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2005

CVC Limited

CVC Limited
ABN 34 002 700 361
AFSL 239665

ANNUAL REPORT

ANNUAL REPORT

COMPANY PARTICULARS

REGISTERED OFFICE

Level 42, AAP Centre, 259 George Street
Sydney NSW 2000

DIRECTORS

Vanda R Gould | John S Leaver
John D Read | Alexander D H Beard
John T Riedl

MANAGEMENT TEAM

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

SECRETARIES

Alexander D H Beard
Michael J Bower

BANKERS

Suncorp-Metway Limited
Westpac Banking Corporation Limited

AUDITORS

HLB Mann Judd (NSW Partnership)
Chartered Accountants
Level 19, 207 Kent Street
SYDNEY NSW 2000

SHARE REGISTRY

Gould Ralph Pty Limited
Level 42, AAP Centre
259 George Street
Sydney NSW 2000

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TABLE OF CONTENTS

2005

Photo: Geodynamics - Steam from Habanero #2 Diagnostic Flow Test, May 2005.

CHAIRMAN'S REPORT

VANDA GOULD

The famous Greek philosopher Aristotle said:

'We are what we repeatedly do!
Excellence, then, is not an act, but a habit.'

It is with great pleasure that I am able to report on behalf of your Directors the excellent results that the Company has achieved during the financial year ended 30 June 2005 of an after-tax profit of $29 million. Your managers deserve considerable praise for their performance in achieving this outstanding result for a company of CVC's size. Our goal is to make excellence a habit.

CVC is aiming to achieve a similar result in the current year, subject to economic conditions. It is, however, the nature of the venture capital industry in which we work to go through periods when it is extremely difficult or simply inappropriate to realise investments.

John Leaver and I, along with the Board, continually assess likely developments in the economy in order to calibrate our investment strategy. In our experience we have never seen a situation where the Australian economy does not turn down after a sustained bull run. It is surprising that after 15 strong years in which Australia has seen an extraordinary property boom that a substantial downturn is not 'just around the corner'. Always in the past the excesses of speculation were reversed with some form of recessionary climate which enabled the system to self-correct or to cleanse itself of the excesses. This has not yet occurred and indeed because of the low interest rates the resulting correction, particularly in the property area, has been extremely mild. Interest rates are likely to continue to rise, albeit not to the extent we have previously seen in recessions but sufficient (we suggest) to see a correction.

We do not believe the typical commentators' views that the Australian economy has now entered a new paradigm wherein with better micro-economic management booms and busts of the past will never again manifest themselves as part of Australia's economic history. We believe that whilst a substantial correction may well have been delayed, some form of cleansing of the economic system will again manifest itself. Essentially this view is based upon an observation of human frailty whereby it is inevitable that our economic system will need time to rid itself of the excesses of the recent property boom.

'Our goal is to make excellence a habit.'

Clearly Australia has been a beneficiary of the rapid economic development of both China and, to a lesser extent, India over the last decade which has helped us avoid the consequences of a typical correction.

Venture/private equity funds such as CVC always need to be cashed-up and waiting for the buying opportunities that economic downturns inevitably bring at the end of each cycle. It is probable that CVC will continue with this strategy. These are the hard lessons experience has taught us, but we appreciate this strategy is not without its costs. We watch with interest how many of our peers believe the new paradigm of high gearing is a panacea of success. A moderately successful investment with high gearing can produce spectacular returns it is true, as long as the interest costs do not erode the returns.

We have explored a number of investment opportunities in the physical resource area. This is because we think it is unlikely that any economic correction will have a major effect on this sector although elsewhere the economy will behave as expected in a downturn.

Historically, venture capital funds such as CVC operate in a way whereby the majority of their profits are realised during boom or buoyant economic times. Shareholders will thus appreciate that during more difficult economic times a well-managed fund will tend to hold on to its investments in the belief that better economic times will present the most appropriate time to realise the underlying gains.

Analysts typically look at CVC and are critical of the quality of our earnings not being maintainable in the same way as, say, a manufacturing or pharmaceutical company. Further, we are conscious of shareholders' desires that we continue to pay a reasonable level of dividends right throughout

CHAIRMAN'S REPORT

'...the rate of growth in the last five years has been far greater than the earlier years, but nevertheless over the 20 years of our existence our performance exceeds a 15% annual gain.'

the economic cycle. To achieve this, we have decided to maintain part of our portfolio in investments that will provide us with strong sources of distributable earnings to meet this reasonable expectation from our shareholders. Nevertheless, shareholders should appreciate that there is an unavoidable cyclical character to our earnings which is part of the price we pay for being able to derive super-profits in the more economically buoyant times.

We have some excellent companies in which we have strategic holdings that will continue to grow in value and provide a steady source of dividend income for us as we continue to make new strategic investments in those opportunities that we believe will bring superior returns for our shareholders over the ensuing years. Currently our listed share portfolio has a market value of around $46 million more than the original cost of the shares.

On behalf of our shareholders I wish to thank all our managers and partners in the various entities in which CVC has invested. The results this year have been a credit to you and we look forward to building upon the excellent base that we now have to take CVC to even higher levels of achievement.

'...we have decided to maintain part of our portfolio in investments that will provide us with strong sources of distributable earnings.'

I would particularly like to welcome the new shareholders who joined CVC during the year. Whilst currently our share price has slipped below the $1.70 many of you would have paid for CVC shares, I am confident that as the market evaluates our continuing profitability your patience will be rewarded.

It is very gratifying to me in this our 20th year of operation to reflect upon our humble beginnings as a company with a $5 million capital base and what it has become today. An exciting thing for shareholders is that the rate of growth in the last five years has been far greater than the earlier years, but nevertheless over the 20 years of our existence our performance exceeds a 15% annual gain. Our concern, however, is not just to find a niche within the venture capital/private equity industry, but rather to create a new space that is uniquely suited to CVC's own strengths. Accordingly, we are grateful for the continued support of our shareholders and acknowledge the many shareholders who have been with this Company for many years and, along with the Board of CVC, I am personally very grateful for your continued support.

I think Aristotle would be proud of us! But then, we do work in a world where there are eternal values and personally I would be more concerned to follow the words of Moses: Be careful to obey [these decrees and commands] so that it may go well with you and that you may increase greatly in a land flowing with milk and honey.

Vanda Gould
Chairman

THE YEAR IN REVIEW

HIGHLIGHTS

During the year CVC has concentrated on generating a base of initiatives to provide the foundation for ongoing revenue and asset value appreciation. In particular:

> CVC's management function was internalised in August 2004 to provide new income streams from funds management and reduce ongoing management costs. In 2006 we are targeting growth in our funds management business and particularly in the launch of new financial products outside of private equity;

> the commencement of development and sales of the Fern Bay seaside village, with the potential to provide a significant ongoing revenue stream for many years;

> the placement of $28 million of new equity providing the capital base for new investment activities and bringing increased interest in CVC culminating with CVC becoming one of the top 300 companies in the S&P/ASX All Ordinaries Index at 30 June 2005;

> the disposal of the joint venture interest in the Chevron Renaissance shopping centre, crystallising a profit of approximately $10 million;

> the sale of 9 million Sunland shares crystallising a profit of approximately $10 million;

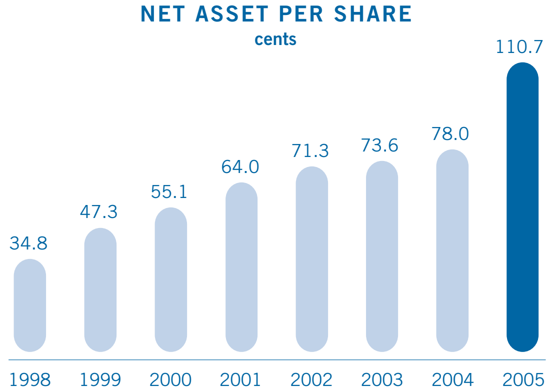
> the acquisition, rationalisation and development of a new regional road freight transportation business in partnership with Ron Finemore;

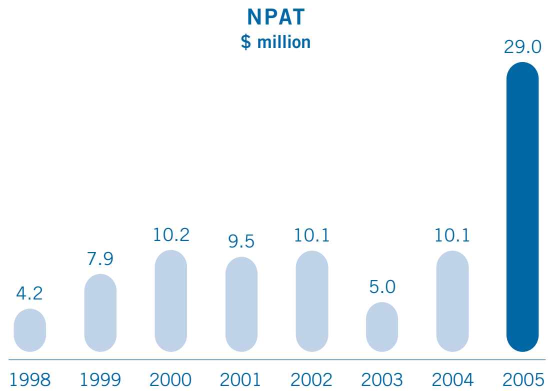
> the acquisition, through a joint venture, of land at Belrose and its development for a bulky goods centre;

> the listing of Pro-Pac on the Australian Stock Exchange and continued organic and acquisitive growth of the Pro-Pac business;

> further development of the investment portfolios, both listed and unlisted;

> continued improvement in access to and identification of quality opportunities for potential investments.

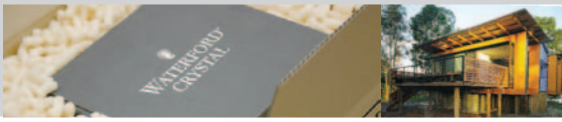




GROUP SUMMARY

	2005	2004
Earnings Per Share	**25.4 cents**	9.4 cents
Total Assets Employed	**$142.7 M**	$96.5 M
Shareholders Equity	**$141.1 M**	$80.8 M
Return on Closing Shareholders Equity	**20.5%**	12.6%
Shares on Issue at Year End	**127,447,838**	103,994,456
Net Assets per Share	**$1.11**	$0.78
Dividends per Share	**5.0 cents**	3.0 cents

MANAGEMENT AND APPROACH



Management Team

CVC is dependent upon its management team for continued selection, value-add and realisation of successful investments. It is the dedication of our management team and their individual networks that facilitates the continued growth of CVC. Concerted efforts are made to retain and develop the skills of our employees and to ensure that there is an appropriate alignment of the interests with the management team and our shareholders. To this end the employee share scheme approved at the August 2004 general meeting is a key initiative in the retention and attraction of quality employees.

