.12	0.04	0.02	0.13

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

No fees were paid to HLB Mann Judd 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 is included on page 14.

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

Dated at Sydney 29 August 2014.

**ALEXANDER BEARD**  
Director

**JASON TERS**  
Director



# AUDITOR'S INDEPENDENCE declaration

## FOR THE YEAR ENDED 30 JUNE 2014

### 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 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

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

Dated at Sydney 29 August 2014.

**M D MULLER**  
*Partner*



# consolidated statement of FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 \$	2013 \$
<b>INCOME FROM CONTINUING OPERATIONS</b>			
Revenue from services		2,744,165	3,219,160
Rental income		3,348,126	3,215,450
Outgoings recovered		596,840	660,739
Net gain on sale of equity investments		4,869,535	1,311,268
Interest revenue		6,092,111	9,051,067
Dividend revenue		13,510,421	952,395
Recovery of investments in associated entities		1,104,907	5,668,685
Recovery of investments in related entities		356,968	3,437,635
Recovery of investments in unrelated entities		5,720,727	596,281
Recovery of loans in associated entities		-	947,941
Recovery of loans in unrelated entities		180,275	20,000
Sale of goods		89,258,126	69,079,662
Net realised foreign exchange gain		-	321,546
Other income		619,393	406,802
<b>Total income</b>	4	<b>128,401,594</b>	<b>98,888,631</b>
Share of net profits of associates accounted for using the equity method	15	14,093,494	2,044,736
<b>EXPENSES</b>			
Change in fair value of investment properties		1,694,158	476,019
Cost of goods sold		74,976,907	54,391,689
Depreciation expense		508,717	484,423
Employee expenses		13,051,270	12,590,395
Finance costs	5	5,100,787	2,475,963
Impairment of listed investments		6,163,151	8,795,552
Impairment of unlisted investments		569,935	285,581
Impairment of investments in associated entities		3,990,779	6,154
Impairment of investments in related entities		-	963,229
Impairment of loans to associated entities		331,040	932,017
Impairment of loans to unrelated entities		304,879	876,912
Impairment of intangible assets		150,000	-
Investment property-related expenses		606,964	668,555
Management and consultancy fees		528,528	439,237
Operating lease rental		1,685,150	1,426,466
Net realised foreign exchange loss		813,951	-
Other expenses	5	7,030,340	7,170,092
<b>Profit before related income tax expense</b>		<b>24,988,532</b>	<b>8,951,083</b>
Income tax expense	6	864,621	981,565
<b>Net profit from continuing operations</b>		<b>24,123,911</b>	<b>7,969,518</b>
Net profit from discontinued operation	28	3,202,166	3,109,930
<b>Net profit</b>		<b>27,326,077</b>	<b>11,079,448</b>
Net profit attributable to non-controlling interest	25	1,942,503	1,789,312
<b>Net profit attributable to members of the parent entity</b>		<b>25,383,574</b>	<b>9,290,136</b>

The above statement of financial performance is to be read in conjunction with the notes to the financial statements set out on pages 21 to 72.

# consolidated statement of COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2014**



	Notes	2014 \$	2013 \$
<b>Profit for the year</b>		<b>27,326,077</b>	<b>11,079,448</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Investment value increases recognised in other reserves		18,219,095	11,785,352
Amounts transferred from other reserves to income on sale		(6,051,720)	(1,134,897)
Value of associates asset revaluation reserve recognised in other reserves		-	15,400
<b>Other comprehensive income for the year, net of tax</b>		<b>12,167,375</b>	<b>10,665,855</b>
<b>Total comprehensive income for the year</b>		<b>39,493,452</b>	<b>21,745,303</b>
<b>Attributable to</b>			
Shareholders		37,241,930	19,980,480
Non-controlling interest		2,251,522	1,764,823
		<b>39,493,452</b>	<b>21,745,303</b>
<b>Total comprehensive income for the period attributable to members of the parent entity arises from:</b>			
Continuing operations		34,928,883	18,047,521
Discontinued operation		2,313,047	1,932,959
		<b>37,241,930</b>	<b>19,980,480</b>
Basic and diluted earnings per share for profit from continuing operations attributable to the members of the parent entity	7	0.1911	0.0604
Basic and diluted earnings per share for profit attributable to the members of the parent entity	7	0.2103	0.0762

*The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 21 to 72.*

# consolidated statement of FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	27	48,683,783	27,601,321
Loans and other receivables	9	29,191,445	44,981,992
Financial assets – “at fair value through profit or loss”	11	1,120,947	2,025,775
Inventories	12	23,948,372	21,181,608
Current tax assets	6	20,539	199,944
Other assets	13	398,444	903,368
<b>Total current assets</b>		<b>103,363,530</b>	<b>96,894,008</b>
<b>NON-CURRENT ASSETS</b>			
Loans and other receivables	9	23,329,781	9,421,060
Financial assets – “available-for-sale”	10	75,213,285	41,616,876
Inventories	12	10,207,123	-
Investments accounted for using the equity method	14	14,326,380	45,893,290
Property, plant and equipment	16	1,707,395	3,688,297
Investment properties	17	41,733,439	52,588,212
Intangible assets	18	-	150,000
Deferred tax assets	6	662,353	33,259
<b>Total non-current assets</b>		<b>167,179,756</b>	<b>153,390,994</b>
<b>TOTAL ASSETS</b>		<b>270,543,286</b>	<b>250,285,002</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	19	13,594,321	18,300,205
Interest bearing loans and borrowings	21	13,912,603	5,042,868
Derivative financial instrument	22	731,892	-
Provisions	20	812,384	999,542
Current tax liabilities	6	1,067,475	17,366
<b>Total current liabilities</b>		<b>30,118,675</b>	<b>24,359,981</b>
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	19	-	231,903
Interest bearing loans and borrowings	21	25,755,809	34,568,515
Provisions	20	387,039	774,004
Deferred tax liabilities	6	1,318,602	323,886
<b>Total non-current liabilities</b>		<b>27,461,450</b>	<b>35,898,308</b>
<b>TOTAL LIABILITIES</b>		<b>57,580,125</b>	<b>60,258,289</b>
<b>NET ASSETS</b>		<b>212,963,161</b>	<b>190,026,713</b>
<b>EQUITY</b>			
Contributed equity	23	103,646,848	105,935,045
Retained earnings	24	68,137,401	54,864,508
Other reserves	26	23,353,680	11,164,585
Total parent entity interest		195,137,929	171,964,138
Non-controlling interest	25	17,825,232	18,062,575
<b>TOTAL EQUITY</b>		<b>212,963,161</b>	<b>190,026,713</b>

The above statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 21 to 72.

# consolidated statement of CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2014**



	Contributed equity \$	Retained earnings \$	Asset revaluation \$
<b>At 1 July 2013</b>	<b>105,935,045</b>	<b>54,864,508</b>	<b>10,698,989</b>
Profit for the year	-	25,383,574	-
Other comprehensive income	-	-	12,010,597
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>25,383,574</b>	<b>12,010,597</b>
Other movements in equity:			
Share of associates equity based remuneration recognised in other reserve	-	-	-
Transactions with shareholders:			
Acquisition of interest in controlled entities	-	-	(179,714)
Disposal of interest in controlled entities	-	-	476,280
Shares bought back	(2,290,649)	-	-
Tax benefit of transaction costs	2,452	-	-
Return of capital	-	-	-
Dividend paid	-	(12,110,681)	-
Share based payment	-	-	-
<b>At 30 June 2014</b>	<b>103,646,848</b>	<b>68,137,401</b>	<b>23,006,152</b>
<b>At 1 July 2012</b>	<b>106,813,787</b>	<b>51,680,929</b>	<b>(66,813)</b>
Profit for the year	-	9,290,136	-
Other comprehensive income	-	-	10,423,094
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>9,290,136</b>	<b>10,423,094</b>
Other movements in equity:			
Share of associates equity based remuneration recognised in other reserve	-	-	-
Transactions with shareholders:			
Acquisition of interest in controlled entities	-	-	342,708
Shares bought back	(880,088)	-	-
Tax benefit of transaction costs	1,346	-	-
Return of capital	-	-	-
Dividend paid	-	(6,106,557)	-
Share based payment	-	-	-
<b>At 30 June 2013</b>	<b>105,935,045</b>	<b>54,864,508</b>	<b>10,698,989</b>

*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 21 to 72.*

Employee equity benefit \$	Foreign exchange translation \$	Owners of the parent \$	Non-controlling interest \$	Total \$
198,585	267,011	171,964,138	18,062,575	190,026,713
-	-	25,383,574	1,942,503	27,326,077
2,630	(154,871)	11,858,356	309,019	12,167,375
2,630	(154,871)	37,241,930	2,251,522	39,493,452
19,211	-	19,211	-	19,211
-	-	(179,714)	1,242,215	1,062,501
-	-	476,280	(1,748,331)	(1,272,051)
-	-	(2,290,649)	-	(2,290,649)
-	-	2,452	-	2,452
-	-	-	(1,683,166)	(1,683,166)
-	-	(12,110,681)	(294,306)	(12,404,987)
14,962	-	14,962	(5,277)	9,685
235,388	112,140	195,137,929	17,825,232	212,963,161
320,402	(239)	158,748,066	14,630,843	173,378,909
-	-	9,290,136	1,789,312	11,079,448
-	267,250	10,690,344	(24,489)	10,665,855
-	267,250	19,980,480	1,764,823	21,745,303
(32,655)	-	(32,655)	-	(32,655)
-	-	342,708	2,700,455	3,043,163
-	-	(880,088)	-	(880,088)
-	-	1,346	-	1,346
-	-	-	(673,313)	(673,313)
-	-	(6,106,557)	(248,294)	(6,354,851)
(89,162)	-	(89,162)	(111,939)	(201,101)
198,585	267,011	171,964,138	18,062,575	190,026,713

# consolidated statement of CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2014**



	Notes	2014 \$	2013 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts in the course of operations		117,216,146	105,292,081
Cash payments in the course of operations		(113,198,928)	(106,537,612)
Cash payments for land held for resale		(6,127,241)	(9,899,635)
Proceeds from disposal of financial assets at fair value through profit or loss		513,630	4,056,920
Payments for disposal of financial assets at fair value through profit or loss		(503,719)	(118,884)
Interest received		8,574,988	3,540,745
Dividends received		9,430,691	1,104,161
Interest paid		(1,973,361)	(1,637,192)
Income taxes paid		(264,133)	(3,387,225)
<b>Net cash provided by/(used in) operating activities</b>	27	<b>13,668,073</b>	<b>(7,586,641)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for capital expenditure for investment properties		(1,901,303)	(618,340)
Payments for property, plant and equipment		(607,853)	(64,640)
Payments for investment properties		(9,400,000)	(9,567,654)
Proceeds on disposal of property, plant and equipment		46,362	18,027
Proceeds on disposal of investment property		3,600,000	-
Payments for equity investments		(22,101,250)	(39,684,749)
Proceeds on disposal of equity investments		42,048,107	25,835,136
Proceeds on transactions with non-controlling interests		4,086,703	2,950,100
Acquisition of subsidiaries, net of cash acquired		1,185,057	(300,000)
Loans provided		(10,997,324)	(17,397,646)
Loans repaid		19,319,961	28,936,673
<b>Net cash provided by/(used in) investing activities</b>		<b>25,278,460</b>	<b>(9,893,093)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(48,396,338)	(1,167,990)
Proceeds from borrowings		47,900,884	9,842,868
Dividends paid		(12,205,433)	(6,456,854)
Payments for share buy-back		(2,667,067)	(917,050)
Payments for return of capital		(1,683,166)	-
Proceeds from issues of shares		1,000	-
<b>Net cash (used in)/provided by financing activities</b>		<b>(17,050,120)</b>	<b>1,300,974</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21,896,413</b>	<b>(16,178,760)</b>
Foreign exchange (loss)/gain on cash		(813,951)	321,546
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>27,601,321</b>	<b>43,458,535</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	27	<b>48,683,783</b>	<b>27,601,321</b>

The above statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 21 to 72.

# notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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## NOTE 1: STATEMENT OF ACCOUNTING POLICIES

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

### 1.1 Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with 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 “available-for-sale” and “at fair value through profit or loss” investments and investment properties which have been measured at fair value.

These accounting policies have been consistently applied by each entity in CVC and, except where a change in accounting policy is indicated, are consistent with those of the previous year. Management is required to make judgements, estimates and assumptions in relation to the carrying value of assets and liabilities, that have significant risk of material adjustments in the next year and these have been disclosed in the relevant notes to the financial statements.

### 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 CVC’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 36.

### Change in basis of preparation

During the financial year Cellnet Group Limited have undertaken a review of its financial statement presentation. As part of this review it was noted that the presentation of cost of goods sold, as required when presenting items in the statement of comprehensive income by function, does not provide meaningful information to its users of the financial report as the resultant gross profit measure is not a true reflection of the costs involved in the sale process of its distribution business. Accordingly, certain expenditure items have been reclassified according to their nature in both the current and comparative period.

In addition to the above, Cellnet Group Limited also reclassified the comparative period rebates from cost of sales to revenue, and freight revenue from costs of sales to revenue from the rendering of services. Accrued unsettled customer and supplier rebates have also been reclassified to offset the relevant receivables and payables to which they relate.

### 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).

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES [cont.]

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

*AASB 10 Consolidated Financial Statements*, *AASB 11 Joint Arrangements*, *AASB 12 Disclosure of Interests in Other Entities*, *AASB 127 Separate Financial Statements* and *AASB 128 Investments in Associates and Joint Ventures*. The new accounting policies provide more reliable and relevant information for users to assess the composition of the group and the amounts, timing and uncertainty of future cash flows and introduces a single definition of control that applies to all entities. Control exists when the investor can use its power to affect the amount of its returns. Application of the standard does not have a significant impact on the financial statements.