Skills of the management team include:

> Sourcing and structuring of investments;

> Operational management of investees;

> Divestments including trade sales, initial public offerings, mergers and acquisitions, management buy-outs and financial restructuring;

> Infrastructure investment capabilities including financial feasibility, negotiation of off-take agreements, negotiation of senior and mezzanine debt facilities and sourcing of equity;

> Distressed debt recoveries;

> Investment turn arounds;

> Project financing and property development capabilities including structuring, joint ventures, feasibility and mezzanine financing;

> Financial product development and distribution;

> Specialist investment skills in environmental industries, with a depth of expertise in renewable energy;

> Long term investment performance (IRR[1] of > 15% since inception in 1985).

[1] *Internal Rate of Return (IRR) is based on an initial investor in 1985 and a share price of $1.45 per share as at September 2005. It assumes that the tax deduction available to investees in CVC as an MIC scheme was claimed and reflects all dividends and bonus shares issued.*

Approach

CVC's portfolio is structured to provide a blend of growth and income producing assets, including a particular focus on private equity investments, with an overall objective of increasing intrinsic value of CVC by 15% per annum. Returns from private equity whilst often substantial are dictated by factors largely outside of the control of the investment manager, including buoyancy of listed markets, strength of the economy and negotiations between buyers and sellers. Accordingly the portfolio is structured to provide a base of recurrent earnings which would not be possible with a pure private equity portfolio.

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

Quality investments take considerable effort to identify, target, negotiate, conduct due diligence and structure. Accordingly CVC adopts a disciplined and patient approach to each part of the identification, targeting and structuring phases and an equally patient approach to the business development and realisation phases. It is noteworthy for example that our initial investment into the Sunland Group was made in 1995.

As managers of investments we realise that the most difficult issue we face is the deployment of capital into quality businesses. Accordingly, when we identify a company and management team who achieve benchmark returns over a prolonged period, our intention is usually to continue to hold the investment.

We have dedicated considerable effort over the past years into strengthening the process of investment identification and structuring and believe that we will continue to reap the benefits of this approach. This is evident in 2005 with the successful listing and continued growth of Pro-Pac and in the investment in Ron Finemore Transport.

MANAGEMENT AND APPROACH

Specialisation and Diversification

CVC aims to create specialisations whilst having investments in a broad range of industries. We believe that this has allowed us to have a more balanced portfolio and has facilitated growth throughout industry cycles. CVC has allocated significant resources to the development of renewable energy and environmental investment as a sub-set of the portfolio. We believe that corporations have a long-term obligation to minimise their environmental footprint. In CVC REEF and CVC Sustainable Investments we have demonstrated that environmentally positive investments can produce outstanding investment performance. It is our intention to build upon this performance and continue to seek to raise further funds and make further investments in both funds.

In the current year we have continued to see the fruits of this specialisation through the Company's investment in CVC REEF and CVC Sustainable Investments and the sustained market performance of their investees Geodynamics, Australian Renewable Fuels, Bio Energy, Wind Corp, Battery Energy, Soilwise, Pro-Pac and Superior Energy.

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

Dividend Policy

CVC has consistently paid an annual franked dividend since 1996 and the dividend per share has increased every year since 2001. As CVC develops recurring profit streams our objective is that dividends will continue at a sustainable level. We will target a dividend policy of 20% of annual net profits after tax and it is our intention that, subject to available franking credits, dividends will be 100% franked. It is our intention to continue with both an interim and final dividend for the future.

Capital Management

In the August 2004 General Meeting CVC gained approval to buy back on market up to 20 million ordinary shares. The use of the share buy-back may give the Company the ability to provide a mechanism for the realisation of capital for long standing investors and better match the Company's assets with recurrent earnings.

Corporate Governance

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

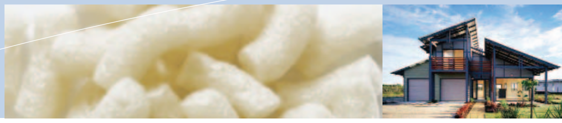
Further information on CVC's corporate governance is provided in the corporate governance statement.

Outlook and Organic Growth

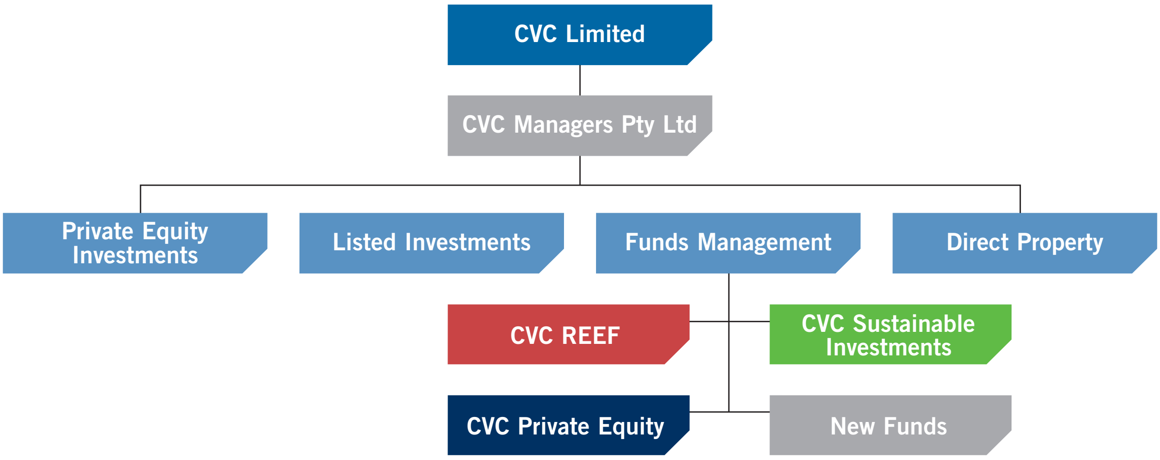
In 2005, CVC completed the acquisition of the management business and the attaching income and performance fees of its manager CVC Investment Managers. This acquisition brings the management of CVC REEF, CVC Private Equity and CVC Sustainable Investments under the CVC umbrella.

In 2006 we are targeting the growth of these funds through investment performance and in fundraising activities. The growth of these funds will provide an on-going source of management fees, to cover the overhead of CVC and allow for attraction of additional quality staff, and performance fees which we envisage will ultimately provide significant ongoing profitability.

New funds planned for 2006 and beyond are dependent upon establishment of meaningful distribution and product structure. We anticipate an initial product offering will most likely be property orientated.



COMPANY STRUCTURE



The 2006 year will likely see the following activities:

Private Equity / Venture Capital

> Development of Probiotec, with a proposed IPO in the first half of 2006;

> Development of Ron Finemore Transport and its transport activities both organically and acquisitively;

> Identification of new investment opportunities, either directly or as a co-investor with CVC Private Equity and realisation of investments within portfolio;

> Development of CVC REEF investments with continued realisations and new investments;

> Identification and investment in other high yielding alternative investments.

Listed Investments

> Continued holding of Greens Foods, Pro-Pac, Sunland and Stargames;

> Identification of other strategic investments to complement major holdings and contribute a source of dividends and capital growth.

Property

> Continuation of joint venture developing initial 200 residential lots in Newcastle. First stage commenced selling in September. Development Application for balance of 800 residential lots was lodged during the year which will also enhance the environmental aspects of the development including provision of a substantial green corridor;

> Feasibility and development of 13,000 m^2 bulky goods site in Belrose, NSW;

> Identification and participation in other property based transactions where they meet our investment criteria, and provide scope for significant long term re-current income and capital growth.

Funds Management

> Prospectus issue to raise up to $30 million for CVC Sustainable Investments;

> Continued management and realisation of investments for CVC REEF, CVC Private Equity and CVC Sustainable Investments with potential for realisation of performance fees;

> Evaluation of and possible development of new investment products;

> Evaluation of and possible acquisition of funds management companies that provide either scale or distribution capabilities.

REVIEW OF OPERATIONS

PRIVATE EQUITY / VENTURE CAPITAL

Our belief in the potential for premium long term returns that can be delivered from investment in private equity is highlighted by the performance of Pro-Pac and Geodynamics in 2005, which both delivered realised returns in excess of 45% per annum. In the past 12 months we have continued to pursue investment in appropriate opportunities that meet both our risk and return profiles. This has resulted in the continued growth of Pro-Pac and in the acquisition of a 25% interest in Ron Finemore Transport. We believe these investments will provide a solid base for investment performance over the next 5 years. Increasingly CVC Private Equity will be utilised as the investment vehicle for private equity investments. This will ensure CVC is offered co-investment opportunities, can better utilise its balance sheet and will receive increasing entitlements to performance fees.

During the year we have continued to expend considerable effort in the management of the existing portfolio. Our active management approach has the potential to add significant value to both performing and under performing companies. This is evident in the portfolio and continues to remain an important priority for the investment team.

Direct Private Equity Investments

Vita Life Sciences Limited

Rebuilding of Vita Life Sciences has continued during 2005, with substantial turnaround in EBIT from loss of $15.4 million to positive EBIT of $0.2 million. Vita is carried at zero value by CVC, but we are hopeful that 2006 will see corporate activity restore some value for shareholders.

Probiotec

CVC holds a 21.5% interest in the Probiotec Group following further investment of $2 million via a rights issue during the year. Probiotec is a manufacturer, processor and wholesaler of specialist dairy proteins, vitamins and nutraceuticals. Unaudited group profit before tax for the year ended 30 June 2005 was approximately $2.6 million (2004: $2.4 million) on sales of $29 million. (2004: $19 million)

Probiotec's growth is forecast to grow strongly 2005/6 year from traditional activities and in particular from its pharmaceutical activities based in Laverton, including the Milton anti-bacterial range acquired in 2005, and Bio Source product range launched in September 2005 by Grant Hackett.

Probiotec continues to evaluate the optimal strategy for delivering liquidity to its shareholders including the pursuit of an initial public offering currently progressing towards 1st half calendar 2006.