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

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

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

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

*AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* was released in June 2012 and is mandatory for periods beginning on or after 1 January 2014. The standard clarifies when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet. Application of the standard is not expected to have a significant impact on the financial statements.

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

*AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities* was released in August 2013 and is mandatory

for periods beginning on or after 1 January 2014. The standard exempts 'investment entities' such as CVC from consolidating controlled investees. CVC would account for controlled entities at fair value through profit or loss, except for subsidiaries that provide services which will continue to be consolidated. CVC is yet to assess the impact of the new standard.

### 1.3 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 2014 ("CVC"). 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 CVC 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 intercompany 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 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. The equity accounted investments are not recorded at a value in excess of CVC's share of the associates net assets at the date significant influence commences, with the exception of CVC's share of the associates future profits. 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. CVC's equity accounted share of movements in retained profits from changes in accounting policies by associates is recognised directly in consolidated retained earnings (note 24). CVC's equity



accounted share of other movements in reserves of associates is recognised directly in consolidated reserves.

#### **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 “available-for-sale” 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 consolidated reserves.

#### **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.

### **1.4 Impairment**

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. 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.

### **1.5 Investments**

#### **Set-off of financial assets and liabilities**

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

### **1.6 Income Tax and Other Taxes**

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

liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which deductible temporary differences and the carry-forward of unused tax credits 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.

# notes to the FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES [cont.]

### 1.6 Income Tax and Other Taxes [cont.]

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 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.

### 1.8 Trade and Other Payables

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

### 1.9 Trade and Other Receivables

Trade and other receivables, which generally have 30-120 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, with any difference between cost and recoverable value being recognised in net income over the period on an effective interest basis.

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

### 1.10 Property, Plant and Equipment

#### Acquisition

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

#### Investment properties

Investment properties are initially measured at cost, including transaction costs. Investment properties are stated 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 plant and equipment

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

Finance leases are capitalised. A lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by

repayments of principal. The interest components of the lease payments are charged to the 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	5% to 50%
Leased assets	15% to 25%
Leasehold improvements	2.5% to 30%

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

### 1.11 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated using the average cost method and includes direct and allocated costs incurred in acquiring the inventories and bringing them to their present location and condition. Provision is recognised when there is objective evidence that the consolidated entity will not be able to sell the inventory at normal reseller pricing.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### 1.12 Investments and Other Financial Assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either "financial assets at fair value through profit or loss", "loans and receivables", "held-to-maturity investments", or "available-for-sale" investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, transaction costs. CVC determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that CVC commits to

purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

#### ***“At fair value through profit or loss”***

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. After initial recognition “at fair value through profit or loss” assets are measured at fair value with gains or losses being recognised in the statement of financial performance.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

#### ***Loans and receivables***

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

#### ***“Available-for-sale investments”***

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using 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.

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

CVC assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as “available-for-sale”, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for “available-for-sale” financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income

– is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the consolidated statement of financial performance on equity instruments classified as “available-for-sale” are not reversed through the consolidated statement of financial performance.

### **1.13 Intangible Assets**

#### ***Goodwill***

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

#### ***Other intangible assets***

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

### **1.14 Interest-Bearing Loans and Borrowings**

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

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

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.

### **1.15 Revenue and Revenue Recognition**

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

#### ***Sale of goods***

Revenue from the sale of goods is recognised in total income when the significant risks and rewards of ownership have been transferred to the customer. This transfer generally occurs when the goods are delivered to the customer.

#### ***Interest income***

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

#### ***Sale of non-current assets***

The gain or loss on sale of non-current asset sales is included as income at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

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

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 1: STATEMENT OF ACCOUNTING POLICIES [cont.]

### 1.15 Revenue and Revenue Recognition [cont.]

net proceeds on disposal and in the case of "available-for-sale" assets will include any amount attributable to the asset which is included in reserves.

Where an equity investment in a controlled entity is reduced and the entity ceases to be controlled, revenue from either the sale of goods or services from that investment ceases to be included in the statement of comprehensive income. If the equity investment continues to be held as an "available-for-sale" asset, changes in its fair value will be recognised directly in other comprehensive income. This may impact the ability to directly compare financial information.

#### *Provision of services*

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

Revenue from the provision of warehousing services to external parties is recognised as the service is provided.

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

#### *Dividends*

Revenue from dividends and other distributions from controlled entities 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 on a straight line basis over the term of the lease.

### 1.16 Employee Entitlements

#### *Wages, salaries, annual leave and sick leave*

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

#### *Share based payment transactions*

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

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

### 1.17 Contributed Equity

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

### 1.18 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.

### 1.19 Earnings Per Share

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

### 1.20 Comparative Figures

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

### 1.21 Segment Reporting

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

### 1.22 Contingent Consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income.

## 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	
	2014 %	2013 %	2014 %	2013 %
<b>CVC Limited</b>				
<i>Direct Controlled Entities:</i>				
Biomedical Systems Pty Limited	100	100	-	-
CVC Fairfield Pty Limited	100	100	-	-
CVC Finance Company Pty Limited	100	100	-	-
CVC Funds Management Pty Limited	100	100	-	-
CVC Knoxfield Unit Trust No. 2	100	100	-	-
CVC Investment Managers Pty Limited	100	100	-	-
CVC Managers Pty Limited	100	100	-	-
CVC Mezzanine Finance Pty Limited	100	100	-	-
CVC Narabang Pty Limited	-	95	-	5
CVC (Newcastle) Pty Limited	100	100	-	-
CVC Property Managers Limited	100	100	-	-
CVC Property Fund	90	90	10	10
CVC Private Equity Limited	61	61	39	39
Renewable Energy Managers Pty Limited	100	100	-	-
Stinoc Pty Limited	99	99	1	1
The Eco Fund Pty Limited	100	100	-	-
CVC Renewables Pty Limited	94	94	6	6
P2P Investments Pty Limited (Formerly CVC Resources Pty Limited)	100	100	-	-
CVC Nepean Pty Limited	100	100	-	-
CVC Reef Investment Managers Pty Limited	100	100	-	-
CVC Property Investments Pty Limited	100	-	-	-
Cellnet Group Limited	53	51	47	49
CVC Masters Unit Trust	50	50	50	50
iLiv CVC Rockhampton Trust	50	50	50	50
MAC 1 MP Pty Ltd	66	66	34	34
Marsden Park Development Trust	66	66	34	34
CVC Sustainable Investments Limited	23	n/a	77	n/a
CVC Sustainable Investments No.2 Limited	23	n/a	77	n/a
CVC Wagga Wagga Pty Limited	100	100	-	-
CVC Wagga Wagga Unit Trust	50	n/a	50	n/a
<i>Controlled Entities owned 100% by CVC Property Fund:</i>				
Belrose Unit Trust No. 1	-	100	-	-
Belrose Unit Trust No. 2	-	100	-	-
Belrose Unit Trust No. 3	-	100	-	-
CVC Knoxfield Unit Trust No. 1	-	100	-	-
Frenchs Forest No. 1 Trust	100	100	-	-
Frenchs Forest No. 2 Trust	100	100	-	-
Lauden CVC Property Trust	-	100	-	-

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 2: CONTROLLED ENTITIES [cont.]

### 2.1 Composition of Consolidated Group [cont.]

	Interest Held by Consolidated Entity		Interest Held by non-controlling interests	
	2014	2013	2014	2013
	%	%	%	%
<b>Controlled Entities jointly owned by CVC Limited, CVC Private Equity Limited and CVC Renewables Pty Limited:</b>				
Battery Energy Power Solutions Pty Limited	-	70	-	30
<b>Controlled Entities owned 100% by CVC Narabang Pty Limited:</b>				
Narabang Constructions Pty Limited	-	100	-	-
<b>Controlled Entities jointly owned by CVC Renewables Pty Limited, CVC Reef Investment Managers and CVC Sustainable Investments Limited:</b>				
Wind Corporation Australia Pty Limited	100	80	-	20
Hampton Wind Park Company Pty Limited	100	80	-	20
<b>Controlled Entities controlled by Cellnet Group Limited:</b>				
C&C Warehouse (Holdings) Pty Limited	100	100	-	-
Regadget Pty Limited	100	90	-	10
OYT Pty Limited	100	100	-	-
Cellnet Online Pty Limited	100	100	-	-
<b>Companies incorporated in New Zealand:</b>				
<b>Controlled Entities controlled by Cellnet Group Limited:</b>				
Cellnet Limited	100	100	-	-

### 2.2 Acquisition and disposals of Business Operations

#### (a) Stuff Products

On 28 March 2013 the consolidated entity acquired the business and assets of Stuff Products for a consideration of \$300,000. CVC elected to measure the acquisition at fair value. The fair value of identifiable net assets of Stuff Products as at the date of acquisition is illustrated in the table below.

	\$
<b>Assets and Liabilities of Stuff Products at Acquisition:</b>	
Inventories	250,000
Contingent Consideration (note 20)	(100,000)
<b>Total identifiable net assets at fair value</b>	<b>150,000</b>
Goodwill arising on acquisition	150,000
<b>Consideration for acquisition</b>	<b>300,000</b>

From the date of the Stuff Products transaction to 30 June 2013, the business contributed revenues of \$305,000 and profit before tax of \$45,000. If Stuff Products had been owned since the beginning of the 2013 financial year, the revenue included would have been \$1,819,000 and profit before tax of \$325,000.



## NOTE 2: CONTROLLED ENTITIES [cont.]

### 2.2 Acquisition and disposals of Business Operations [cont.]

#### (a) *Stuff Products (cont.)*

As part of the purchase agreement, a contingent consideration of \$100,000 was payable to the seller if the company achieved a profit contribution of \$300,000.

As at acquisition date, a fair value of the contingent consideration was estimated to be \$100,000. This was based on management's opinion that there was a 100% probability of the conditions being met. During the 2014 financial year a total of \$66,000 of this consideration was paid. The remaining \$34,000 did not vest and was written back to profit and loss. Refer note 20.

Identifiable intangibles of \$150,000 comprises the value of supplier contracts, customer relationships and expected synergies arising from the acquisition that is anticipated to result from combining the operation of the acquiree and acquirer that do not qualify for separate recognition. The intangible asset was impaired in full during the 2014 financial year. Refer note 18.

#### (b) *Battery Energy Power Solutions Pty Limited*

On 31 March 2014 CVC sold 100% of the shares held in Battery Energy Power Solutions Pty Limited. Refer to note 28.

### 2.3 Interest in material subsidiaries

#### (a) *Significant judgment: consolidation of entities with less than 50% ownership*

The Directors have determined that in accordance with the amended AASB 10 Consolidated Financial Statements that CVC controls the stapled companies of CVC Sustainable Investments Limited and CVC Sustainable Investments No.2 Limited ("CVC Sustainable Investments"). Control has been determined as CVC Managers Pty Limited manages the day to day operations of CVC Sustainable Investments via the management agreement between the companies and CVC is the largest shareholder holding 23% out of 419 shareholders.

#### (b) *Significant restrictions*

CVC has statutory and regulatory restrictions on its ability to access or use the assets in Cellnet Group Limited, CVC Private Equity Limited, CVC Sustainable Investments Limited, CVC Sustainable Investments No.2 Limited and CVC Property Fund. The *Corporations Act 2001* provides CVC with an interest in the equity of the entities, but does not provide it a right to their assets.

CVC also has constitutional restrictions on its ability to access or use the assets of CVC Masters Unit Trust, iLiv CVC Rockhampton 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 \$17,825,232. Refer note 25.

#### (c) *Information on subsidiaries:*

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

Cellnet Group Limited: a distributor of mobile and IT technology to the reseller community in Australia.

CVC Private Equity Limited: venture capital company investing in Australian listed and unlisted businesses.

CVC Property Fund: a listed registered managed investment scheme domiciled in Australia.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 2: CONTROLLED ENTITIES [cont.]

### 2.3 Interest in material subsidiaries [cont.]

#### (c) Information on subsidiaries (cont):

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.

	Cellnet Group Limited		CVC Private Equity Limited		CVC Property Fund	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
<b>Summarised balance sheet</b>						
Current assets	22,579,000	20,703,000	15,124,403	2,088,969	461,042	434,970
Current liabilities	12,573,000	9,237,000	74,472	22,400	370,668	367,670
<b>Current net assets</b>	<b>10,006,000</b>	<b>11,466,000</b>	<b>15,049,931</b>	<b>2,066,569</b>	<b>90,374</b>	<b>67,300</b>
Non-current assets	1,411,000	3,863,000	5,524,090	11,021,283	28,250,000	32,750,000
Non-current liabilities	148,000	337,000	1,051,428	13,841	16,146,000	21,294,052
<b>Non-current net assets</b>	<b>1,263,000</b>	<b>3,526,000</b>	<b>4,472,662</b>	<b>11,007,442</b>	<b>12,104,000</b>	<b>11,455,948</b>
<b>Net assets</b>	<b>11,269,000</b>	<b>14,992,000</b>	<b>19,522,593</b>	<b>13,074,011</b>	<b>12,194,374</b>	<b>11,523,248</b>
Accumulated NCI	4,906,864	5,934,459	8,354,073	6,178,124	1,232,535	1,164,702
<b>Summarised statement of comprehensive income</b>						
Revenue	82,228,000	70,931,000	9,582,813	471,936	3,859,657	3,874,121
(Loss)/profit for the period	(3,887,000)	962,000	6,238,612	(198,807)	671,126	1,225,413
Other comprehensive income	164,000	(54,000)	394,489	1,949	-	-
<b>Total comprehensive income</b>	<b>(3,723,000)</b>	<b>908,000</b>	<b>6,633,101</b>	<b>(196,858)</b>	<b>671,126</b>	<b>1,225,413</b>
(Loss)/profit allocated to NCI	(873,462)	412,729	2,023,235	309,576	67,834	123,857
Dividends paid to NCI	-	-	74,752	222,293	-	-
<b>Summarised cash flows</b>						
Cash flows (used in)/from operating activities	(5,320,000)	(2,411,000)	2,919,201	393,186	1,661,618	1,378,571
Cash flows (used in)/from investing activities	(166,000)	(228,000)	6,153,450	(5,029,979)	3,512,161	(193,587)
Cash flows from/(used in) financing activities	5,796,000	-	(190,825)	(349,638)	(5,136,320)	(1,184,616)
Net foreign exchange differences	100,000	(28,000)	-	-	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>410,000</b>	<b>(2,667,000)</b>	<b>8,881,826</b>	<b>(4,986,431)</b>	<b>37,459</b>	<b>368</b>



## NOTE 2: CONTROLLED ENTITIES [cont.]

### 2.3 Interest in material subsidiaries [cont.]

#### (d) Transactions with non-controlling interests:

##### (i) Cellnet Group Limited

On 14 August 2013, CVC acquired an additional 2% of the issued shares of Cellnet Group Limited for \$179,049. Immediately prior to the purchase, the carrying amount of the existing 49% non-controlling interest in Cellnet Group Limited was \$5,921,587. CVC recognized a decrease in non-controlling interest of \$217,700 and an increase in equity attributable to owners of the parent of \$38,651.

On 19 November 2012, Cellnet Group Limited cancelled 2,000,000 forfeited shares. As a result, CVC increased its holding in Cellnet Group Limited by 2%. Immediately prior to the transaction, the carrying amount of the existing 51% non-controlling interests in Cellnet Group Limited was \$5,688,779. CVC recognized a decrease in non-controlling interest of \$198,921 and an increase in equity attributable to owners of the parent of \$198,921.

The effect on the equity attributable to the owners of Cellnet Group Limited is summarized as follows:

	2014 \$	2013 \$
Carrying amount of non-controlling interests acquired	217,700	198,921
Consideration paid to non-controlling interests	(179,049)	-
Discount of consideration paid recognised in the transactions with non-controlling interests reserve within equity	38,651	198,921

##### (ii) CVC Private Equity Limited

CVC acquired an additional 2% of the issued shares of CVC Private Equity Limited for \$655,561 via its participation in the Dividend Reinvestment Plan operated by the company on 16 July 2012 and 31 October 2012. CVC recognized a total decrease in non-controlling interest of \$670,840 and an increase in equity attributable to owners of the parent of \$15,279.

The effect on the equity attributable to the owners of CVC Private Equity Limited is summarized as follows:

	2014 \$	2013 \$
Carrying amount of non-controlling interests acquired	-	670,840
Consideration paid to non-controlling interests	-	(655,561)
Discount of consideration paid recognised in the transactions with non-controlling interests reserve within equity	-	15,279

There were no transactions with non-controlling interest in CVC Private Equity Limited in 2014.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 2: CONTROLLED ENTITIES [cont.]

### 2.3 Interest in material subsidiaries [cont.]

#### (d) Transactions with non-controlling interests (cont):

##### (iii) Battery Energy Power Solutions Pty Limited

On 24 September 2013, Battery Energy Power Solutions Pty Limited issued 1,782,832 shares for \$1,000. As a result, CVC decreased its holding in Battery Energy Power Solutions Pty Limited by 8.1%. Immediately prior to the transaction, the carrying amount of the existing non-controlling interests in Battery Energy Power Solutions Pty Limited was \$4,127,083. CVC recognised an increase in non-controlling interest of \$335,055 and a decrease in equity attributable to owners of the parent of \$334,055.

On 31 August 2013, Battery Energy Power Solutions Pty Limited brought back all its share options for \$375,624. Immediately prior to the transaction, the carrying amount of the existing non-controlling interests in Battery Energy Power Solutions Pty Limited was \$1,773,980. As a result, CVC recognised a decrease in non-controlling interest of \$162,488 and a decrease in equity attributable to owners of the parent of \$213,136.

CVC deemed to acquire 0.41% of the issued shares of Battery Energy Power Solutions Pty Limited via its participation in the CVC Private Equity Limited Dividend Reinvestment Plan operated by the company on 16 July 2012 and 31 October 2012. CVC recognized a decrease in non-controlling interest of \$6,481 and an increase in equity attributable to owners of the parent of \$6,481.

The effect on the equity attributable to the owners of Battery Energy Power Solutions Pty Limited is summarized as follows:

	2014 \$	2013 \$
Carrying amount of non-controlling interests acquired	162,488	6,481
Consideration paid to non-controlling interests	(375,624)	-
Carrying amount of non-controlling interests disposed	(335,055)	-
Consideration received non-controlling interests	1,000	-
(Discount)/excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	(547,191)	6,481

In addition, CVC fully sold its shares in Battery Energy Power Solutions Pty Limited on 31 March 2014. Refer to note 28.

## NOTE 3: PARENT COMPANY INFORMATION

The salient financial information in relation to the parent company, CVC Limited, are as follows:

	2014 \$	2013 \$
<b>i) STATEMENT OF COMPREHENSIVE INCOME</b>		
<b>INCOME</b>		
Revenue from services	373,750	125,000
Net gain on sale of equity investments	6,181,798	398,193
Interest revenue	4,035,726	4,505,023
Dividend revenue	14,818,035	984,042
Recovery of investment in controlled entities	241,728	-
Recovery of investment in associated entities	-	5,829,957
Recovery of investment in related entities	587,069	3,386,547
Recovery of investment in unrelated entities	4,484,967	596,281
Recovery of loans to unrelated entities	27,790	53,068
Net realised foreign exchange gain	7,920	20,396
Other income	256,398	32,277
<b>Total income</b>	<b>31,015,181</b>	<b>15,930,784</b>
<b>EXPENSES</b>		
Impairment of listed investments	4,609,955	7,037,480
Impairment of unlisted investments	19,412	285,581
Impairment of investments in associated entities	33,949	531,161
Impairment of investments in related entities	-	358,222
Impairment of loans to controlled entities	3,057,366	1,954,513
Impairment of loans to related entities	-	536,411
Management and consultancy fees	6,605,668	6,043,230
Finance costs	2,580,659	-
Other expenses	1,351,096	2,375,645
<b>Profit/(loss) before related income tax expense</b>	<b>12,757,076</b>	<b>(3,191,459)</b>
Income tax benefit	1,267,417	512,559
<b>Net profit/(loss)</b>	<b>14,024,493</b>	<b>(2,678,900)</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Investment value increases recognised in other reserves	16,488,956	7,118,713
Amounts transferred from other reserves to other comprehensive income on sale	(1,316,701)	(895,340)
<b>Other comprehensive income for the year, net of tax</b>	<b>15,172,255</b>	<b>6,223,373</b>
<b>Total comprehensive income for the year</b>	<b>29,196,748</b>	<b>3,544,473</b>

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 3: PARENT COMPANY INFORMATION [cont.]

	2014 \$	2013 \$
<b>ii) STATEMENT OF FINANCIAL POSITION</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	32,747,617	20,037,935
Loans and other receivables	917,686	6,063,619
Financial assets – “at fair value through profit or loss”	1,104,657	1,478,020
Current tax assets	-	151,815
Other assets	226,126	174,182
<b>Total current assets</b>	<b>34,996,086</b>	<b>27,905,571</b>
<b>NON-CURRENT ASSETS</b>		
Loans and other receivables	34,999,435	42,654,542
Financial assets – “available-for-sale”	112,991,806	91,720,675
<b>Total non-current assets</b>	<b>147,991,241</b>	<b>134,375,217</b>
<b>TOTAL ASSETS</b>	<b>182,987,327</b>	<b>162,280,788</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	2,093,114	1,591,722
Current tax liabilities	189,597	-
<b>Total current liabilities</b>	<b>2,282,711</b>	<b>1,591,722</b>
<b>NON-CURRENT LIABILITIES</b>		
Trade and other payables	46,109,272	40,891,591
<b>Total non-current liabilities</b>	<b>46,109,272</b>	<b>40,891,591</b>
<b>TOTAL LIABILITIES</b>	<b>48,391,983</b>	<b>42,483,313</b>
<b>NET ASSETS</b>	<b>134,595,344</b>	<b>119,797,475</b>
<b>EQUITY</b>		
Contributed equity	103,646,845	105,935,045
Retained earnings	7,835,646	5,921,834
Other reserves	23,112,853	7,940,596
<b>TOTAL EQUITY</b>	<b>134,595,344</b>	<b>119,797,475</b>

	2014 \$	2013 \$
<b>NOTE 4: INCOME</b>		
Rental income		
Unrelated entities	3,348,126	3,215,450
Outgoings recovered		
Unrelated entities	596,840	660,739
Revenue from services		
Associated entities	10,417	165,245
Related entities	78,660	289,583
Unrelated entities	2,655,088	2,764,332
Net gain on sales of equity investments	4,869,535	1,311,268
Interest		
Associated entities	68,081	157,731
Related entities	713,244	1,332,425
Unrelated entities	5,310,786	7,560,911
Dividends		
Related entities	13,252,477	510,584
Unrelated entities	257,944	441,811
Sale of goods	89,258,126	69,079,662
Impairment recoveries		
Recovery of investments in associated entities	1,104,907	5,668,685
Recovery of investments in related entities	356,968	3,437,635
Recovery of investments in unrelated entities	5,720,727	596,281
Recovery of loans in associated entities	-	947,941
Recovery of loans in unrelated entities	180,275	20,000
Net realised foreign exchange gain	-	321,546
Other revenue	619,393	406,802
<b>Total income</b>	<b>128,401,594</b>	<b>98,888,631</b>

## NOTE 5: PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense has been arrived at after charging the following items:

<b>Finance costs:</b>		
Related entities	753,335	808,453
Other entities		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	2,005,832	1,667,510
Finance charge on receivables at fair value through profit or loss	2,341,620	-
<b>Total finance costs expensed</b>	<b>5,100,787</b>	<b>2,475,963</b>
<b>Other expenses:</b>		
Audit fees	406,336	389,934
Directors fees	415,335	737,295
Insurance	398,639	406,301
Legal costs	190,567	123,320
Travel and accommodation	466,347	229,301
All other expenses	5,153,116	5,283,941
<b>Total other expenses</b>	<b>7,030,340</b>	<b>7,170,092</b>

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 6: INCOME TAX

### 6.1 Income Tax Expense:

Profit from continuing operations before income tax expense	24,988,532	8,951,083
Profit from discontinued operation before income tax expense	4,185,510	3,109,930
Accounting profit before income tax	29,174,042	12,061,013
Income tax expense at the statutory income tax rate of 30%	8,752,213	3,618,304
Increase in income tax expense due to:		
Sundry items	67,533	52,947
Decrease in income tax expense due to:		
Dividends received	(4,058,462)	(358,229)
Trust profit not assessable	(139,835)	(367,624)
Sundry items	-	(54,547)
Tax losses previously not recognised utilised	(848,703)	(1,013,789)
Net deferred tax not recognised	(1,859,456)	(662,366)
	1,913,290	1,214,696
Adjustments in respect of current income tax of previous years (a)	(65,325)	(233,131)
Income tax expense	1,847,965	981,565
The major components of income tax expense are:		
Current income tax charge	1,550,634	1,993,971
Deferred income tax	362,656	(779,275)
Adjustments in respect of current income tax of previous years (a)	(65,325)	(233,131)
Income tax expense reported in the statement of financial performance	1,847,965	981,565
Income tax expense is attributable to:		
Profit from continuing operations	864,621	981,565
Profit from discontinued operations	983,344	-
Aggregate income tax expense	1,847,965	981,565

(a) The adjustment in respect of current income tax includes an (over)/under-provision on tax liability arising from the 2013 income tax year.

### 6.2 Current Tax Assets:

#### Income tax receivable:

Balance at the end of the year	20,539	199,944
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### 6.3 Current Tax Liabilities:

#### Income tax payable:

Balance at the end of the year	1,067,475	17,366
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## NOTE 6: INCOME TAX [cont.]

### 6.4 Deferred Tax Assets:

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

	Included in Income \$	Included in Equity \$	Total \$
<b>Year ended 30 June 2014</b>			
Provisions and accrued expenses	1,007,272	-	1,007,272
Impairment expenses	11,149,425	-	11,149,425
Share raising costs	-	8,911	8,911
Equity accounted investments	3,705,740	-	3,705,740
Other	1,511,030	-	1,511,030
Tax losses	9,293,977	-	9,293,977
Deferred tax assets not recognised	(26,007,193)	(6,809)	(26,014,002)
	<b>660,251</b>	<b>2,102</b>	<b>662,353</b>
<b>Year ended 30 June 2013</b>			
Provisions and accrued expenses	1,173,726	-	1,173,726
Impairment expenses	11,382,997	-	11,382,997
Share raising costs	-	19,099	19,099
Equity accounted investments	3,426,907	-	3,426,907
Tax losses	9,810,103	-	9,810,103
Deferred tax assets not recognised	(25,760,474)	(19,099)	(25,779,573)
	<b>33,259</b>	<b>-</b>	<b>33,259</b>

### 6.5 Deferred Tax Liabilities

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

<b>Year ended 30 June 2014</b>			
"Available-for-sale" investments	7,407,309	-	7,407,309
Receivables	878,332	-	878,332
Equity accounted income	10,855,746	-	10,855,746
Property, plant and equipment	21,342	-	21,342
Intangible assets	21,000	-	21,000
Gain on acquisition	405,247	-	405,247
Deferred tax liabilities not recognised	(18,270,374)	-	(18,270,374)
	<b>1,318,602</b>	<b>-</b>	<b>1,318,602</b>
<b>Year ended 30 June 2013</b>			
"Available-for-sale" investments	3,161,026	-	3,161,026
Receivables	609,220	-	609,220
Equity accounted income	10,685,572	-	10,685,572
Property, plant and equipment	25,790	-	25,790
Intangible assets	21,000	-	21,000
Gain on acquisition	405,247	-	405,247
Other	352,210	-	352,210
Deferred tax liabilities not recognised	(14,936,179)	-	(14,936,179)
	<b>323,886</b>	<b>-</b>	<b>323,886</b>

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 6: INCOME TAX [cont.]