Ron Finemore Transport

CVC acquired a 25% interest in Ron Finemore Transport during 2005 with key divisions of livestock and tanker transport and annual revenues of approximately $45 million.

In September 2005 the Company acquired another regional transport operation in Smiths Transport operating from Orange in NSW with revenues of approximately $11 million. 2006 will see continuing development of Ron Finemore Transport with likely further acquisitions and organic growth.

Indirect Investments and Managed Funds

CVC REEF Limited

CVC has invested $2.1 million in, and has to date received returns of $1.3 million from, CVC REEF (Renewable Energy Equity Fund) an approximately $27 million unlisted fund. Investments currently in the portfolio include: Australian Renewable Fuels, Bio Energy Australia, Australian Farmers Fuel, Battery Energy, Wind Corp and Superior Energy. To date the fund has performed well, with above benchmark unrealised returns.

CVC Private Equity Limited

CVC has a $3.6 million investment in CVC Private Equity (CVC PE) an approximately $20 million unlisted fund. CVC PE's current portfolio includes Battery Energy, Telefix Sales, Pro-Pac Group, Ron Finemore Transport and Sonic Communications

In 2006 the performance of CVC Private Equity is expected to improve, with the potential realisation of one of its investments and an improved outlook for the other investments. The Company has uninvested cash of approximately $10 million and continues to evaluate new investment opportunities.

REVIEW OF OPERATIONS

CVC Sustainable Investments

CVC is the manager of CVC Sustainable Investments (CVC SI) an approximately $6 million unlisted fund and derives annual management fees and performance fees. Since inception CVC Sustainable Investments has achieved a pre-tax annual return of 35% on invested capital. During 2006 it is our intention to continue to increase the size of the fund and continue to make investments.

STRATEGIC LISTED EQUITY INVESTMENTS

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

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

During the year CVC has participated in new investment and engaged in a sell down of existing investments where appropriate. At 30 June 2005 there were unrealised profits on listed investments amounting to approximately $28 million.

Stargames Limited

CVC holds a 17.8% interest in Stargames Limited, having acquired a further 4.8% during 2005. Stargames, which operates in the entertainment services industry has announced sales for the year ended 30 June 2005 of $71 million (2004: $65 M) and a fully franked dividend of 5 cents per share (2004: 4.5 cents).

Greens Foods Limited

CVC holds a 13.2% interest in food manufacturing business Greens Foods Limited having acquired a further 4% during 2005. CVC became involved with the company in late 2001 when CVC acquired its initial holding and CVC CEO Mr Sandy Beard was appointed to the Board of Directors. Since that time the company has undergone significant restructuring and for the year ended 30 June 2005, reported a net profit of $2.2 million. (2004: $5.9 M)

Sunland Group Limited

CVC has a 13% interest in ASX listed property developer, Sunland Group Limited. Sunland has announced an after tax profit for the year ended 30 June 2005 of $67.2 million, representing a 21% increase on 2004 results.

Pro-Pac Group Limited

Pro-Pac, headquartered in Sydney and with approximately 50 employees, was established in 1987 and is a manufacturer and distributor of environmental packaging products. Pro-Pac is a market leader in the manufacture and distribution of bio degradable 'void fill' for the 'pick and pack' market in Australia. The Company listed on the ASX in April 2005 and is embarking upon a strategy to consolidate the fragmented packaging market.

The company has recorded sales growth of over 15% per annum over the past 6 years with sales for the year ended 30 June 2005 of $21.4 million (2004: $18.4 M) and profit before tax of $2.6 million (2004: $2.5 M).

Major shareholdings as at 22 Sept. 2005	No. of shares	Valuation	Dividends
Sunland (SDG)	32.5 m	$56 m	$3.60 m
Pro-Pac (PPG)	6.3 m	$3 m	$0.25 m
Stargames (SGS)	16.9 m	$22 m	$0.85 m
Greens Foods (GFD)	14.5 m	$8 m	$0.30 m
		$89 m	$5.00 m

REVIEW OF OPERATIONS

PROPERTY

CVC continues to participate in property developments in partnership with high quality, specialist property developers. Investment in this sector has proven over time to deliver consistent and reliable returns that have served to underpin the investment portfolio and mitigate risk.

CVC Newcastle

CVC entered into a joint venture with Winten Property Group during the year to develop Fern Bay Seaside Village, north of Newcastle NSW. Development of the land, which has the potential for sub division into up to 1,000 residential lots has commenced and has the scope to provide substantial profits to CVC potentially for up to the next 10 years. The site is a unique and secluded residential community residing among master planned parks and over 100 hectares of retained bushland, including substantial wildlife corridors. Initial sales commenced during September 2005 and are achieving prices in excess of $250,000 per lot.

Lauden Property Trust

CVC has acquired an approximately 20,000 m^2 site at Belrose NSW and is preparing a development application for a 13,000 m^2 bulky goods site in partnership with Hawden property group. Feasibility and initial expressions of interest by anchor tenants is progressing with a view to commencement of development in early 2006.

Other property related transactions

CVC will evaluate commercial property opportunities with incumbent tenants, long term development prospects and acceptable yields which may be capable of later restructuring into a property trust.

CVC will look to use its balance sheet to take advantage of property related opportunities which may arise and need ‘bridging’ and may provide the opportunity to structure into a property trust.

Historically CVC has provided mezzanine finance to property developers in the form of 2nd ranking mortgages or other form of security. CVC will continue to target mezzanine finance facilities wherein it can achieve appropriate risk adjusted returns with an acceptable security and most likely an ongoing relationship with the developer.

CVC Newcastle
Fern Bay Seaside Village

CVC LIMITED
and its controlled entities

FINANCIAL REPORT
for the year ended 30 June 2005

DIRECTORS' REPORT

Your Directors present the Financial Report of CVC Limited ('the Company') and of the Consolidated Entity ('CVC'), being the Company and its controlled entities, for the year ended 30 June 2005 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 Scott Leaver, John Douglas Read, Alexander Damien Harry Beard and John Thomas Riedl. The names of Company Secretaries in office throughout the financial year and to the date of this report are Alexander Damien Harry Beard and Michael John Bower. Details of qualifications, experience and special responsibilities of directors are as follows:

Vanda Russell Gould (Chairman)
B.Comm (Uni. of NSW); M.Comm (Uni. of NSW).
Fellow of the Institute of Chartered Accountants in Australia. Fellow of the Australian Institute of Certified Public Accountants; Licensed Securities Dealer.
Board member from 1984 – 1994 and from 1996 to date.
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 the following other listed companies: Chairman of Vita Life Sciences Limited.

John Scott Leaver (Non-Executive Director)
B.Ec. (Uni. of Sydney).
Licensed Securities Dealer.
Board member since 1984 and Managing Director of the Company until 2001.
Prior to his involvement in the founding of the Company, Mr Leaver had extensive experience in the stockbroking industry.
During the past three years Mr Leaver has also served as a director of the following other listed companies: Chairman of Sunland Group Limited.

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.
Mr Read has over 25 years experience in the venture capital industry. He is a former director of CSIRO and is a current director of the Australian Institute for Commercialisation Limited.
During the past three years Mr Read has also served as a director of the following other listed companies: Chairman of The Environmental Group Limited and Chairman of Pro-Pac Packaging Limited.

Alexander Damien Harry Beard (Director & Company Secretary)
B. Com. (Uni. of NSW).
Member of the Institute of Chartered Accountants in Australia.
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 a director of the following other listed companies: Greens Foods Limited and Australian Visual Communications Limited.

John Thomas Riedl (Non-Executive Director)
B.Sc, B.E. (Elect), (Hons.) (Sydney)
Board member since 2002. Member of the audit committee.
Mr Riedl was the managing director of Techniche Limited, a venture capital company, for fifteen years which, like CVC, commenced life under the MIC act. He has a broad range of commercial and technical experience.
During the past three years Mr Riedl has also served as a director of the following other listed companies: Eserv Global Ltd.

Company Secretaries

Michael Bower
B.Sc. (Hons.) (Dunelm.)
Member of the Institute of Chartered Accountants in Australia. Member of the Institute of Chartered Accountants in England and Wales.
Mr Bower has over 15 years experience as a chartered accountant in both the accounting profession and within commerce. He has been employed by the manager of the Company since 2002 and has been a Company Secretary since 2003.

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	
	Number of meetings attended	Number of meetings held
V R Gould	5	5
J S Leaver	5	5
J D Read	5	5
A D H Beard	5	5
J T Riedl	4	5

DIRECTORS' REPORT

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	
	Number of meetings attended	Number of meetings held
J D Read	3	3
A D H Beard	3	3
J T Riedl	2	3

Directors' interests

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

	Ordinary Shares
Mr V R Gould	21,091,343
Mr J S Leaver	21,404,611
Mr J D Read	483,956
Mr A D H Beard	2,356,136
Mr J T Riedl	30,000

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

Overview of activities

The sections below provide details on the results, dividends, activities, operations, changes in state of affairs and expectations for the future. Further details and commentaries are also provided in the Chairman's Report and Review of Operations sections of the annual report.

Consolidated results

The Directors of CVC are delighted to announce that the 2005 financial year has seen CVC achieve another record profit, including:

> Profit before taxation of $30.5 million (2004: $12.2 M) an increase of 150%;

> Net profit attributable to shareholders of $29.0 million (2004: $10.1 M) an increase of 187%;

> Earnings per share of 25.4 cents (2004: 9.4 cents) an increase of 170%.

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

	2005 **$**	2004 $
Net profit after income tax	29,429,531	10,795,193
Outside equity interests	(427,749)	(649,171)
Net profit after income tax attributable to members	29,001,782	10,146,022

Dividends

A final dividend in respect of the year ended 30 June 2005 of 3 cents per share was declared on 24 August 2005. An interim dividend in respect of the year ended 30 June 2005, of 2 cents per ordinary share amounting to $2,213,540, was paid on 10 March 2005.

A final dividend in respect of the year ended 30 June 2004, of 1.5 cents per ordinary share amounting to $1,660,155, was paid on 14 December 2004. An interim dividend in respect of the year ended 30 June 2004 of 1.5 cents per share was paid in March 2004.