### 6.6 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 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.

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.

	2014 \$	2013 \$
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## NOTE 7: EARNINGS PER SHARE

Basic and diluted earnings per share

From continuing operations attributable to the members of the parent entity	0.1911	0.0604
From discontinued operation attributable to the members of the parent entity	0.0192	0.0158
Total basic and diluted earnings per share attributable to the members of the parent entity	0.2103	0.0762

**Reconciliation of earnings used in the calculation of earnings per share:**

Profit after income tax from continuing operations	24,123,911	7,969,518
Less: non-controlling interest in continuing operation	1,053,384	612,341
Net profit from continuing operations attributable to members of the parent entity	23,070,527	7,357,177
Profit after income tax from discontinued operation	3,202,166	3,109,930
Less: non-controlling interest in discontinued operation	889,119	1,176,971
Net profit from discontinued operation attributable to members of the parent entity	2,313,047	1,932,959
Net profit attributable to members of the parent entity	25,383,574	9,290,136

	Number of Shares	
Weighted average number of ordinary shares – Basic and Diluted	120,723,756	121,901,862
Number of shares on issue at the end of the year	119,532,788	121,421,485



## 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
2014 Interim dividend and special dividend on ordinary shares	7.00	8,472,843	5 March 2014	30%	100%
2013 Final dividend on ordinary shares	3.00	3,637,838	17 September 2013	30%	100%
2013 Interim dividend on ordinary shares	2.00	2,437,360	7 March 2013	30%	100%
2012 Final dividend on ordinary shares	3.00	3,669,197	7 September 2012	30%	100%

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

A final dividend in respect of the year ended 30 June 2014 of 3 cents per share was declared on 18 August 2014 to be paid on 3 September 2014 to those shareholders registered on 25 August 2014.

	2014 \$	The Company 2013 \$
<b>Dividend franking account</b>		
Franking credits available to shareholders for subsequent financial years	16,702,805	16,664,374

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: LOANS AND OTHER RECEIVABLES

### Current

Trade receivables	18,153,567	12,581,785
Allowance for impairment loss	(58,657)	(112,042)
Other receivables and prepayments	1,729,078	1,661,577
Loans to related entities	25,000	7,778,008
Impairment of loans to related entities	-	(2,541,992)
Loans to other corporations	9,647,336	25,614,656
Impairment of loans to other corporations	(304,879)	-
	29,191,445	44,981,992

### Non current

Loans to related entities	3,380,606	3,301,666
Loans to associated entities	1,010,947	1,937,613
Loans to other corporations	11,328,746	4,258,470
Impairment of loans to other corporations	(48,898)	(76,689)
Other receivables and prepayments	7,658,380	-
	23,329,781	9,421,060

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 9: LOANS AND OTHER RECEIVABLES [cont.]

### 9.1 Trade receivables

Trade receivables are non-interest bearing and are generally on 3 - 30 day terms. Certain trade receivables are insured through a debtors' insurance policy. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired and not recoverable within the terms of the insurance policy.

Movements in the provision for impairment loss were as follows:

	2014 \$	2013 \$
Carrying amount at the beginning of the year	112,042	131,415
Receivables written off during the year as uncollectible	(67,881)	(62,970)
Amount recovered	(20,000)	(24,094)
Provision for impairment recognised during the year	34,496	67,691
Carrying amount at the end of the year	58,657	112,042

The ageing analysis of the trade receivables is as follows:

	Total \$	0 – 30 days \$	31 – 60 days \$	61 – 90 days (PDNI) \$	+91 days (PDNI) \$	61 - 90 days (CI) \$	+91 days (CI) \$
Closing balance - 2014	18,153,567	12,898,525	2,304,042	1,417,000	1,475,000	-	59,000
Closing balance - 2013	12,581,785	10,150,948	1,238,593	268,362	811,840	20,000	92,042

*PDNI – Past due not impaired*

*CI – Considered impaired*

### 9.2 Loans

When an entity does not pay a scheduled payment of principal and interest or management consider that there has been an adverse change in the underlying value of assets securing the loan a review is conducted to determine if the loan is considered to be impaired. Impairment of loans to related entities and other corporations has been determined after reviewing the underlying assets supporting the loans and the history of making payments to reduce both the principle and interest outstanding.

Movements in the provision for impairment loss were as follows:

	2014 \$	2013 \$
Carrying amount at the beginning of the year	2,618,681	3,030,211
Charge for the year	304,879	1,413,323
Amount recovered	(2,569,783)	(947,941)
Amounts written off	-	(876,912)
Carrying amount at the end of the year	353,777	2,618,681

Further details of loans are set out in notes 33 and 36.

	2014 \$	2013 \$
<b>NOTE 10: FINANCIAL ASSETS – “AVAILABLE-FOR-SALE”</b>		
<b>Non current</b>		
Shares in listed corporations – at market value	69,188,421	33,697,114
Other investments – at cost	7,417,401	8,949,079
Impairment of other investments – at cost	(2,605,516)	(2,035,581)
Public unlisted investments – at market value	1,212,979	1,006,264
Other investments – at market value	283,362	302,862
Impairment of other investments – at market value	(283,362)	(302,862)
	<b>75,213,285</b>	<b>41,616,876</b>

Where there has been a reduction in the share price of an investment that appears to be prolonged or significant management have made an assessment as to whether impairment is required. Impairment of investments has been determined with reference to either a recent share price where an active market exists, discounted cash flow analysis, earnings multiples or underlying net assets. Management assesses the results to determine the most appropriate valuation.

#### 10.1 Shares in listed corporations – at market value

The carrying value of certain investments classified as “Shares in listed corporations – at market value” has been determined by using the fair value approach. The closing “bid-price” was determined to be an appropriate indication for the fair value of the investment.

Significant share holdings are held in Resource Generation Limited, Buru Energy Limited, Bionomics Limited, Mnemon Limited, Cyclopharm Limited, Villa World Limited, Kea Petroleum Plc and Vita Life Sciences Limited. The number of shares held is greater than what would reasonably be considered to be liquid. The closing “bid-price” was determined to be an appropriate indication for the fair value of the investment. Refer note 36.6.

CVC holds a 50% interest in Engage Private Equity Pty Limited (AFSL No 397878) as Trustee of the Engage Commercial Road Trust. CVC does not apply equity accounting or consolidation in relation to the investment as it has no influence over the Trustee.

#### 10.2 Other investments – at cost

The carrying value of certain investments classified as “Other investments – at cost” has been determined by using the fair value approach less transaction costs based on the asset based methodology, using the most recent audited financial report. The determination of the fair value has resulted in an impairment allowance of \$2,605,516 (2013: \$2,035,581).

#### 10.3 Public unlisted investments – at market value

The carrying value of certain investments classified as “Public unlisted investments – at market value” has been determined by using the fair value approach. The closing “redemption-price” for the Concise Mid Cap Fund was determined to be an appropriate indication for the fair value of the investment.

#### 10.4 Other investments – at market value

The carrying value of certain investments classified as “Other investments – at market value” of \$283,362 (2013: \$302,862) has been determined by using the fair value approach less transaction costs based on the asset based methodology. The determination of the fair value has resulted in an impairment allowance of \$283,362 (2013: \$302,862).

## NOTE 11: FINANCIAL ASSETS – “AT FAIR VALUE THROUGH PROFIT OR LOSS”

#### Current

Shares in listed corporations – at market value	1,120,947	2,025,775
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# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 12: INVENTORIES

### Current

Stock on hand	9,645,451	13,733,060
Stock in transit	-	185,501
Provision for obsolescence	(1,058,188)	(2,636,588)
Land and development held for resale	15,361,109	9,899,635
Total inventories at the lower of cost and net realisable value	23,948,372	21,181,608

### Non-current

Land and development held for resale	10,207,123	-
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Inventories recognised as an expense for the year ended 30 June 2014 totalled \$80,336,101 (2013: \$62,186,255). This expense has been included in the cost of goods sold in the Statement of Financial Performance.

## NOTE 13: OTHER ASSETS

### Current

Prepayments and deposits	398,444	903,368
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## NOTE 14: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Non-current

Equity accounted shares in listed associated companies (note 15)	-	19,968,174
Equity accounted shares in other associated companies (note 15)	14,326,380	25,925,116
	14,326,380	45,893,290

Where there has been a reduction in the share price of an investment that appears to be prolonged or significant management have made an assessment as to whether impairment is required. The amount of the impairment has been determined after consideration of the fair value 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.

### 14.1 Green's Foods Holdings Pty Limited

The carrying value of Green's Foods Holdings Pty Limited has been determined by using the fair value approach and has been calculated as \$13,316,753 based on the net asset backing methodology, using the most recent reports provided by the company. Refer note 36.7.

### 14.2 Concise Asset Management Limited

The carrying value of Concise Asset Management Limited has been determined by using the fair value approach and has been calculated as \$800,997 based on the net asset backing methodology, using the most recent reports provided by the company. Refer note 36.7.

### 14.3 JAK Investment Group Pty Ltd

The carrying value of JAK Investment Group Pty Ltd has been determined by using the fair value approach and has been calculated as \$208,630 based on the net asset backing methodology, using the most recent reports provided by the company. Refer note 36.7.

## NOTE 15: INVESTMENTS IN ASSOCIATED ENTITIES

### 15.1 Details of material interests in associated entities are as follows:

	Type	Ownership Interest Consolidated		Investment Carrying Amount Consolidated		Dividend Received/ Receivable Consolidated	
		2014	2013	2014	2013	2014	2013
		%	%	\$	\$	\$	\$
Concise Asset Management Limited	Ords	42.0	49.0	800,997	-	-	-
CVC Sustainable Investments (e)	Ords	n/a	23.5	-	569,100	-	-
Green's Foods Holdings Pty Limited	Ords	43.5	43.5	13,316,753	11,576,609	-	-
JAK Investment Group Pty Ltd (a)	Ords	50.0	50.0	208,630	40,304	-	-
Ron Finemore Transport Pty Limited (c)	Ords	-	50.0	-	13,360,265	8,125,000	-
Everten Group Pty Limited (d)	Ords	-	50.0	-	378,838	-	-
Villa World Limited (b)	Ords	n/a	23.9	-	19,968,174	874,815	-
				14,326,380	45,893,290	8,999,815	-

(a) JAK Investment Group Pty Ltd is not considered to be a controlled entity of CVC as management of the company is controlled by the holders of the remaining 50%.

(b) CVC's holding in Villa World Limited fell below 20% on 4 November 2013. CVC ceased equity accounting effective 4 November 2013.

(c) CVC realised its investment in Ron Finemore Transport Pty Limited on 13 June 2014.

(d) CVC realised its investment in Everten Group Pty Limited on 30 June 2014.

(e) During the financial year CVC Sustainable Investments which comprises the stapled companies of CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited became controlled entities of CVC.

### 15.2 Information on associated entities:

Concise Asset Management Limited	– a boutique fund manager focused on investments in ASX listed entities.
CVC Sustainable Investments	– a group of stapled companies focused on private equity investment in companies that are focused on improved environmental outcomes.
Green's Foods Holdings Pty Limited	– the holding company for the manufacturing operations of the blended foods, cereals and snack foods division of Green's General Foods Pty Limited.
JAK Investment Group Pty Limited	– a boutique real estate finance and investment house specialising in the provision of real estate capital solutions.
Ron Finemore Transport Pty Limited	– a regional road transport and logistics group. Although CVC held 50% interest in the company, it did not have control of the management of the company. CVC realised its investment in Ron Finemore Transport Pty Limited on 13 June 2014.
Everten Group Pty Limited	– an online kitchenware and gift basket business.
Villa World Limited	– a developer of affordable residential communities within Queensland, New South Wales and Victoria, specialising in land only, land and volume speculative housing, and townhouse developments.

The reporting date of all the associated entities except Green's Foods Holdings Pty Limited is 30 June. Green's Foods Holdings Pty Limited has a reporting date of 31 December. All entities listed above are Australian.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 15: INVESTMENTS IN ASSOCIATED ENTITIES [cont.]

### 15.3 Reconciliations:

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

	CVC Sustainable Investments \$	GPG (No. 7) Pty Limited \$	Green's Foods Holdings Pty Limited \$	Villa World Limited (b) \$	Ron Finemore Transport \$	Other Entities (a) \$	Total \$
<b>Year ended 30 June 2014</b>							
Balance at the beginning of the year	569,100	-	11,576,609	19,968,174	13,360,265	419,142	45,893,290
New interests acquired	-	-	-	522,517	-	-	522,517
Interests disposed	-	-	-	-	(15,609,533)	(269,122)	(15,878,655)
Share of associates profits before tax	-	-	12,388,377	760,891	3,209,792	284,653	16,643,713
Share of associates tax expenses	-	-	(1,293,615)	(228,267)	(960,524)	(67,813)	(2,550,219)
Share of associates reserves	-	-	-	19,211	-	-	19,211
Impairment recovery	-	-	-	-	-	1,104,907	1,104,907
Impairment	(779)	-	-	-	-	-	(779)
Recovery of investment value (c)	-	-	-	10,714,955	-	-	10,714,955
Return of capital	-	-	(9,354,618)	-	-	(462,140)	(9,816,758)
Reclassification of investments	(568,321)	-	-	(31,757,481)	-	-	(32,325,802)
Balance at the end of the year	-	-	13,316,753	-	-	1,009,627	14,326,380
<b>Year ended 30 June 2013</b>							
Balance at the beginning of the year	1,511,885	10,149,040	-	11,978,263	11,374,045	400,000	35,413,233
New interests acquired	-	-	5,198,060	2,121,587	-	-	7,319,647
Interests disposed	-	(4,173,870)	(4,245,395)	-	-	-	(8,419,265)
Share of associates profits/(losses) before tax	(9,246)	(106,782)	238,381	972,217	2,837,457	19,142	3,951,169
Share of associates tax (expenses)/benefit	-	(761,750)	(389,760)	96,314	(851,237)	-	(1,906,433)
Share of associates reserves	15,401	-	-	(32,655)	-	-	(17,254)
Impairment recovery	-	5,668,685	-	-	-	-	5,668,685
Impairment	(6,154)	-	-	-	-	-	(6,154)
Recovery of investment value (c)	-	-	-	4,832,448	-	-	4,832,448
Return of capital	(942,786)	-	-	-	-	-	(942,786)
Script-for-script rollover	-	(10,775,323)	10,775,323	-	-	-	-
Balance at the end of the year	569,100	-	11,576,609	19,968,174	13,360,265	419,142	45,893,290

Notes:

- (a) Other entities include Concise Asset Management Limited, JAK Investment Group Pty Ltd and Everten Group Pty Limited.
- (b) CVC's share of Villa World Limited's before tax profit excludes impairment charges raised during the year ended 30 June 2013 amounting to \$4,296,657 and the associated tax impact of \$1,288,997.
- (c) At the date Villa World Limited became an associate of CVC a discount existed between the market price and the net assets which was recognised in the revaluation reserve. The discount of net assets compared to share price has been reversed during the current year to the extent required to recognise the investment value in line with the market price.

## NOTE 15: INVESTMENTS IN ASSOCIATED ENTITIES [cont.]

### 15.4 Summarised financial information for associates

The table below provide summarised financial information for those associates that are material to the group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates 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.

	Green's Foods Holdings Pty Limited		Ron Finemore Transport Pty Limited		Villa World Limited	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
<b>Summarised balance sheet</b>						
Current assets	56,050,000	27,932,000	-	16,803,432	-	130,553,000
Current liabilities	64,954,670	35,044,000	-	21,792,214	-	31,931,000
Current net assets	(8,904,670)	(7,112,000)	-	(4,988,782)	-	98,622,000
Non-current assets	69,871,000	68,214,000	-	56,119,352	-	110,090,000
Non-current liabilities	28,222,000	32,358,000	-	24,410,040	-	72,580,000
Non-current net assets	41,649,000	35,856,000	-	31,709,312	-	37,510,000
<b>Net assets</b>	<b>32,744,330</b>	<b>28,744,000</b>	<b>-</b>	<b>26,720,530</b>	<b>-</b>	<b>136,132,000</b>
<b>Reconciliation to carrying amounts:</b>						
Opening net assets 1 July	28,744,000	-	-	24,848,090	-	151,229,000
Shares issued	-	29,091,000	-	-	-	-
Profit/(loss) for the period	25,505,200	(347,000)	-	3,972,440	-	(13,494,000)
Other comprehensive income	-	-	-	-	-	(136,000)
Shares sold	-	-	-	-	-	(1,467,000)
Share buy back	-	-	-	(2,100,000)	-	-
Return of capital	(21,504,870)	-	-	-	-	-
<b>Closing net assets</b>	<b>32,744,330</b>	<b>28,744,000</b>	<b>-</b>	<b>26,720,530</b>	<b>-</b>	<b>136,132,000</b>
Group's share - percentage	43.5%	43.5%	(a)	50%	(b)	23.9%
Group's share - dollars	14,243,784	12,503,640	-	13,360,265	-	32,535,548
Adjusted to market value	-	-	-	-	-	(12,567,374)
Discount on acquisition	(927,031)	(927,031)	-	-	-	-
<b>Carrying amount</b>	<b>13,316,753</b>	<b>11,576,609</b>	<b>-</b>	<b>13,360,265</b>	<b>-</b>	<b>19,968,174</b>
<b>Summarised statement of comprehensive income</b>						
Revenue	148,783,000	78,153,000	125,633,000	124,989,895	60,553,521	171,473,000
<b>Profit for the period</b>	<b>25,505,200</b>	<b>(347,000)</b>	<b>4,498,541</b>	<b>3,972,440</b>	<b>2,475,000</b>	<b>(13,494,000)</b>
Other comprehensive income	-	-	-	-	89,000	(136,000)
<b>Total comprehensive income</b>	<b>25,505,200</b>	<b>(347,000)</b>	<b>4,498,541</b>	<b>3,972,440</b>	<b>2,564,000</b>	<b>(13,630,000)</b>
Dividends received	-	-	-	-	874,815	-

(a) On 13 June 2014 CVC realised its investment in Ron Finemore Transport Pty Limited when it entered into a share buy-back agreement to sell its 50% shareholding in the company. CVC's shareholding is to be bought back by Ron Finemore Transport Pty Limited progressively within 5 years, with 50% settling on 23 June 2014. The buy-back agreement consisted of an initial payment of \$10 million, with the balance to be acquired based on a further \$10 million initial price increasing by approximately 8% per annum. The amounts disclosed relate to the period to 13 June 2014. Refer note 9.

(b) On 4 November 2013 CVC's holding in Villa World Limited was reduced to less than 20% at which time the investment was reclassified to financial assets – "available for sale". The amounts disclosed relate to the period to 4 November 2013. Refer note 10.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 15: INVESTMENTS IN ASSOCIATED ENTITIES [cont.]

### 15.5 Individually immaterial associates

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

	2014 \$	2013 \$
Aggregate carrying amount of individually immaterial associates	1,009,627	988,242
Aggregate amounts of CVC's share of:		
Profit/(loss) for the period	216,840	(858,636)
Other comprehensive income	-	15,401
Total comprehensive income	216,840	(843,235)



	2014 \$	2013 \$
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## NOTE 16: PROPERTY, PLANT AND EQUIPMENT

Total property, plant and equipment	1,707,395	3,688,297
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### Comprises

#### *Plant and equipment*

At cost	2,010,582	2,168,461
Accumulated depreciation	(707,066)	(575,123)
	1,303,516	1,593,338

#### *Leasehold improvements*

At cost	319,954	-
Accumulated depreciation	(11,034)	-
	308,920	-

#### *Properties*

At cost	94,959	94,959
At fair value (Note 17.3)	-	2,000,000
	94,959	2,094,959

### Reconciliation

#### *Plant and equipment*

Carrying amount at the beginning of the year	1,593,338	2,036,320
Additions	260,415	62,077
Disposals	(518)	(18,027)
Disposal through sale of controlled entities	(46,362)	-
Depreciation	(503,357)	(487,032)
Carrying amount at the end of the year	1,303,516	1,593,338

#### *Leasehold improvements*

Carrying amount at the beginning of the year	-	-
Additions	319,954	-
Depreciation	(11,034)	-
Carrying amount at the end of the year	308,920	-

#### *Properties*

Carrying amount at the beginning of the year	2,094,959	2,092,396
Additions	-	2,563
Reclassification to investment properties arising from the disposal of controlled entity	(2,000,000)	-
Carrying amount at the end of the year	94,959	2,094,959

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 17: INVESTMENT PROPERTIES

Investment properties (note 34)	41,733,439	52,588,212
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### Reconciliation

Investment properties at the beginning of the year	52,588,212	38,250,000
Additions – acquisition of properties	4,900,000	13,820,154
Additions – capital expenditure	2,746,508	994,077
Reclassification from property, plant and equipment arising from the disposal of controlled entity	2,000,000	-
Reclassification to inventory	(15,207,123)	-
Carrying value of investment property sold	(3,600,000)	-
Fair value adjustment	(1,694,158)	(476,019)
Carrying amount at the end of the year	41,733,439	52,588,212

### Amounts recognised in profit or loss

Rental income	3,348,126	3,215,450
Direct operating expenses from property that generated rental income	606,964	668,555
Fair value loss recognised in other income	1,694,158	476,019

### 17.1 CVC Property Fund

Investment properties	28,250,000	32,750,000
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The fair value has been determined by Directors as follows:

*357 – 373 Warringah Road and 8 Rodborough Road Frenchs Forest*

Based on an independent valuation obtained from Jones Lang LaSalle dated 21 January 2014 with reference to the conditional contract of sale of a maximum of \$32.0 million due to settle on 1 October 2015.

	Weighted average 2014	2013
Capitalisation rate	12.0%	11.17%
Lease expiry	1.84 years	2.35 years
Occupancy	100%	100%

	2014 \$	2013 \$
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### 17.2 CVC Knoxfield Unit Trust No. 2

Investment property	-	5,500,000
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The fair value of 1464 Ferntree Gully Road Knoxfield was determined by Directors based on an estimated sales price less selling costs. The most recent valuation received on 13 May 2011 indicates a value of \$7 million. The property was reclassified to inventory as at 30 June 2014.

	2014 \$	2013 \$
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## NOTE 17: INVESTMENT PROPERTIES [cont.]

### 17.3 CVC Fairfield Pty Limited

Investment property	2,000,000	-
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The fair value of the property at 96 Fairfield Street Fairfield, which is leased by Battery Energy Power Solutions Pty Limited, has been determined by Directors based on the market rental yield expected to be achieved from the property. The Directors consider that the current carrying value of the property is appropriate.

The property was reclassified from property, plant and equipment following the sale of Battery Energy Power Solutions Pty Limited on 31 March 2014.

Capitalisation rate	14.2%	14.2%
Lease expiry	2.75 years	1.17 years
Occupancy	100%	100%

### 17.4 Others

Investment properties	11,483,439	14,338,212
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The fair value has been determined by Directors as an estimate based on costs incurred to 30 June 2014.

## NOTE 18: INTANGIBLE ASSETS

Goodwill	-	150,000
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### Reconciliations:

#### Goodwill

Carrying amount at the beginning of the year	150,000	-
Impairment	(150,000)	-
Arising on acquisition of interest in controlled entity (note 2.2)	-	150,000
Carrying amount at the end of the year	-	150,000

## NOTE 19: TRADE AND OTHER PAYABLES

### Current

Trade and other payables	7,118,598	8,964,066
Investment property settlement (a)	-	4,702,500
Sundry creditors and accruals	6,475,723	4,633,639
	13,594,321	18,300,205

### Non-Current

Trade and other payables	-	231,903
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(a) Settlement of 190-198 Princes Highway, South Nowra New South Wales was finalised on 30 September 2013.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 20: PROVISIONS

### Current

Maintenance warranties	-	40,000
Employee entitlements	812,384	959,542
	<b>812,384</b>	<b>999,542</b>

### Non-Current

Maintenance warranties	-	90,000
Employee entitlements	387,039	584,004
Contingent liability	-	100,000
	<b>387,039</b>	<b>774,004</b>

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Maintenance Warranties \$	Contingent Liability \$	Total \$
<b>Year ended 30 June 2014</b>			
Carrying amount at the beginning of the year	130,000	100,000	230,000
Retiring on disposal of interest in controlled entity (note 28)	(130,000)	-	(130,000)
Reversed during the year (note 2.2)	-	(34,000)	(34,000)
Utilised (note 2.2)	-	(66,000)	(66,000)
Carrying amount at the end of the year	-	-	-

	2014 \$	2013 \$
--	------------	------------

## NOTE 21: INTEREST BEARING LOANS AND BORROWINGS

### Current

Unsecured loan	200,000	-
Secured bank loan	7,442,116	4,568,700
Trade finance facility	6,270,487	474,168
	<b>13,912,603</b>	<b>5,042,868</b>

### Non-Current

Secured bank loans	16,146,000	24,700,000
Unsecured loan from associated entity	9,609,809	9,868,515
	<b>25,755,809</b>	<b>34,568,515</b>

## NOTE 21: INTEREST BEARING LOANS AND BORROWINGS [cont.]

### 21.1 Secured Bank Loans

The secured bank loans are from various financial institutions and are secured by first ranking mortgages over the properties at 790 Norman Road, Rockhampton Queensland, 8 Rodborough Road Frenchs Forest New South Wales and 357-373 Warringah Road Frenchs Forest New South Wales, 1464 Ferntree Gully Road Knoxfield Victoria and Lot 11 Richards Road, Riverstone New South Wales. The carrying value of the security provided includes \$28,250,000 of properties classified as investment properties (note 17) and \$25,568,232 of properties classified as inventories (note 12).

### 21.2 Trade finance facility

The trade finance facility is secured by way of a fixed and floating charge over the operations of Cellnet Group Limited.

#### *Breach of Covenant*

Cellnet Group Limited was in breach of its minimum interest coverage ratio covenant under the terms of the above facility agreements. The facilities are due to be reviewed in August 2014. Details of the pending breach were advised to the financier in May 2014, at which time the financier indicated that support would most likely continue to be provided, subject to:

- Trading performance improved in line with projections to be evaluated in the next mid-year review;
- Possible change from half yearly to quarterly reviews;
- All existing facilities operating within guidelines including invoice finance, trade finance and forward foreign exchange contracts;
- Possible increase in interest rate due to change in risk profile.