Principal activities

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

> the provision of investment capital to companies with substantial profit growth prospects;

> property finance and development;

> investment in listed entities;

> funds management; and

> the manufacture and distribution of packaging supplies.

Review of operations

The current financial year has seen significant advances in the development of a platform for future growth. Highlights of the year include capital profits in each of CVC's main investment areas of listed shares, property and private equity, including;

> $9 million profit from the sale of shares in Sunland Group Limited;

> $10 million profit from the sale of joint venture property interests including the disposal of the Chevron Renaissance shopping centre; and

> $3 million profit from the sell-down of shares into the IPO of Pro-Pac Packaging Limited.

At 30 June 2005, CVC retained a 13% shareholding in Sunland Group Limited and a 15% shareholding in Pro-Pac Packaging Limited to provide a source of future dividends and capital growth.

During the year CVC has concentrated on generating a base of new initiatives to provide the foundations for future ongoing revenue streams and asset value appreciation. In particular:

> the acquisition and internalisation of the management function to provide new income streams from funds management and reduce ongoing management costs. In 2006 we are targeting growth in our funds management business and particularly in the launch of new financial products outside of private equity;

> the development of the Fern Bay property with sales having already commenced and with the potential to provide a significant ongoing revenue stream for many years;

DIRECTORS' REPORT

> the placement of $28 million of new equity providing the capital base for new investment activities and bringing increased interest in CVC culminating with CVC becoming one of the top 300 companies in the S&P/ASX All Ordinaries Index at 30 June 2005;
> the acquisition, rationalisation and development of a new regional road freight transportation business in partnership with Ron Finemore;
> the acquisition, through a joint venture, of land at Belrose and its development for a bulky goods centre;
> the listing of Pro-Pac on the Australian Stock Exchange and continued organic and acquisitive growth of the Pro-Pac business;
> further development of the investment portfolios, both listed and unlisted; and
> continued improvement in access to and identification of quality opportunities for potential investments.

State of affairs

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

> the raising of $28 million less costs from the placement of new shares;
> the continued appreciation of value of CVC assets with net tangible assets adjusted for unrealised increases in the market values of listed shares only, increasing by 30% over the year to 126.6 cents per share;
> the generation of over $40 million of cash balances to provide the investment capital for future acquisitions;
> the acquisition of CVC Managers Pty Limited and its funds management business, effectively internalising the management of CVC;
> the acquisition of equity accounted investments in Ron Finemore Transport Pty Limited and the Lauden Property Trust;
> the disposal of the joint venture interest in the Chevron Renaissance shopping centre;
> the disposal of the controlling interest in Pro-Pac through its IPO; and
> the cessation of equity accounting for Sunland Group Limited following the sale of shares and its capital raisings.

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 capital profits. Accordingly at this stage it is not possible to meaningfully forecast the level of profitability for 2005-06 or future periods. However, CVC has continued to build its recurrent earnings base and looks forward to being able to report further growth in ongoing profitability. Further, CVC has a robust balance sheet base at 30 June 2005 and looks forward to reporting developments generally, and appreciation in valuations particularly, in future in respect of all the investments.

Environmental regulation

CVC's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Directors are not aware of any breaches of any particular and significant environmental regulation affecting the group's operations.

Environmental management

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

Events subsequent to balance date

CVC continues to make and realise investments and loans in support of its existing investee businesses and for new investees subsequent to balance date. Otherwise, there has not arisen in the interval between the end of the financial year and the date of this report any other matter or circumstance that has affected or may significantly affect the operations of CVC, the results of those operations, or the state of affairs of CVC, in future financial years.

Share options

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

Indemnification and insurance of officers and auditors

a) Indemnification

CVC has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of CVC or a related body corporate indemnified or made any relevant agreement for indemnifying such persons against a liability, including costs and expenses in successfully defending legal proceedings.

b) Insurance Premiums

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

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

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

DIRECTORS' REPORT

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of CVC.

Remuneration philosophy

The performance of CVC depends upon its ability to attract and retain quality people. In prior years, CVC was externally managed by a private company, CVC Investment Managers Pty Limited. Management fees were payable by CVC to CVC Investment Managers Pty Limited calculated at a percentage of opening accounting net assets. Whilst performance fees were also payable, historically CVC Investment Managers Pty Limited had not charged them. Accordingly, this arrangement only provided minimal, delayed, incentive to the manager and an even remoter incentive to the executives within the manager. Following the internalisation of the management function through the acquisition of CVC Managers Pty Limited, CVC has concentrated on developing a remuneration philosophy which, whilst continuing the manager's policy of paying sufficient competitive 'base' rewards to attract and retain high calibre executives, skews the opportunity to receive superior remuneration directly to the creation of value for shareholders.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and senior manager remuneration is separate and distinct.

Non-executive director 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.

Senior manager and executive director remuneration consists of: base salary; fees; superannuation contributions; short term performance bonuses; and participation in the CVC Executive Long Term Incentive Plan.

The Company does not have a remuneration committee. Senior manager remuneration is proposed by the Chief Executive Officer and considered with the Chairman.

The remuneration of the Chief Executive Officer is proposed by the Chairman and discussed with the other non-executive directors.

Short term performance bonuses permit CVC to reward individuals for superior personal performance or components of the performance of CVC for which they have direct responsibility.

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. In general terms, under the plan:

> executives 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.

At the date of this report the following shares have been issued under the plan:

Name	Number of Shares	Loan Provided	End of Period
Alexander Beard	1,000,000	$1,150,000	27th October 2007
Elliott Kaplan	1,000,000	$1,150,000	27th October 2007
Michael Bower	100,000	$115,000	27th October 2007
Geoffrey Leaver	500,000	$575,000	27th October 2007
Christian Jensen	200,000	$230,000	27th October 2007
	2,800,000	3,220,000	

DIRECTORS' REPORT

Remuneration report (continued)

Individual Remuneration Disclosures:
The only remuneration paid by CVC Limited is directors fees paid to Messrs Read and Riedl. All other remuneration disclosures relate to the consolidated group.

		Primary benefits Base Salary & Fees	Cash Bonus	Post- employment Superannuation	Equity Based (c)	Total	Base % (e)
Remuneration of Directors:							
ADH Beard (a)	**2005**	**$121,333**	**-**	**$10,920**	**$25,556**	**$157,808**	**84%**
	2004	-	-	-	-	-	
VR Gould (a)(b)(d)	**2005**	**$150,000**	**-**	**-**	**-**	**$150,000**	**100%**
	2004	-	-	-	-	-	
JS Leaver (a)(b)(d)	**2005**	**$150,000**	**-**	**-**	**-**	**$150,000**	**100%**
	2004	-	-	-	-	-	
JD Read	**2005**	**$25,000**	**-**	**-**	**-**	**$25,000**	**100%**
	2004	$25,000	-	-	-	$25,000	100%
JT Riedl	**2005**	**$25,000**	**-**	**-**	**-**	**$25,000**	**100%**
	2004	$25,000	-	-	-	$25,000	100%
Remuneration of 5 named executives who received the highest remuneration:							
MJ Bower (a)	**2005**	**$100,000**	**$25,000**	**$11,250**	**$2,556**	**$138,806**	**80%**
CT Jensen (a)	**2005**	**$77,000**	**$10,625**	**$7,886**	**$5,111**	**$100,622**	**84%**
EG Kaplan (a)	**2005**	**$68,000**	**-**	**$58,000**	**$25,556**	**$151,556**	**83%**
GP Leaver (a)	**2005**	**$90,000**	**-**	**$3,240**	**$12,778**	**$106,018**	**88%**
AW Ness (a)	**2005**	**$16,794**	**-**	**$1,511**	**-**	**$18,305**	**100%**

Notes:

(a) Prior to the acquisition of the management company, the services of Messrs Gould, Leaver, Beard, Bower, Jensen, Kaplan, Leaver and Ness were covered by the management fees payable by the manager. The figures above represent the 8 month period from the acquisition of CVC Managers Pty Limited.

(b) CVC paid management fees of $150,000 each to entities associated with Messrs Gould and Leaver that covers the cost of their services.

(c) Shares and loans issued under the CVC Executive Long Term Incentive Plan have been valued as though they were options based on the following assumptions:

> 3 year life

> Risk free interest rate of 6%

> Volatility factor of 10%

> A dividend yield of 3.5%

This gives a value per share granted of 11.5 cents. The figures above assume this cost is spread over thirty six months with eight months being relevant to the current financial year.

(d) Under the terms of the acquisition of CVC Managers Pty Limited, Messrs Gould and Leaver have service arrangements with CVC Managers Pty Limited requiring them to remain with CVC until at least 6 October 2006.

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

DIRECTORS' REPORT

Auditor independence and non-audit services

During the year, CVC Managers Pty Limited paid $5,800 to HLB MANN JUDD (NSW Partnership) in respect of work performed on proposed capital raisings by CVC Sustainable Investments Limited. No other amounts were paid by CVC for non-audit services to HLB MANN JUDD (NSW Partnership) during the year.

The directors have received the following declaration from the auditor of CVC Limited:

Auditor's Independence Declaration to the Directors of CVC Limited

As lead auditor for the audit of CVC Limited for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney this 22nd day of September 2005.

P Meade	HLB MANN JUDD (NSW Partnership)
Partner	Chartered Accountants

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

Dated at Sydney this 22nd day of September 2005.