Cellnet Group Limited's budgeted EBITDA for the 30 June 2015 financial year is sufficient to comply with the covenant.

### 21.3 Unsecured loan from associated entity

This loan is an unsecured loan from Winten (No. 20) Pty Limited at an interest rate of 10% per annum repayable by 19 July 2019.

	2014	2013
	\$	\$

## NOTE 22: DERIVATIVE FINANCIAL INSTRUMENTS

### Current

Forward foreign exchange contracts	731,892	-
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Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies are recognised in net income. Both the changes in fair value of the forward contracts and the foreign exchange gains and losses relating to the monetary items are recognised in net realised foreign exchange gain/(loss) in the Statement of Financial Performance.

	The Company			
	2014		2013	
	Number	\$	Number	\$

## NOTE 23: CONTRIBUTED EQUITY

### Issued and paid-up ordinary share capital

Balance at the beginning of the year	121,421,485	105,935,045	122,336,368	106,813,787
Shares bought back on market	(1,888,697)	(2,288,197)	(914,883)	(878,742)
Balance at the end of the year	119,532,788	103,646,848	121,421,485	105,935,045

On 29 November 2013 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 1,524,820 shares had been bought back under this scheme.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 24: RETAINED EARNINGS

Retained earnings at the beginning of the year	54,864,508	51,680,929
Net profit attributable to members of the parent company	25,383,574	9,290,136
Dividends	(12,110,681)	(6,106,557)
Retained earnings at the end of the year	68,137,401	54,864,508

## NOTE 25: NON-CONTROLLING INTEREST

### Reconciliation of non-controlling interest in controlled entities:

Balance at the beginning of the year	18,062,575	14,630,843
Share of net profit	1,942,503	1,789,312
Acquisition of interests in controlled entities	1,242,215	2,700,455
Disposal of shares by non-controlling interest in controlled entities	(1,748,331)	-
Return of capital	(1,683,166)	(673,313)
Dividends paid	(294,306)	(248,294)
Share based payment	(5,277)	(111,939)
Revaluation of investments	309,019	(24,489)
Balance at the end of the year	17,825,232	18,062,575

### The non-controlling interest at the end of the year comprises interests in:

Share capital	35,013,338	32,696,195
Asset revaluation reserve	778,541	244,833
Accumulated losses	(17,966,647)	(14,878,453)
	17,825,232	18,062,575

Please refer to Note 2.3 for more information.

Asset Revaluation Reserve \$	Employee Equity Benefit Reserve \$	Foreign Exchange Translation Reserve \$	Total \$
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## NOTE 26: OTHER RESERVES

### Year ended 30 June 2014

Reserves at the beginning of the year	10,698,989	198,585	267,011	11,164,585
Equity accounted share of reserves	-	19,211	-	19,211
Share based payments	-	14,962	-	14,962
Net unrealised gain on investments through reserves	18,084,136	-	134,959	18,219,095
Net unrealised loss on "available-for-sale" investments – non-controlling interest	(236,413)	-	(73,893)	(310,306)
Acquisition of non-controlling interest	(179,714)	-	-	(179,714)
Disposal of non-controlling interest	476,280	-	-	476,280
Realised (profit)/loss on "available-for-sale" investments transferred to profit and loss	(5,838,413)	2,630	(215,937)	(6,051,720)
Realised profit on "available-for-sale" investments transferred to profit and loss – non-controlling interest	1,287	-	-	1,287
Reserves at the end of the year	23,006,152	235,388	112,140	23,353,680

### Year ended 30 June 2013

Reserves at the beginning of the year	(66,813)	320,402	(239)	253,350
Equity accounted share of reserves	15,400	(32,655)	-	(17,255)
Share based payments	-	(89,162)	-	(89,162)
Net unrealised gain on investments through reserves	11,540,165	-	245,187	11,785,352
Net unrealised gain/(loss) on "available-for-sale" investments – non-controlling interest	(7,291)	-	26,699	19,408
Acquisition of non-controlling interest	342,708	-	-	342,708
Realised profit on "available-for-sale" investments transferred to profit and loss	(1,130,261)	-	(4,636)	(1,134,897)
Realised profit on "available-for-sale" investments transferred to profit and loss – non-controlling interest	5,081	-	-	5,081
Reserves at the end of the year	10,698,989	198,585	267,011	11,164,585

#### 26.1 Asset Revaluation Reserve

The asset revaluation reserve includes the movement in the fair value of investments to the extent that they offset one another and CVC's share of the unrealised appreciation in value arising from the acquisition of a non-controlling interest in a controlled entity by CVC.

#### 26.2 Employee Equity Benefit Reserve

The employee equity benefits reserve is used to record the value of share based payments for CVC and associated entities provided to employees, including key management personnel, as part of their remuneration.

#### 26.3 Foreign Exchange Translation Reserve

The foreign exchange translation reserve includes exchange differences arising on translation of foreign entities where their functional currency is different to the presentation currency of CVC.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 27: NOTES TO STATEMENT OF CASH FLOWS

### 27.1 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:

	2014 \$	2013 \$
Cash on deposit	48,194,783	24,251,321
Funds held by bank (note 30)	489,000	3,350,000
Cash and cash equivalents	48,683,783	27,601,321

### 27.2 Reconciliation of Profit after Income Tax to Cash provided by/(used in) Operating Activities

Net profit	27,326,077	11,079,448
<b>Add/(less) non-cash items:</b>		
Share of equity accounted profits	(14,093,494)	(2,044,736)
Depreciation and amortisation of property, plant and equipment	514,391	487,032
Management related expenses not recovered	-	5,150
Change in fair value of investment properties	1,694,158	476,019
Impairment of intangible assets	150,000	-
Impairment expenses on financial instruments	11,359,784	11,859,445
Impairment recoveries on financial instruments	(7,362,877)	(10,670,542)
Profit on disposal of investments	(6,975,450)	(1,311,268)
Net foreign currency loss/(profit)	813,951	(321,546)
Non-cash employee benefits expense-share based payments	(225,597)	(201,101)
Non-cash finance cost	2,341,620	-
Interest income not received	2,461,176	(5,524,696)
Interest expense not paid	753,335	808,453
Dividend income	(4,079,730)	151,767
Movement in current tax liabilities	1,229,515	(2,428,992)
Movement in deferred tax assets and liabilities	352,958	21,997
<b>Changes in operating assets and liabilities:</b>		
Inventories	2,025,487	(13,479,278)
Financial assets at fair value through profit or loss	9,912	3,938,036
Trade and other receivables	(5,399,461)	(193,934)
Trade and other payables	915,878	(122,444)
Provisions	(116,532)	(74,540)
Other assets	(27,028)	(40,911)
<b>Net cash provided by/(used in) operating activities</b>	<b>13,668,073</b>	<b>(7,586,641)</b>



	2014 \$	2013 \$
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## NOTE 27: NOTES TO STATEMENT OF CASH FLOWS [cont.]

### 27.3 Financing Facilities

At 30 June 2014, CVC had access to the following specific lines of credit.

#### Total facilities available:

Secured bank loan	39,202,283	44,699,800
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#### Total facilities used:

Secured bank loan	29,858,603	29,742,868
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## NOTE 28: DISCONTINUED OPERATION

### 28.1 Description

On 31 March 2014 CVC sold 100% of its shares held in Battery Energy Power Solutions Pty Limited for \$4,581,434.

### 28.2 Financial performance and cash flow information

The financial performance and cash flow information presented are for the nine months ended 31 March 2014 (2014 column) and the year ended 30 June 2013.

Revenue	8,646,858	12,510,421
Expenses	(6,567,263)	(9,400,491)
Profit before income tax	2,079,595	3,109,930
Income tax expense	-	-
Profit after income tax of discontinued operation	2,079,595	3,109,930
Gain on sale of the subsidiary before income tax	2,105,915	-
Income tax expense	(983,344)	-
Gain on sale of the subsidiary after income tax	1,122,571	-
Profit from discontinued operation	3,202,166	3,109,930
Attributable to		
Shareholders	2,313,047	1,932,959
Non-controlling interest	889,119	1,176,971
	3,202,166	3,109,930
Net cash inflow from operating activities	915,348	2,624,270
Net cash inflow/(outflow) from investing activities (2014 includes a net inflow of \$4,086,703 from the sale of the subsidiary)	4,056,705	(24,647)
Net cash outflow from financing activities	(1,714,621)	(1,623,142)
Net increase in cash generated by the subsidiary	3,257,432	976,481

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

2014  
\$

## NOTE 28: DISCONTINUED OPERATION [cont.]

### 28.3 Details of the sale of the subsidiary

Carrying value of assets and liabilities as at the date of sale

Cash and other assets	1,765,462
Property, plant and equipment	46,362
Inventories	3,187,750

<b>Total assets</b>	<b>4,999,574</b>
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Trade creditors	(793,413)
Provision	(457,591)

<b>Total liabilities</b>	<b>(1,251,004)</b>
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Investment revaluation reserve	810,334
Non-controlling interest	(2,083,385)

<b>Net assets sold</b>	<b>2,475,519</b>
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Consideration	4,581,434
Carrying amount of net assets sold	(2,475,519)

<b>Gain on sale before income tax</b>	<b>2,105,915</b>
Income tax expense	(983,344)

<b>Gain on sale after income tax</b>	<b>1,122,571</b>
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2014  
\$

2013  
\$

## NOTE 29: AUDITORS' REMUNERATION

The auditor of the Company is HLB Mann Judd.

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

Audit or review of the financial report	252,750	205,500
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Amounts received or due and receivable by non HLB Mann Judd audit firms for:

Audit or review of the financial report	175,439	215,627
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The Auditors received no other benefits.

	2014 \$	2013 \$
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## NOTE 30: COMMITMENTS AND CONTINGENCIES

### 30.1 Operating Lease Commitments

#### Non-cancellable operating lease expense

#### Commitments – CVC Limited and its 100% subsidiaries

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

– within one year	178,060	-
– later than one year but not later than five years	735,707	-
	913,767	-

#### Commitments – Cellnet Group Limited

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

– within one year	844,000	842,000
– later than one year but not later than five years	978,000	1,737,000
	1,822,000	2,579,000

### 30.2 Operating leases - leases as lessor

Some of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Remaining lease terms for all properties are on average 2.02 years (2013: 2.35 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	3,674,330	3,260,430
Between one and five years	3,934,798	4,770,222
	7,609,128	8,030,652

### 30.3 Financial Guarantees

#### Bank 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.

#### CVC Limited and its 100% subsidiaries

Bank guarantee (a)	139,000	548,437
Bank guarantee (b)	-	3,000,000

#### Commitments – Cellnet Group Limited

Bank guarantee	350,000	350,000
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(a) The bank guarantee provided by CVC is secured by a fixed and floating charge.

(b) The bank guarantee provided by CVC to National Australia Bank Limited is used as security for a loan facility in relation to 790 Norman Road, Rockhampton Queensland.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

	2014 \$	2013 \$
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## NOTE 30: COMMITMENTS AND CONTINGENCIES [cont.]

### 30.4 Options

Exposure on open written option positions.

Puts

Later than 1 month but not more than 2 months	-	941,100
Later than 2 months but not more than 6 months	325,800	-
	325,800	941,100

Covered Calls

Within 1 month	-	821,250
Later than 2 months but not more than 6 months	315,268	-
	315,268	821,250

### 30.5 Loans and other investments

Amounts available to be drawn by borrowers under existing loan facility agreements

Related entities	4,682,882	850,043
Unrelated entities	512,168	-
	5,195,050	850,043

Amounts available to be called by an investee under a share subscription agreement

Other investments	3,390,020	-
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## NOTE 31: SEGMENT INFORMATION

### 31.1 Primary Segments - Business Segments

Information for each business segment is shown in the following tables, in round thousands, as permitted under ASIC class order 98/100.

Composition of each business segment is as follows:

- Private Equity and Venture Capital involves equity and debt investments in non-listed entities not classified as property or funds management. It includes shares, debt, convertible notes and other investments.
- Listed Investments comprises investments listed on recognised stock exchanges.
- Property comprises property finance and equity accounted property interests.
- Funds Management comprises the business and assets of the investment funds management operations.
- Controlled investees include the operations of Cellnet Group Limited and Battery Energy Power Solutions Pty Limited.

### 31.2 Secondary Segments - Geographical Segments

CVC operates predominantly in Australia.

## NOTE 31: SEGMENT INFORMATION [cont.]

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Controlled Investees \$'000's	Eliminations \$'000's	Consolidated \$'000's
<b>Year Ended 30 June 2014</b>							
<b>Continuing operations</b>							
<b>Revenue:</b>							
Total revenue for reportable segments	6,093	15,322	22,441	1,224	82,248	-	127,328
Inter-segment revenue	-	-	2,637	8,517	-	(11,154)	-
<i>Unallocated amounts:</i>							
Interest income							1,074
Consolidated revenue							128,402
Equity accounted income	13,234	533	168	158	-	-	14,093
<b>Results:</b>							
Total profit for reportable segments	2,864	9,138	4,401	1,224	(1,541)	-	16,086
Unallocated amounts: corporate expenses							(6,055)
Share of profit of equity accounted associates							14,093
Consolidated profit after tax							24,124
<b>Discontinued operation</b>							
Revenue							10,753
Net profit after tax							3,202
<b>Assets:</b>							
Segment assets	15,332	71,827	90,537	2,540	29,138	-	209,374
<i>Unallocated amounts:</i>							
Cash and cash equivalents							46,132
Equity accounted investments							14,326
Other assets							711
Total assets							270,543
<b>Liabilities:</b>							
Segment liabilities	2,275	-	34,012	480	18,700	-	55,467
<i>Unallocated amounts:</i>							
Other liabilities							2,113
Total liabilities							57,580

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 31: SEGMENT INFORMATION [cont.]

	Private Equity and Venture Capital \$'000's	Listed Investments \$'000's	Property \$'000's	Funds Management \$'000's	Controlled Investees \$'000's	Eliminations \$'000's	Consolidated \$'000's
<b>Year Ended 30 June 2013</b>							
<b>Continuing operations</b>							
<b>Revenue:</b>							
Total revenue for reportable segments	7,860	5,169	11,318	1,216	77,399	-	102,962
Inter-segment revenue	-	-	4,166	7,667	-	(11,833)	-
<b>Unallocated amounts:</b>							
Interest income							1,439
Consolidated revenue							104,401
Equity accounted income	945	1,069	-	31	-	-	2,045
<b>Results:</b>							
Total profit for reportable segments	7,610	(4,625)	5,891	1,210	869	-	10,955
Unallocated amounts: corporate expenses							(5,030)
Share of profit of equity accounted associates							2,045
Consolidated profit after tax							7,970
<b>Discontinued operation</b>							
Revenue					12,511		12,511
Net profit after tax					3,110		3,110
<b>Assets:</b>							
Segment assets	10,404	40,449	103,180	2,672	28,958	(6,169)	179,494
<b>Unallocated amounts:</b>							
Cash and cash equivalents							24,136
Equity accounted investments							45,893
Other assets							762
Total assets							250,285
<b>Liabilities:</b>							
Segment liabilities	370	-	44,638	791	13,172	-	58,971
<b>Unallocated amounts:</b>							
Other liabilities							1,287
Total liabilities							60,258

	2014	2013
	\$	\$

## NOTE 32: RELATED PARTY INFORMATION

### 32.1 Key management personnel compensation

Short-term employee benefits	1,246,262	1,080,783
Post-employment benefits	125,969	100,000
Other	68,043	69,510
Share-based payments	-	7,200
<b>Total</b>	<b>1,440,274</b>	<b>1,257,493</b>

Details of Directors' and Executive Officer's remuneration, superannuation and retirement payments are set out in the Remuneration Report section of the Directors' Report.

On 6 August 2014 the Company entered into an employment agreement with Mr Ters commencing 11 August 2014 with the following salient terms:

- Base remuneration package of \$300,000 per annum;
- Entitlement to statutory leave and superannuation; and
- Required to provide one month's notice on termination of employment by either the Company or Mr Ters.

An associated entity of Mr Beard has made a co-investment in the Marsden Park Development Trust and has a contractual right to receive 0.5% of the distributions and capital returns received by the Company from the trust. Refer note 32.4.

Apart from the details disclosed in this financial report, no other Director has entered into a contract with the Company or CVC since the end of the previous financial year and there were no contracts involving Directors' interests existing at year-end.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 32: RELATED PARTY INFORMATION [cont.]

### 32.2 Share-based payments

#### CVC Private Equity Limited Option Plan

The establishment of the CVC Private Equity Limited Option Plan ("CVCPEOP") was approved by a resolution of shareholders on 26 November 2012. Options are granted under the CVCPEOP for no consideration for a term of 3 years. The exercise price which is payable in cash and life of the options will be the amount specified by Directors at the time of issue. An option not exercised at the end of the term will lapse. The maximum number of options available to be issued under the CVCPEOP is 3,700,000.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share of CVC Private Equity Limited. Amounts received on the exercise of options are recognised as a non-controlling interest in CVC.

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

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

(a) The exercise price reduced from 75 cents to 74 cents as a result of the dividend paid by CVC Private Equity Limited during the year.

Mr Beard has been issued 1,200,000 options. The assessed fair value per option at grant date is allocated equally over the period from grant date to vesting date, and the amount is included in remuneration as disclosed in the Remuneration Report on page 12.

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

Price of the underlying shares – 62.66 cents;

Implied volatility – 5.28%;

The exercise price is adjusted for corporate actions; and

Risk-free interest rate for the life of the options – 3.25%.

#### Cellnet Group Limited Option Plan

On 18 December 2007, the shareholders of Cellnet Group Limited ("Cellnet") approved an Executive share option plan that entitles Executives of Cellnet to purchase shares in the company.

Under the plan the board of Cellnet has the discretion to issue options to Executives as long as the issue does not result in the Executive owning or controlling the exercise or voting power attached to 5% or more of all shares then on issue. Each option is convertible to one ordinary share of Cellnet. The exercise price of the options is determined by the Board.

Upon the exercise of an option, each share issued will rank equally with other shares of Cellnet. Amounts received on the exercise of options are recognised as a non-controlling interest in CVC.

Cellnet has not issued options to directors of CVC. Cellnet has issued 1,600,000 options to directors and key management personnel of its own company.



## NOTE 32: RELATED PARTY INFORMATION [cont.]

### 32.2 Share-based payments (cont.)

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

Grant Date	Exercise Date	Exercise Price (cents)	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at end of the year	Vested
<i>Year ended 30 June 2014</i>								
21 Oct 2011	21 Oct 2013	36.0	1,600,000	-	-	(400,000)	1,200,000	-
<i>Year ended 30 June 2013</i>								
21 Oct 2011	21 Oct 2013	36.0	3,300,000	-	-	(1,700,000)	1,600,000	-

Vesting and exercise of options requires the employee remains employed by Cellnet. The option holder has 12 months from the date of vesting to exercise options.

The fair value per option has been determined by using the Black Scholes option pricing model that takes into account the exercise price, the term of the option, the share price and expected volatility of the underlying share and the risk-free interest rate for the term of the option. Further terms and conditions include:

Price of the underlying shares – 36.0 cents;

Implied volatility – 65%;

The exercise price is adjusted for corporate actions; and

Risk-free interest rate for the life of the options – 3.9%.

#### Value of options awarded, exercised and lapsed during the year

	Value of options granted \$	Value of options exercised \$	Value of options lapsed \$
Cellnet Group Limited			
Other (a)	-	-	8,000

Notes:

(a) Represents officers of Cellnet that are not key management personnel of CVC.

### 32.3 Loans to Key Management Personnel

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

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 32: RELATED PARTY INFORMATION [cont.]

### 32.4 Loans with Related Parties

The following represent loans to and from related parties with CVC and its controlled entities during the financial year.

	2014 \$	2013 \$	Interest Rate %
<b>Loans Receivable</b>			
CVC Wagga Wagga Unit Trust(b)	-	5,221,992	20%
Impairment of loan – CVC Wagga Wagga Unit Trust	-	(2,541,992)	
Concise Asset Management Limited	838,307	770,226	8.5%
Alpha JAK Pty Limited	-	1,014,035	20%
Kiedis Investments Pty Limited	1,360,052	1,541,982	10%
IGS Enterprises Pty Limited	2,045,556	2,612,952	15%
Everten Group Pty Limited	304,879	1,167,387	(a)
PMQ Investments Pty Limited	-	688,713	0%
<b>Loans Payable</b>			
Winten (No. 20) Pty Limited	9,609,809	9,868,515	10%
Alexander Beard and Pascale Beard as trustees for the AD & MP Superannuation Fund	31,133	26,612	0%

Notes:

- (a) The interest rate is variable and is calculated at a 4% margin above the 90 day Australian Bank Bill Rate and resets each quarter. CVC stopped accrued interest from 30 May 2014.
- (b) During the financial year CVC Wagga Wagga Unit Trust became a controlled entity of CVC.

## NOTE 32: RELATED PARTY INFORMATION [cont.]

### 32.5 Other Transactions

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

	2014		2013	
	Paid	Received	Paid	Received
	\$	\$	\$	\$
<b>Management and consulting fees</b>				
CVC Sustainable Investments Limited (c)	-	-	-	56,190
CVC Sustainable Investments No. 2 Limited (c)	-	-	-	20,568
Lonestar Resources Limited	-	-	-	37,500
Dolomatrix International Limited	-	-	-	2,083
Villa World Limited	-	78,660	-	71,820
Green's Foods Holdings Pty Limited	-	10,417	-	16,667
<b>Interest income</b>				
IGS Enterprises Pty Limited	-	307,967	-	348,630
Kiedis Investments Pty Limited	-	-	-	154,296
Everten Group Pty Limited	-	72,716	-	85,244
CVC View Apartments Mezzanine Funding Unit Trust	-	-	-	361,618
Concise Asset Management Limited	-	68,081	-	72,285
Alpha JAK Pty Limited	-	151,138	-	408,627
JAK Investment Group Pty Limited	-	-	-	202
PMQ Investments Pty Limited	-	235,614	-	-
<b>Dividend and distribution income</b>				
Lonestar Resources Limited	-	-	-	275,039
Vita Life Sciences Limited	-	110,305	-	80,723
Villa World Limited	-	874,815	-	-
Concise Mid Cap Fund	-	21,837	-	24,314
Subaru Limited	-	-	-	87,008
Ron Finemore Transport Pty Limited	-	8,125,000	-	-
Nepean Highway Unit Trust	-	130,520	-	43,500
Winten (No. 20) Pty Limited (b)	-	5,400,295	-	689,705
<b>Other amounts</b>				
Nepean Highway Unit Trust – Underwriting fee	-	5,063	-	250,000
Cyclopharm Limited – Underwriting fees	-	-	-	125,557
Melbourne Corporation of Australia Pty Limited - Secretarial (a)	44,100	-	44,100	-
Winten (No. 20) Pty Limited - Borrowing costs	753,335	-	808,453	-

Notes:

(a) Private company associated with Mr Gould.

(b) The dividend received from Winten (No. 20) Pty Limited was offset against the unsecured loan from associated entity (note 21)

(c) During the financial year CVC Sustainable Investments Limited and CVC Sustainable Investments No. 2 Limited became controlled entities of CVC.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 33: 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.

### 33.1 Interest Rate Risk

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

	Note	Floating Interest Rate \$	1 Year or Less \$	Fixed Interest 1 to 5 Years \$	Non Interest Bearing \$	Total \$
<b>2014:</b>						
<b>Financial assets</b>						
Cash and cash equivalents	27	8,812,036	39,871,245	-	502	48,683,783
Loans and other receivables	9	-	8,867,578	22,978,455	20,675,193	52,521,226
<b>Financial liabilities</b>						
Trade and other payables	19	-	-	-	13,594,321	13,594,321
Interest bearing liabilities	21	23,588,116	6,470,487	9,609,809	-	39,668,412
Derivative financial instrument	22	-	-	-	731,892	731,892
<b>2013:</b>						
<b>Financial assets</b>						
Cash and cash equivalents	27	8,164,139	19,436,680	-	502	27,601,321
Loans and other receivables	9	1,167,387	30,850,672	8,102,778	14,282,215	54,403,052
<b>Financial liabilities</b>						
Trade and other payables	19	-	-	-	18,300,205	18,300,205
Interest bearing liabilities	21	29,268,700	474,168	9,868,515	-	39,611,383

## NOTE 33: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE [cont.]

### 33.1 Interest Rate Risk (cont.)

CVC holds a significant amount of cash balances which are exposed to movements in interest rates. To reduce the risk CVC typically deposits uncommitted cash with financial institutions at fixed rates with maturity of between 30 – 90 days. Interest bearing loans and receivables are made at 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 increase by 25 basis points during the 2015 financial year (2013: 50 basis points lower), at reporting date the impact on CVC, with all other variables held constant, would be:

	Increase of 25 bp \$	Decrease of 50 bp \$
<b>2014</b>		
Net profit	19,728	n/a
Equity increase	19,728	n/a
<b>2013</b>		
Net loss	n/a	(98,649)
Equity decrease	n/a	(98,649)

### 33.2 Price Risk

#### 33.2.1 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% \$
<b>2014</b>		
Net profit/(loss)	86,994	(86,994)
Equity increase/(decrease)	7,167,432	(7,167,432)
<b>2013</b>		
Net profit/(loss)	204,446	(204,446)
Equity increase/(decrease)	5,693,043	(5,693,043)

#### 33.2.2 Commodity Price Risk

The Group's exposure to commodity price risk arises from fluctuations in the lead price, which has a direct impact on the cost of production of batteries. There was no exposure to commodity risk at balance date.

#### Sensitivity

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

<b>2014</b>		
Net (loss)/profit	n/a	n/a
Equity (decrease)/increase	n/a	n/a
<b>2013</b>		
Net (loss)/profit	(126,055)	126,055
Equity (decrease)/increase	(126,055)	126,055

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 33: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE [cont.]

### 33.3 Credit Risk Exposure

Credit risk refers to the loss that CVC would incur if a debtor or counterparty fails to perform under its obligations. 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 seeks to limit its exposure to credit risk by performing appropriate background investigations on counterparties before entering into arrangements with them and to seek collateral with a value in excess of the counterparty's obligations to CVC, providing a "margin of safety" against loss.

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 days. There is an insurance policy in place to limit loss on certain trade receivables and as such there is no risk of recovery in relation to trade debtors.

### 33.4 Liquidity Risk

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 CVC's contractual liabilities.

	Less than 6 months \$	6 months to 1 Year \$	1 to 5 Years \$	Greater than 5 Years \$	Total \$
<b>2014</b>					
Trade and other payables	13,594,321	-	-	-	13,594,321
Interest bearing liabilities	9,112,603	4,800,000	25,755,809	-	39,668,412
Derivative financial instrument	731,892	-	-	-	731,892
<b>2013</b>					
Trade and other payables	18,068,302	-	-	231,903	18,300,205
Interest bearing liabilities	474,168	4,568,700	34,568,515	-	39,611,383

### 33.5 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.

CVC enters into forward foreign exchange contracts to hedge certain anticipated purchase commitments denominated in foreign currencies (principally United States dollar) and hold limited amounts in foreign denominated bank accounts. The term of these commitments are no more than 45 days.