Alexander Beard	**Vanda Gould**
Director	*Director*

STATEMENTS OF FINANCIAL PERFORMANCE for the year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Revenue					
Revenue from sale of goods		**17,417,264**	18,415,189	**-**	-
Revenue from sale of services		**745,777**	-	**-**	-
Proceeds from share sales		**39,373,654**	23,693,414	**21,210,904**	23,700,169
Proceeds from sale of loans		**-**	1,652,713	**-**	1,652,713
Interest income		**3,022,171**	2,941,089	**2,954,078**	2,488,819
Other revenue from ordinary activities		**1,199,585**	912,069	**4,488,188**	1,525,743
Total revenue from ordinary activities	3	**61,758,451**	47,614,474	**28,653,170**	29,367,444
Share of net profits of associates accounted for using the equity method	14	**8,447,973**	10,052,118	**-**	-
Share of net profits of joint ventures accounted for using the equity method	13	**11,696,101**	2,784,730	**11,696,101**	2,784,730
Expenses					
Amortisation of intangibles		**934,120**	442,175	**-**	-
Borrowing costs	4	**-**	11,231	**-**	11,231
Cost or carrying value of shares sold		**25,406,791**	17,100,946	**15,750,216**	10,273,112
Cost of goods sold		**9,979,635**	10,026,859	**-**	-
Cost of loans sold		**-**	3,305,426	**-**	3,305,426
Depreciation expense		**229,404**	121,179	**-**	-
Employee expenses		**3,797,202**	3,145,106	**-**	-
Loans written-off & provisions for non-recovery		**4,329,538**	4,247,399	**4,324,297**	4,566,666
Management & consultancy fees		**1,828,218**	6,646,353	**1,507,458**	5,516,431
Unrealised loss on investments		**1,535,200**	100,248	**2,144,579**	(1,772,719)
Other expenses from ordinary activities	4	**3,322,461**	3,055,544	**587,735**	435,386
Profit from ordinary activities before related income tax expense	4	**30,539,956**	12,248,856	**16,034,986**	9,816,641
Income tax expense	5	**1,110,425**	1,453,663	**463,828**	775,339
Net profit		**29,429,531**	10,795,193	**15,571,158**	9,041,302
Net profit attributable to outside equity interests	21	**427,749**	649,171	**-**	-
Net profit attributable to members of the parent entity		**29,001,782**	10,146,022	**15,571,158**	9,041,302
Other changes in equity attributable to members of the parent entity other than those arising from transactions with owners as owners:					
Share issue costs		**(1,122,000)**	-	**(1,122,000)**	-
Total changes in equity attributable to members of the parent entity other than those arising from transactions with owners as owners		**27,879,782**	10,146,022	**14,449,158**	9,041,302
Basic & diluted earnings per share	6	**0.2540**	0.0943		

The statements of financial performance are to be read in conjunction with the notes to the financial statements set out on pages 21 to 47.

STATEMENTS OF FINANCIAL POSITION as at 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Current assets					
Cash assets	22	**41,277,130**	12,269,691	**40,270,010**	9,507,658
Receivables	8	**17,316,946**	7,615,477	**19,242,380**	4,409,449
Inventories	9	**-**	1,132,013	**-**	-
Other financial assets	10	**3,367,533**	4,922,116	**3,367,533**	4,922,116
Current tax assets	5	**1,007**	40,152	**-**	-
Other assets	11	**102,633**	238,692	**83,323**	30,871
Total current assets		**62,065,249**	26,218,141	**62,963,246**	18,870,094
Non-current assets					
Receivables	8	**6,735,142**	2,889,908	**9,251,622**	3,479,281
Other financial assets	10	**56,986,919**	11,861,444	**46,177,729**	27,133,430
Investments accounted for using the equity method	12	**8,979,518**	49,524,380	**89,210**	12,099,991
Property, plant and equipment	15	**22,292**	670,692	**-**	-
Intangible assets	16	**7,959,142**	5,157,691	**-**	-
Deferred tax assets	5	**-**	139,700	**-**	-
Total non-current assets		**80,683,013**	70,243,815	**55,518,561**	42,712,702
Total assets		**142,748,262**	96,461,956	**118,481,807**	61,582,796
Current liabilities					
Payables	17	**921,794**	11,714,568	**533,189**	26,160,149
Provisions	18	**135,789**	208,830	**-**	-
Current tax liabilities	5	**639,219**	991,657	**639,219**	601,265
Total current liabilities		**1,696,802**	12,915,055	**1,172,408**	26,761,414
Non-current liabilities					
Payables	17	**-**	-	**35,812,844**	-
Provisions	18	**-**	143,206	**-**	-
Deferred tax liabilities	5	**-**	177,557	**-**	177,557
Total non-current liabilities		**-**	320,763	**35,812,844**	177,557
Total liabilities		**1,696,802**	13,235,818	**36,985,252**	26,938,971
Net assets		**141,051,460**	83,226,138	**81,496,555**	34,643,825
Equity					
Contributed equity	19	**55,392,794**	20,237,527	**55,392,794**	20,237,527
Retained profits	20	**85,658,497**	60,530,410	**26,103,761**	14,406,298
Total parent entity interest		**141,051,291**	80,767,937	**81,496,555**	34,643,825
Outside equity interest	21	**169**	2,458,201	**-**	-
Total equity		**141,051,460**	83,226,138	**81,496,555**	34,643,825

The statements of financial position are to be read in conjunction with the notes to the financial statements set out on pages 21 to 47.

STATEMENTS OF CASH FLOWS for the year ended 30 June 2005

	Notes	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Cash flows from operating activities					
Cash receipts in the course of operations		**19,880,244**	19,906,117	**112,001**	126,819
Cash payments in the course of operations		**(24,816,546)**	(20,511,459)	**(5,740,727)**	(2,082,408)
Interest received		**1,295,159**	1,049,594	**1,172,844**	938,294
Dividends received		**4,993,863**	1,979,736	**4,376,187**	1,398,925
Interest paid		**-**	(11,231)	**-**	(11,231)
Income taxes paid		**(1,570,492)**	(517,895)	**(603,431)**	(46,702)
Net cash (used in)/provided by operating activities	22	**(217,772)**	1,894,862	**(683,126)**	323,697
Cash flows from investing activities					
Payments for property, plant and equipment		**(583,500)**	(177,387)	**-**	-
Receipts for property, plant and equipment		**20,455**	-	**-**	-
Payments for equity investments		**(27,040,173)**	(22,234,186)	**(22,980,734)**	(19,937,209)
Proceeds on disposal of equity investments		**28,313,365**	25,346,127	**10,155,856**	25,352,878
Payments for acquisition of controlled entities net of cash acquired		**(372,271)**	(2,024,070)	**(355,639)**	(1,518,611)
Proceeds for sale of controlled entities net of cash disposed		**6,493,051**	-	**7,000,504**	-
Loans provided		**(21,584,363)**	(7,161,807)	**(27,187,287)**	(12,902,197)
Loans repaid		**24,956,126**	24,556,385	**45,153,206**	27,603,562
Net cash provided by investing activities		**10,202,690**	18,305,062	**11,785,906**	18,598,423
Cash flows from financing activities					
Repayment of borrowings		**-**	(193,294)	**-**	-
Dividends paid to members of parent entity		**(3,260,428)**	(3,817,930)	**(3,260,428)**	(3,817,930)
Dividends paid to outside equity interests		**(637,051)**	-	**-**	-
Shares bought-back on market		**(4,008,000)**	(6,396,109)	**(4,008,000)**	(6,396,109)
Issue of shares		**28,050,000**	-	**28,050,000**	-
Cost of share issue		**(1,122,000)**	-	**(1,122,000)**	-
Net cash provided by/(used in) financing activities		**19,022,521**	(10,407,333)	**19,659,572**	(10,214,039)
Net increase in cash held		**29,007,439**	9,792,591	**30,762,352**	8,708,081
Cash at the beginning of the financial year		**12,269,691**	2,477,100	**9,507,658**	799,577
Cash at the end of the financial year	22	**41,277,130**	12,269,691	**40,270,010**	9,507,658

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 21 to 47.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Contents

Note

Note 1: Statement of significant accounting policies

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

1.1 Basis of Preparation

The Financial Report is a general purpose financial report, which has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

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

1.2 Principles of Consolidation

Controlled entities

The financial statements of controlled entities are included in results only from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

Associates

Associates are those entities, other than partnerships, over which CVC exercises significant influence but not control. In the consolidated financial statements investments in associates are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. CVC's equity accounted share of the associates' net profit or loss is recognised in the consolidated statement of financial performance from the date significant influence commences until the date significant influence ceases. CVC's equity accounted share of movements in retained profits from changes in accounting policies by associates is recognised directly in consolidated retained profits (note 20). CVC's equity accounted share of other movements in reserves of associates is recognised directly in consolidated reserves.

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 financial performance from the date joint control commences to the date joint control ceases. CVC's share of other movements in reserves is recognised directly in consolidated reserves.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 1: Statement of significant accounting policies (continued)

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

Goodwill
Goodwill represents the excess of the purchase consideration over the fair value of identifiable net assets acquired at the time of acquisition of a business or shares in a controlled entity. Goodwill is amortised on a straight line basis over the period during which benefits are expected to be received. The periods in use during the year and previous year were 5 - 20 years.

1.3 Investments

Controlled entities
Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

Associated companies
In the Company's financial statements investments in shares of associates are carried at the lower of cost and recoverable amount.

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

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

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

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

1.4 Income tax

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

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

1.5 Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments, readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

1.6 Inventories

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

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

1.7 Payables

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

1.8 Accounts receivable

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

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

1.9 Property, plant and equipment

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

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

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

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

Depreciation and amortisation
Property, plant and equipment is depreciated/amortised using the straight line and diminishing value methods over the estimated useful lives, with the exception of finance

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 1: Statement of significant accounting policies (continued)

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 ap9propriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

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

Plant and equipment	5% to 50%
Leased assets	15% to 25%

1.10 Intangible assets other than goodwill

Intangible assets are recorded at cost.

Intangible assets in relation to intra-group management agreements are eliminated on consolidation thereby increasing the amount of goodwill arising.

Intangible assets are amortised on a straight line basis over the period during which benefits are expected to be received. The periods in use during the year were 10 years.

1.11 Land held for sale

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

1.12 Revenue and revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sale of goods

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

Interest income

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

Sale of non-current assets

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

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

Research and development grants

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

Dividends

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

Revenue from dividends from associates is recognised by the parent entity when dividends are received.

Revenue from dividends from other investments is recognised when received.

Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

1.13 Borrowing costs

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

1.14 Non-current assets

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

1.15 Employee entitlements

Wages, salaries and annual leave

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

Long service leave

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

1.16 Goods and Services Tax

Receivables and payables are stated with the amount of GST included.

Revenues, expenses and other assets and liabilities are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

1.17 Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

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. All companies are incorporated in Australia.

	Interest held by Consolidated Entity	
	2005	2004
	%	%
CVC Limited		
Direct controlled entities:		
Biomedical Systems Pty Limited	100	100
CVC (Newcastle) Pty Limited	100	100
CVC Managers Pty Limited	100	-
CVC Mezzanine Finance Pty Limited	100	-
CVC Technologies Pty Limited	100	100
CVC Resources Pty Limited	100	-
Kingarrow Pty Limited	100	100
Laserex Pty Limited	100	100
The Eco Fund Pty Limited	100	100
Stinoc Pty Limited	99	99
Pro-Pac Group Limited	-	82
Controlled entities owned 100% by Laserex Pty Limited		
CVC Communication and Technology Pty Ltd	100	100
Controlled entities owned 80% by Pro-Pac Group Limited		
Pro-Pac Packaging (Aust.) Pty Ltd	-	66
Controlled entities owned 100% by Pro-Pac Packaging (Aust) Pty Ltd		
Pro-Pac Packaging Manufacturing (Syd) Pty Ltd	-	66
Pro-Pac Packaging Manufacturing (Melb) Pty Ltd	-	66
Pro-Pac Packaging Manufacturing (Bris) Pty Ltd	-	66
Pro-Pac (GLP) Pty Ltd	-	66

2.2 Acquisition and disposals of controlled entities – CVC Managers Pty Ltd

On 8 October 2004, CVC acquired 100% of CVC Managers Pty Ltd for a consideration of 7,391,304 shares in the Company at a valuation of $8,500,000. A summary of the acquisition is as follows:

	$
Assets and liabilities of CVC Managers at acquisition:	
Cash assets	181,483
Tangible assets	23,404
Investments accounted for using the equity method	76,944
Intangible assets (i)	1,170,000
Payables	(38,317)
Provisions	(160,783)
	1,252,731
Goodwill arising (i)	7,247,269
	8,500,000

(i) Intangible assets in relation to intra-group management agreements have not been recognised in the consolidated entity thereby increasing the component of the consideration paid allocated to goodwill arising.

For the period from acquisition to the end of the financial year, CVC Managers recorded revenues of $2,614,985 and profit before tax and amortisation of intangibles of $411,263.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 2: Controlled entities (continued)

2.3 Acquisition and disposals of controlled entities – Pro-Pac Group Limited

On 28 April 2005, CVC sold its shares in Pro-Pac Group Limited to Pro-Pac Packaging Limited, as part of the IPO of the Pro-Pac business, for $7,922,689, comprising $4,785,940 cash and 6,273,498 shares (at a valuation of $3,136,749) in Pro-Pac Packaging Limited. A summary of the disposal is as follows:

	$
Assets & liabilities of Pro-Pac at date of loss of control:	
Cash assets	507,453
Current receivables	3,483,610
Inventory	1,260,771
Other current assets	110,406
Property, plant and equipment	1,005,445
Intangible assets	6,965,389
Deferred income tax assets	136,446
Payables	(2,141,586)
Provisions	(357,520)
Current tax liabilities	(27,529)
Intra-group loans	(18,293)
Total assets & liabilities	10,924,592
Less: outside equity interests	(5,567,651)
CVC carrying value at date of disposal	5,356,941
Profit on disposal	2,565,748
	7,922,689

For the period from the start of the financial year to the date of loss of control, Pro-Pac Group recorded revenues of $17,545,217 (2004 full year: $18,479,063) and profit before tax and amortisation of intangibles of $2,143,528 (2004 full year: $2,454,613).

During the year, but before the loss of control:

> CVC realised cash of $2,214,564 from the sales of parcels of shares in Pro-Pac Group Limited;

> there was a restructure of the subsidiary companies within the Pro-Pac Group Limited group whereby outside equity interests of $1,579,095 were created and there was an increase in intangible assets in the consolidated entity of $2,047,677;

> CVC paid $355,628 to buy-back an option over shares in Pro-Pac Group Limited; and

> a subsidiary of Pro-Pac Group Limited paid $236,574 to acquire two unincorporated businesses.

At the date of the 2003 financial report the final consideration to be paid for the acquisition of Pro-Pac had not been finalised and a provision was carried forward at $1,577,644. During the prior year the final consideration was determined at $1,581,877 and was paid.

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

Note 3: Revenue from ordinary activities

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Revenue from sale of goods	**17,417,264**	18,415,189	**-**	-
Revenue from sale of services	**745,777**	-	**-**	-
Proceeds from share sales	**39,373,654**	23,693,414	**21,210,904**	23,700,169
Proceeds from sale of loans	**-**	1,652,713	**-**	1,652,713
Interest:				
Controlled entities	**-**	-	**54,636**	-
Related parties	**461,190**	295,547	**461,190**	295,547
Other parties	**2,560,981**	2,645,542	**2,438,252**	2,193,272
Dividends:				
Other parties	**913,512**	692,251	**4,376,187**	1,398,925
Other revenue	**286,073**	219,818	**112,001**	126,818
Revenue from ordinary and operating activities	**61,758,451**	47,614,474	**28,653,170**	29,367,444

Note 4: Profit from ordinary activities before income tax expense

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

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Borrowing costs:				
Related parties	**-**	-	**-**	-
Other	**-**	11,231	**-**	11,231
Total borrowing costs	**-**	11,231	**-**	11,231
Other operating expenses:				
Audit fees	**100,510**	107,500	**66,500**	66,500
Directors fees	**50,000**	50,000	**50,000**	50,000
Freight costs	**338,014**	271,212	**-**	-
Insurance	**115,627**	81,162	**26,802**	27,148
Legal costs	**277,975**	118,051	**235,002**	108,871
Operating lease rental expense	**623,721**	537,877	**-**	-
Royalty costs	**461,166**	519,383	**-**	-
All other operating expenses	**1,355,448**	1,370,359	**209,431**	182,867
Total other operating expenses	**3,322,461**	3,055,544	**587,735**	435,386
Other items:				
Performance fees payable	**-**	4,000,000	**-**	4,000,000
Losses/(gains) on disposals of:				
Property, plant and equipment	**-**	2,694	**-**	-
Investments	**(13,966,863)**	(6,592,468)	**(5,460,688)**	(13,427,057)
Loans	**-**	1,652,713	**-**	1,652,713

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Note 5: Taxation				
5.1 Income tax expense:				
Prima facie income tax expense calculated at 30% (2004: 30%) on the profit from ordinary activities	**9,161,987**	3,674,657	**4,810,496**	2,944,992
Increase in income tax expense due to:				
Prima facie income tax on profit from ordinary activities of subsidiaries within tax consolidation group	**-**	-	**4,156,138**	(214,156)
Realised equity accounted profits of associated entities	**25,916**	-	**-**	-
Amortisation of goodwill	**280,236**	132,653	**137,438**	-
Tax losses not recognised	**1,181,720**	4,543	**1,363,045**	-
Decrease in income tax expense due to:				
Unrealised equity accounted profits of associated entities	**-**	(359,313)	**-**	-
Sundry items	**(3,491)**	(5,701)	**(18,237)**	5,999
Franked dividends received	**(1,472,920)**	(495,774)	**(1,656,805)**	(495,774)
Div 43 building allowances	**(177,070)**	(354,831)	**(177,070)**	(354,831)
Capital raising costs	**-**	(67,320)	**-**	(67,320)
Recovery of tax losses not previously recognised	**(7,730,958)**	(1,904,744)	**(7,996,067)**	(1,862,227)
	1,198,100	691,490	**551,618**	24,003
Prior year (over)/under provision	**(87,675)**	168,406	**(87,790)**	157,569
Settlement of long standing tax disputes (i)	**-**	593,767	**-**	593,767
Income tax expense attributable to profit from ordinary activities	**1,110,425**	1,453,663	**463,828**	775,339

(i) In July 2004, the Company reached agreement with the Australian Taxation Office to settle revised income taxation assessments issued to the Company in respect of the 1988, 1991 and 1994 financial years. The Company provided in full in the previous financial year for the additional expense of $593,767 arising from the settlement.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
5.2 Current tax assets:				
Income tax instalments refundable:				
Balance at end of year	**1,007**	40,152	**-**	-
5.3 Current tax liabilities:				
Income tax payable:				
Balance at end of year	**639,219**	991,657	**639,219**	601,265

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

Note 5: Taxation (continued)

5.4 Deferred tax assets/liabilities:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Future income tax benefit:				
Balance at end of year	**-**	139,700	**-**	-
Deferred income tax liability:				
Balance at end of year	**-**	177,557	**-**	177,557

5.5 Deferred tax assets/liabilities not recognised:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Future income tax benefits not brought to account:				
Tax revenue losses carried forward at 30% (2004: 30%)	**1,406,593**	636,928	**819,126**	44,897
Unrealised capital losses at 30% (2004: 30%)	**1,676,707**	1,721,158	**1,862,971**	1,721,158
Tax capital losses carried forward at 30% (2004: 30%)	**5,341,967**	14,344,681	**72,699**	9,075,414

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

(i) the relevant company, or tax consolidated group, derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;

(ii) the relevant company complied and continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the realising of the benefit.

5.6 Tax consolidation

The Company and its applicable wholly owned subsidiaries have adopted the provisions of the tax consolidation regime prior to the start of the financial period. Formal notification of the adoption to the Australian Taxation Office has been made. Tax balances within this financial report reflect the effects of the tax consolidation regime and formal tax sharing arrangements between subsidiaries.

Note 6: Earnings per share

	Consolidated 2005 $	Consolidated 2004 $
Basic & diluted earnings per share (dollars per share)	**0.2540**	0.0943
Reconciliation of earnings used in the calculation of earnings per share:		
Operating profit after income tax	**29,429,531**	10,795,193
Less: outside equity interests	**(427,749)**	(649,171)
Earnings	**29,001,782**	10,146,022
	Number of Shares	
Weighted average number of ordinary shares	**114,181,399**	107,606,827

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 7: Dividends

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

Declared during the financial period and included within the statement of financial position:

	Cents per share	Total $	Date of payment	Tax rate for franking credit	Percentage franked
2004 Final on ordinary shares	1.50	1,660,155	14 December 2004	30%	100%
2005 Interim on ordinary shares	2.00	2,213,540	10 March 2005	30%	100%

Declared after the end of the financial period and not included in the statement of financial position:
A final dividend for 2005 of 3 cents per share to be paid on 30 September 2005 was declared on 24 August 2005.