CVC has a subsidiary in New Zealand and all transactions for the subsidiary are denominated in New Zealand dollars. There is currently no hedge in place to mitigate the foreign currency risk.

## NOTE 33: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE [cont.]

### 33.5 Currency Risk (cont.)

Entering into forward foreign currency contracts for sales and purchases minimises the risk of sharp fluctuations in foreign exchange rates and allows for better cash flow management in relation to paying international suppliers. At balance date CVC had the following exposure to the United States dollar that is not designated in cashflow hedges:

	2014 \$	2013 \$
Financial assets		
Trade and other receivables	486,000	1,801,000
Financial liabilities		
Trade and other payables	1,095,000	3,027,000
Forward foreign currency contracts (a)	13,433,000	-
	14,528,000	3,027,000

(a) Denotes the amount of USD to be exchanged at forward exchange rate.

#### Foreign currency sensitivity

CVC is exposed to the Great British Pound (GBP) and US dollar (USD). 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.

	Increase in AUD of 10% \$	Decrease in AUD of 10% \$
<b>USD</b>		
<b>2014</b>		
Net profit/(loss)	(865,000)	1,108,000
Equity increase/(decrease)	(865,000)	1,108,000
<b>2013</b>		
Net profit/(loss)	524,959	(1,183,839)
Equity increase/(decrease)	386,183	(979,392)
<b>GBP</b>		
<b>2014</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	(81,467)	99,571
<b>2013</b>		
Net profit/(loss)	-	-
Equity increase/(decrease)	(222,625)	272,097

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 34: FAIR VALUE MEASUREMENTS

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

Judgements and estimates were made in determining the fair values of the financial instruments and non-financial assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, 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 \$
<b>Year ended 30 June 2014</b>				
<b>Financial assets</b>				
<i>“Available-for-sale” investments</i>				
Shares in listed corporations – at market value	24,844,489	44,343,932	-	69,188,421
Public unlisted investments – at market value	-	1,407,985	-	1,407,985
Other investments	-	4,404,980	211,899	4,616,879
<i>“Fair value through profit or loss” investments</i>				
Shares in listed corporations – at market value	1,120,947	-	-	1,120,947
<b>Non-financial assets</b>				
Investment properties	-	-	41,733,439	41,733,439
	25,965,436	50,156,897	41,945,338	118,067,671

### Year ended 30 June 2013

#### Financial assets

##### *“Available-for-sale” investments*

Shares in listed corporations – at market value	23,991,873	9,705,241	-	33,697,114
Public unlisted investments – at market value	-	1,220,682	-	1,220,682
Other investments	-	3,697,000	3,002,080	6,699,080
<i>“Fair value through profit or loss” investments</i>				
Shares in listed corporations – at market value	2,025,775	-	-	2,025,775
	26,017,648	14,622,923	3,002,080	43,642,651



	2014 \$	2013 \$
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## NOTE 34: FAIR VALUE MEASUREMENTS [cont.]

### Reconciliation of Level 3 fair value movements:

Balance at the beginning of the year	3,002,080	2,289,264
Adoption of AASB 13	52,588,212	-
Purchases	7,858,338	2,999,825
Sales	(3,600,000)	-
Redemption of redeemable preference shares	-	(2,037,009)
Addition through acquisition of controlled entity	19,408	-
Losses recognised in other income (a)	(1,715,753)	-
Transfer out of Level 3 to Level 1	(2,999,824)	-
Transfer out of Level 3 (b)	(15,207,123)	(250,000)
Transfer into Level 3 (c)	2,000,000	-
<b>Balance at the end of the year</b>	<b>41,945,338</b>	<b>3,002,080</b>

(a) Unrealised gains/(losses) recognised in profit or loss attributable to assets held at the end of the reporting period.	521,595	-
(b) Property previously classified as investment properties was reclassified to inventory as the nature of the property changed during the period.		
(c) 96 Fairfield Street Fairfield was reclassified from property, plant and equipment to investment properties following the sale of Battery Energy Power Solutions Pty Limited. Refer note 17.		

The fair value of Level 2 financial instruments is determined using available prices where trading does not occur in an inactive market. The quantitative information about the significant unobservable inputs used in level 3 fair value measurements are as follows:

Description	Fair value at 30 June 2014 \$	Unobservable inputs	Weighted average	Relationship of unobservable inputs to fair value
Leased Properties	30,250,000	Capitalisation rate	12.15%	The higher the capitalisation rate, the lower the fair value
		Lease expiry	2.02 years	The longer the lease term, the higher the fair value
		Occupancy	100%	The higher the occupancy rate, the higher the fair value
Development Properties	11,483,439	Capitalisation rate	8%	The higher the capitalisation rate on completion of construction, the lower the fair value
	41,733,439			
Other investments – at cost	211,899	(a)		

(a) There is no quantitative information. Fair value has been determined based on acquisition cost.

# notes to the FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2014**

## NOTE 35: EVENTS SUBSEQUENT TO YEAR END

A final dividend in respect of the year ended 30 June 2014 of 3 cents per share was declared on 18 August 2014 to be paid on 3 September 2014 to those shareholders registered on 25 August 2014.

Other than as set out above, 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 CVC, the results of those operations or the state of affairs of CVC in future financial years.

## NOTE 36: 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.

### 36.1 Loans to other corporations

An impairment has been raised against certain loans to other corporations of \$353,777 (2013: \$76,689) that have a carrying value of \$20,976,082 (2013: \$29,873,126). The recoverable amount has been assessed in note 9.

### 36.2 Loans to related entities

CVC had provided loans of \$5,221,992 to CVC Wagga Wagga Unit Trust of which an impairment had been raised of \$2,541,992 during the 2013 financial year. The trust became a controlled entity of CVC during the financial year.

### 36.3 Trade receivables

The recoverable value of trade receivables has been assessed in note 9.

### 36.4 Available-for-sale investments

The fair value of the investments has been assessed in note 10.

### 36.5 Inventories

The fair value of the inventories has been assessed in note 12.

### 36.6 Absence of active market

In calculating the fair value of Resource Generation Limited (note 10), Mnemon Limited (note 10), Cyclopharm Limited (note 10), Vita Life Sciences Limited (note 10) and Villa World Limited (note 10) CVC has determined that an active market does not exist for significant holdings because 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 such that larger institutions do not hold significant shareholdings. However 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. This factor has been used in determining the valuation of each company.

### 36.7 Investments accounted for using the equity method – unlisted investments

Green's Foods Holdings Pty Limited has a carrying value of \$13,316,753 (2013: \$11,576,609). CVC has discounted net tangible asset backing to reflect an estimate of the recoverable value of assets of the company to reflect the current trading environment. If the discount is +/- 10% the impact on the carrying value of Green's Foods Holdings Pty Limited is +/- \$1,331,675 (2013: \$1,157,661).

Concise Asset Management Limited has a carrying value of \$800,997 (2013: \$nil).

JAK Investment Group Pty Limited has a carrying value of \$208,630 (2013: \$40,304).

The recoverable amounts have been assessed in note 14.

### 36.8 Property, plant and equipment

The recoverable value of property, plant and equipment have been assessed in note 16.

### 36.9 Investment properties

The recoverable value of investment properties have been assessed in note 17.

# DIRECTORS' declaration

**FOR THE YEAR ENDED 30 JUNE 2014**

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 2014 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.
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (d) the audited remuneration disclosures set out on pages 11 to 13 of the Directors' Report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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 2014.

Dated at Sydney 29 August 2014.

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

**ADH Beard**  
Director

**J Ters**  
Director

# INDEPENDENT AUDITOR'S report

**FOR THE YEAR ENDED 30 JUNE 2014**

## **To the members of CVC Limited:**

### **Report on the Financial Report**

We have audited the accompanying financial report of CVC Limited ("the Company"), which comprises the consolidated statement of financial position as at 30 June 2014, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity as set out on pages 15 to 73. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

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

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its controlled entities' 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.

### **Independence**

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

### **Opinion**

In our opinion:

- (a) the financial report of CVC Limited 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 2014 and 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.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

### **Auditor's Opinion**

In our opinion, the Remuneration Report of CVC Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

**HLB MANN JUDD**  
Chartered Accountants

**M. D. MULLER**  
Partner

Sydney, 29 August 2014

# CORPORATE GOVERNANCE statement

## FOR THE YEAR ENDED 30 JUNE 2014

The Board of Directors of the Company is responsible for the corporate governance of CVC. The Board 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. At the date of this report the Directors in office are as follows:

<b>Vanda Russell Gould</b> ( <i>Chairman</i> )	– Appointed 13 May 2014. Also a Director from 1984 to 1994 and 1996 to 2013, member of the audit committee
<b>Alexander Damien Beard</b> ( <i>Managing Director</i> )	– Appointed 17 August 2000, member of the audit committee
<b>John Douglas Read</b>	– Appointed 20 March 1989, member of the audit committee
<b>Jason Ters</b>	– Appointed 29 November 2013, member of the audit committee

Appointment to the Company and the Board 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, including numbers and attendances of Board and audit committee meetings, are included in the Directors' Report. Given the size and scale of the organisation the Board of Directors have not adopted a policy and measurable targets in relation to diversity but notes that currently 33% of the Company's employees are women.

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 2014, in particular those discussed in detail below:

### Board Composition and Directors' Experience

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

Mr Gould was a founding Director of the Company and has significant ownership interests in the Company and brings invaluable experience and expertise to the Company.

The Managing Director is responsible for the management and operation 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 Read is chairman of the audit committee, but because he has been on the Board of the Company for more than twenty years, he is not considered independent. Further information in relation to the audit committee can be found in the Directors Report to the financial report.

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 for the size of the Company. Further, the Board has considered the competencies and experience of each of the Directors and believes that it is not in the interests of shareholders to seek to replace any of the current Board members.

For these reasons, the Company did not adopt the following recommendations throughout the financial year ended 30 June 2014:

- having a majority of independent Directors;
- having an independent Chairman;

# CORPORATE GOVERNANCE statement

## FOR THE YEAR ENDED 30 JUNE 2014

### Board Composition and Directors' Experience (Cont.)

- having an audit committee with an independent chairman, a majority of independent Directors or non-executive Directors;
- having a nomination committee of the Board;
- having a remuneration committee of the Board; and
- having a policy and measurable targets to achieve gender diversity.

### 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;
- a process for performance evaluation of the Board, its committees and individual Directors; and
- a code of conduct.

### 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 Board, in conjunction with the Audit Committee, is responsible for ensuring that there is an adequate oversight and management of material business risks facing the Company. 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.

In respect of the year ended 30 June 2014, 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 Company did not perform a performance evaluation of the Board and its members during the year ended 30 June 2014.

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

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. Additional information regarding the operation of CVC can be found at [www.cvc.com.au](http://www.cvc.com.au), by contacting the Company directly or by attending the annual general meeting.

# ADDITIONAL INFORMATION

FOR THE YEAR ENDED 30 JUNE 2014

The following information was current as at 31 July 2014.

## Distribution schedule

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

Category (size of holding)	Number of ordinary shareholders
1 - 1,000	136
1,001 - 5,000	275
5,001 - 10,000	180
10,001 - 100,000	254
100,001 - over	79
<b>Total</b>	<b>924</b>

	Minimum parcel size	Number of shareholders
<b>Unmarketable parcels</b>		
Minimum \$500.00 parcel at \$1.49 per share	336	64

## On market share buy-back

The Company has a current on market share buy-back which commenced on 29 November 2013.

## 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
Leagou Pty Limited	20,704,611
Southsea (Aust.) Pty Limited	17,610,506
Bennett Estates Limited	15,575,978
Derrin Brothers Properties Limited	7,899,259
Executive Recruitment Services Limited	6,661,235
Joseph David Ross	6,350,000

# ADDITIONAL INFORMATION

## FOR THE YEAR ENDED 30 JUNE 2014

### Substantial holders (cont.)

#### 20 largest shareholders - ordinary shares

As at 31 July 2014, the top 20 shareholders and their shareholdings were as follows:

Shareholder	Shares held	% of issued capital held
Leagou Pty Limited	20,704,611	17.32
Southsea (Aust.) Pty Limited	17,610,506	14.73
Bennett Estates Limited	15,575,978	13.03
Derrin Brothers Properties Limited	7,899,259	6.61
Executive Recruitment Services Limited	6,661,235	5.57
J K M Securities Pty Limited	5,745,060	4.81
Southgate Investment Funds Limited	5,500,000	4.60
Chemical Trustee Limited	4,861,741	4.07
Saudi Film Investments Fund Limited	3,264,711	2.73
Lloyds & Casanove Investment Partners Limited	2,432,568	2.04
Mr Nigel Cameron Stokes	1,017,271	0.85
Dr Raymond Joseph Healey	808,817	0.68
Wenola Pty Limited	805,000	0.67
LJK Investments Pty Limited	800,000	0.67
Wenola Pty Limited	700,000	0.59
Mr Alexander Damien Beard	694,136	0.58
Melbourne Corporation of Australia Pty Limited	623,208	0.52
Alexander Beard & Pascale Beard	599,000	0.50
Ms Valerie May Vogt	560,678	0.47
Allan J Heasman Pty Limited	505,100	0.42
	97,368,879	81.46

### 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 601, Level 6, Gold Fields House, 1 Alfred Street, Sydney NSW 2000.





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## **CVC LIMITED**

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