	The Company 2005 $	The Company 2004 $
Dividend franking account		
Franking credits available to shareholders for subsequent financial years	**3,592,031**	2,243,972

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 payment of dividends recognised as a liability at year end
(c) 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 8: Receivables

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Current				
Trade debtors	**-**	3,136,836	**-**	-
Other debtors	**1,072,045**	136,200	**1,044,337**	67,008
Loans to other corporations	**15,871,480**	6,546,774	**15,871,480**	6,546,774
Provision for non-recovery of loans to other corporations	**(5,446,510)**	(2,344,333)	**(5,446,510)**	(2,344,333)
Loans to controlled entities	**-**	-	**3,786,166**	-
Loans to related entities	**5,819,931**	140,000	**3,986,907**	140,000
Total current receivables	**17,316,946**	7,615,477	**19,242,380**	4,409,449
Non-current				
Loans to other corporations	**30,000**	4,595,890	**30,000**	4,595,890
Provision for non-recovery of loans to other corporations	**-**	(3,845,890)	**-**	(3,845,890)
Loans to controlled entities	**-**	-	**3,638,871**	2,454,335
Provision for non-recovery of loans to controlled entities	**-**	-	**(1,122,391)**	(1,122,391)
Loans to director related entities	**3,731,166**	2,139,908	**3,731,166**	1,397,337
Provision for non-recovery of loans to director related entities	**(246,024)**	-	**(246,024)**	-
Loans for shares under executive long-term incentive plan	**3,220,000**	-	**3,220,000**	-
Total non-current receivables	**6,735,142**	2,889,908	**9,251,622**	3,479,281

Further details of loans to related entities are set out in Note 28.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Note 9: Inventories				
Current				
Finished goods – at cost	**-**	1,132,013	**-**	-
Total current inventories	**-**	1,132,013	**-**	-
Note 10: Other financial assets				
Current				
Shares in listed corporations at cost	**963,157**	4,922,116	**963,157**	4,922,116
Shares in listed corporations at market value	**2,404,376**	-	**2,404,376**	-
Total current other financial assets	**3,367,533**	4,922,116	**3,367,533**	4,922,116
Market value of shares in listed corporations	**3,471,483**	10,502,909	**3,471,483**	10,502,909
Non-current				
Unlisted controlled entities – at cost	**-**	-	**9,102,492**	6,289,230
Shares in listed corporations – at cost or realisable value	**50,162,304**	5,772,580	**26,553,472**	2,412,507
Other investments at cost or realisable value	**6,824,615**	6,088,864	**10,521,765**	4,892,761
Shares in listed associated companies at cost (Note 14)	**-**	-	**-**	13,538,932
Total non-current other financial assets	**56,986,919**	11,861,444	**46,177,729**	27,133,430
Market value of shares in listed corporations:				
Associated companies	**-**	-	**-**	31,402,532
Other investments	**78,340,830**	14,102,366	**64,134,245**	2,855,766
	78,340,830	14,102,366	**64,134,245**	34,258,298

The directors have valued shares in listed corporations at the lower of cost and market value as at 30 June 2005.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Note 11: Other assets				
Current				
Prepayments and deposits	**26,202**	216,654	**13,345**	11,662
Goods and services tax	**76,431**	22,038	**69,978**	19,209
	102,633	238,692	**83,323**	30,871
Note 12: Investments accounted for using the equity method				
Non-current				
Equity accounted interests in joint ventures (Note 13)	**89,210**	12,099,991	**89,210**	12,099,991
Equity accounted listed associated companies (Note 14)	**-**	32,380,577	**-**	-
Equity accounted other associated companies (Note 14)	**8,890,308**	5,043,812	**-**	-
	8,979,518	49,524,380	**89,210**	12,099,991
Market value of shares in listed associated companies	**-**	42,778,007	**-**	-

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

Note 13: Interests in joint ventures

Joint venture partnerships

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Interests in joint venture partnerships	**89,210**	12,099,991	**89,210**	12,099,991

The Company and CVC hold 50% interests (2004: 50%) in three joint venture partnerships: Chevron Developments, Bel Air Real Estate and Skyline Investments Australia.

The principal activities of the joint ventures are property ownership, operation and finance.

During the year, Chevron Developments sold its interest in the Chevron Renaissance Shopping Centre on the Gold Coast, Queensland, CVC's share of the profit on disposal was $9,806,382, and Bel Air Real Estate sold its remaining interests in a shopping strip on the Gold Coast, Queensland, CVC's share of the profit on disposal was $733,350.

Movements in interests in joint venture partnerships are as follows:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
At beginning of the year	**12,099,991**	9,315,261	**12,099,991**	9,315,261
Share of profit for the year	**11,696,101**	2,784,730	**11,696,101**	2,784,730
Profit distributions	**(23,706,882)**	-	**(23,706,882)**	-
At end of the year	**89,210**	12,099,991	**89,210**	12,099,991

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

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Current assets	**149,922**	3,747,653	**149,922**	3,747,653
Non-current assets	**-**	32,300,744	**-**	32,300,744
Current liabilities	**60,712**	570,683	**60,712**	570,683
Non-current liabilities	**-**	23,377,723	**-**	23,377,723
Net assets	**89,210**	12,099,991	**89,210**	12,099,991
Retained profits	**89,210**	12,099,991	**89,210**	12,099,991

The share of the profit for the year from interests in joint venture partnerships is split as follows:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Revenues	**41,157,172**	6,088,643	**41,157,172**	6,088,643
Expenses	**29,461,071**	3,303,913	**29,461,071**	3,303,913
Operating profit	**11,696,101**	2,784,730	**11,696,101**	2,784,730

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 14: Investments in associated entities

Details of material interests in associated entities are as follows:

		Ownership Interest				Investment Carrying Amount			
		Consolidated		The Company		Consolidated		The Company	
	Type	**2005**	2004	**2005**	2004	**2005**	2004	**2005**	2004
		%	%	**%**	%	**$**	$	**$**	$
CVC Private Equity Limited	Ords	**24.5**	24.6	**24.5**	24.6	**3,618,253**	4,196,355	**3,618,253**	4,196,355
CVC Reef Investment Managers Limited	Ords	**50.0**	-	**-**	-	**89,059**	-	**-**	-
Lauden CVC Property Trust	Units	**45.0**	-	**-**	-	**3,735,725**	-	**-**	-
Ron Finemore Transport Pty Limited	Ords	**25.0**	-	**25.0**	-	**883,757**	-	**1,575,000**	-
Sunland Group Limited	Ords	**-**	19.2	**-**	14.1	**-**	32,380,577	**-**	9,342,577
Winten (No.20) Pty Limited	Ords	**50.0**	50.0	**-**	-	**563,514**	847,457	**-**	-

	Dividends Received/Receivable			
	Consolidated		The Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
CVC Private Equity Limited	**-**	-	**-**	-
CVC Reef Investment Managers Limited	**-**	-	**-**	-
Lauden CVC Property Trust	**-**	-	**-**	-
Ron Finemore Transport Pty Limited	**-**	-	**-**	-
Sunland Group Limited	**4,080,351**	1,287,485	**3,327,176**	1,025,079
Winten (No.20) Pty Limited	**-**	-	**-**	-
	4,080,351	1,287,485	**3,327,176**	1,025,079

Information on associated entities:

CVC Private Equity Limited - CVC Private Equity Limited is a private equity investment fund.

CVC Reef Investment Managers Pty Limited - CVC Reef Investment Managers Pty Limited was acquired as part of the acquisition of CVC Managers Pty Limited. It is the investment manager for the CVC REEF Limited renewable energy investment fund.

Lauden CVC Property Trust - Lauden CVC Property Trust owns a property at Belrose, NSW to be used as a bulky goods site.

Ron Finemore Transport Pty Limited - Ron Finemore Transport Pty Limited is a regional road transport and logistics group.

Sunland Group Limited - Sunland Group Limited is a property development company listed on The Australian Stock Exchange Limited. CVC ceased to account for Sunland Group Limited as an associated entity with effect from 28 January 2005. At that time the carrying value of $29,591,336 was reclassified as an other financial asset and CVC ceased to equity account the results of Sunland Group Limited.

The market value of the equity accounted investment in Sunland Group Limited at 30 June 2004, based on the closing share price of $1.04 was $42,778,007.

Winten (No.20) Pty Limited - Winten (No.20) Pty Limited is developing a residential site at Fern Bay, NSW.

The balance date of all the associated entities is 30 June 2005 and all were incorporated in Australia.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 14: Investments in associated entities (continued)

Reconciliations:

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

	CVC Private Equity $	CVC Reef Inv. Managers $	Lauden CVC Prop. Trust $	Ron Finemore Transport $	Sunland Group $	Winten (No. 20) $	Total $
Year ended 30 June 2005							
Balance at the start of year	**4,196,355**	**-**	**-**	**-**	**32,380,577**	**847,457**	**37,424,389**
New interests acquired	**31,277**	**-**	**3,754,894**	**1,575,000**	**-**	**4,545**	**5,365,716**
Acquired with acquisition of controlled entity	**-**	**76,944**	**-**	**-**	**-**	**-**	**76,944**
Share of associates profits/(losses) before tax	**(606,511)**	**11,842**	**(19,169)**	**(691,243)**	**14,117,652**	**(288,488)**	**12,524,083**
Share of associates tax (expense)/benefit	**-**	**273**	**-**	**-**	**(4,076,383)**	**-**	**(4,076,110)**
Interests disposed during the year	**(2,868)**	**-**	**-**	**-**	**(8,750,159)**	**-**	**(8,753,027)**
Dividends received during the year	**-**	**-**	**-**	**-**	**(4,080,351)**	**-**	**(4,080,351)**
Reclassification of investments	**-**	**-**	**-**	**-**	**(29,591,336)**	**-**	**(29,591,336)**
Balance at the end of the year	**3,618,253**	**89,059**	**3,735,725**	**883,757**	**-**	**563,514**	**8,890,308**
Year ended 30 June 2004							
Balance at the start of year	-	-	-	-	24,087,691	-	24,087,691
New interests acquired	2,751,921	-	-	-	8,637,866	-	11,389,787
Reclassification of investments	1,832,609	-	-	-	-	874,978	2,707,587
Share of associates profits/(losses) before tax	(388,175)	-	-	-	14,756,708	(27,521)	14,341,012
Share of associates tax expense	-	-	-	-	(4,288,891)	-	(4,288,891)
Interests disposed during the year	-	-	-	-	(9,525,312)	-	(9,525,312)
Dividends received during the year	-	-	-	-	(1,287,485)	-	(1,287,485)
Balance at the end of the year	4,196,355	-	-	-	32,380,577	847,457	37,424,389

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

Note 15: Property, plant and equipment

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Plant and equipment:				
At cost	**1,089,699**	1,508,695	**-**	-
Accumulated depreciation	**(1,067,407)**	(838,003)	**-**	-
Total property, plant and equipment	**22,292**	670,692	**-**	-
Reconciliations				
Carrying amount at beginning of year	**670,692**	617,178	**-**	-
Assets acquired in business acquisition	**23,404**	-	**-**	-
Additions	**583,500**	177,387	**-**	-
Disposals through sale of controlled entities	**(1,005,445)**	-	**-**	-
Disposals	**(20,455)**	(2,694)	**-**	-
Depreciation	**(229,404)**	(121,179)	**-**	-
Carrying amount at end of year	**22,292**	670,692	**-**	-

Note 16: Intangible assets

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Goodwill	**7,247,269**	5,702,947	**-**	-
Accumulated amortisation	**(370,377)**	(545,256)	**-**	-
Total goodwill	**6,876,892**	5,157,691	**-**	-
Management agreements and licences	**1,170,000**	-	**-**	-
Accumulated amortisation	**(87,750)**	-	**-**	-
Total management agreements and licences	**1,082,250**	-	**-**	-
Total intangible assets	**7,959,142**	5,157,691	**-**	-
Reconciliations				
Goodwill:				
Carrying amount at beginning of year	**5,157,691**	5,257,104	**-**	-
Arising on acquisitions of interests in controlled entities (i)	**9,529,953**	308,744	**-**	-
Disposed with sale of interests in controlled entities	**(6,965,389)**	-	**-**	-
Amortisation	**(846,370)**	(442,175)	**-**	-
Other	**1,007**	34,018	**-**	-
Carrying amount at end of year	**6,876,892**	5,157,691	**-**	-
Management agreements and licences:				
Carrying amount at beginning of year	**-**	-	**-**	-
Acquired in business acquisition (i)	**1,170,000**	-	**-**	-
Amortisation	**(87,750)**	-	**-**	-
Carrying amount at end of year	**1,082,250**	-	-	-

(i) Intangible assets in relation to intra-group management agreements have not been recognised in the consolidated entity thereby increasing the component of the consideration paid allocated to goodwill arising, refer note 2.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Note 17: Payables				
Current				
Trade creditors	**232,423**	2,066,214	**189,206**	8,050
Loans from controlled entities	**-**	-	**-**	17,374,782
Loans from joint venture entities	**7,986**	4,715,322	**7,986**	4,715,322
Performance fees payable	**-**	4,000,000	**-**	4,000,000
Sundry creditors and accruals	**681,385**	770,624	**335,997**	61,995
GST payable	**-**	162,408	**-**	-
Total current accounts payable	**921,794**	11,714,568	**533,189**	26,160,149
Non-current				
Loan from controlled entities	**-**	-	**35,812,844**	-
Note 18: Provisions				
Current				
Employee entitlements	**135,789**	208,830	**-**	-
Non-current				
Employee entitlements	**-**	143,206	**-**	-

	2005 Number	2005 $	2004 Number	2004 $
Note 19: Contributed equity				
Issued and paid-up ordinary share capital				
Balance at beginning of the year	**103,994,456**	**20,237,527**	109,736,032	26,633,636
Share issued during the year:				
- acquisition of CVC Managers Pty Limited	**7,391,304**	**8,500,000**	-	-
- executive & non-executive long term incentive plan	**2,800,000**	**3,220,000**	-	-
- dividend reinvestment plan	**270,850**	**515,267**	-	400
- share placement	**16,500,000**	**28,050,000**	-	-
Less transaction costs	**-**	**(1,122,000)**	-	-
Shares bought back on market	**(3,508,772)**	**(4,008,000)**	(5,741,576)	(6,396,509)
Balance at end of the year	**127,447,838**	**55,392,794**	103,994,456	20,237,527

On 19 August 2004 the Company commenced an on-market share buy-back scheme for an unlimited duration but limited to 20,000,000 ordinary shares. At the date of this report 3,508,772 shares had been bought back under this scheme.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Note 20: Retained profits				
Retained profits at the beginning of the year	**60,530,410**	54,202,318	**14,406,298**	9,182,926
Net profit attributable to members of the parent company	**29,001,782**	10,146,022	**15,571,158**	9,041,302
Dividends	**(3,873,695)**	(3,817,930)	**(3,873,695)**	(3,817,930)
Retained profits at the end of the year	**85,658,497**	60,530,410	**26,103,761**	14,406,298

Note 21: Outside equity interest

Reconciliation of outside equity interest in controlled entities:

	Consolidated 2005 $	Consolidated 2004 $
Balance at beginning of the year	**2,458,201**	1,912,696
Share of net profit	**427,749**	649,171
Created on partial sale of controlled entities	**1,739,826**	-
Sale of controlled entities	**(5,567,651)**	-
Dividends paid	**(637,051)**	-
Shares issued by controlled entity	**1,579,095**	36,399
Capital reduction by controlled entity	**-**	(140,065)
Balance at end of the year	**169**	2,458,201

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

Share capital	**7,506**	1,285,226
(Accumulated losses)/retained profits	**(7,337)**	1,172,975
	169	2,458,201

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 22: Notes to the statements of cash flows

22.1 Reconciliation of cash

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

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Cash assets	**41,277,130**	12,269,691	**40,270,010**	9,507,658

22.2 Reconciliation of profit from ordinary activities after income tax to the net cash provided by operating activities

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Profit from ordinary activities after income tax	**29,429,531**	10,795,193	**15,571,158**	9,041,302
Add/(less) non-cash items:				
Share of equity accounted profits	**(20,144,074)**	(12,836,848)	**(11,696,101)**	(2,784,730)
Dividends received from equity accounted associates	**4,080,351**	1,287,485	**-**	-
Depreciation and amortisation of property plant and equipment	**229,404**	121,179	**-**	-
Amortisation of intangibles	**934,120**	442,175	**-**	-
Unrealised loss on investments	**1,535,200**	100,248	**2,144,579**	(1,772,719)
Profit on disposal of investments	**(13,966,863)**	(6,592,468)	**(5,460,688)**	(13,427,057)
Loss on sale of loan	**-**	1,652,713	**-**	1,652,713
Loans written-off and provisions for non-recovery	**4,329,538**	4,247,399	**4,324,297**	4,566,666
Loss on sale of property, plant & equipment	**-**	2,694	**-**	-
Borrowing costs in operating profit	**-**	(21,705)	**-**	-
Interest income not received	**(1,727,012)**	(1,891,495)	**(1,781,234)**	(1,550,525)
Movement in current tax assets & liabilities	**(285,764)**	893,895	**37,954**	547,065
Movement in deferred tax assets & liabilities	**(174,303)**	41,872	**(177,557)**	181,572
Changes in assets and liabilities:				
Receivables	**(263,876)**	(544,499)	**41,000**	(36,201)
Inventories	**(128,758)**	(330,576)	**-**	-
Payables	**(3,909,002)**	4,711,389	**(3,634,082)**	3,890,999
Provisions	**(19,510)**	(5,709)	**-**	-
Other assets	**(136,754)**	(178,080)	**(52,452)**	14,612
Net cash (used in)/provided by operating activities	**(217,772)**	1,894,862	**(683,126)**	323,697

22.3 Financing facilities

At 30 June 2005, CVC had access to the following specific lines of credit.

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Total facilities available:				
Joint venture - finance loans	**-**	46,500,000	**-**	46,500,000
Bank facility	**5,000,000**	5,000,000	**5,000,000**	5,000,000
	5,000,000	51,500,000	**5,000,000**	51,500,000

Joint venture facilities are shown gross and not the 50% share attributable to CVC. Joint venture facilities were repaid during the year. The bank facility has not been drawn.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 23: Remuneration of directors and executives

Information on remuneration of directors and executives is included in the remuneration report section of the Directors' Report.

Note 24: Auditors' remuneration

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

	Consolidated		The Company	
	2005	2004	**2005**	2004
	$	$	**$**	$
Audit services	**100,510**	107,500	**66,500**	66,500
Other services	**5,800**	5,000	**-**	-
	106,310	112,500	**66,500**	66,500

The Auditors received no other benefits.

Note 25: Commitments

Capital expenditure commitments				
Contracted but not provided for and payable:				
not later than one year	**-**	-	**-**	-
Non-cancellable operating lease expense commitments				
Future operating lease commitments not provided for in the financial statements and payable:				
- within one year	**343,230**	358,072	-	-
- later than one year but not later than five years	**419,399**	92,307	-	-
	762,629	450,379	-	-

Note 26: Contingent assets and liabilities

The Company was a defendant in an action brought in the Supreme Court of New South Wales by the liquidator of Amann Aviation Pty Limited (in liquidation) ('Amann'). The liquidator alleged, that certain group companies were involved in an alleged failure to pay company tax on damages awarded to Amann as a result of proceedings brought by CVC against the Commonwealth in 1987. Previously the Supreme Court of New South Wales had struck out the claims of the liquidator and during the year the New South Wales Court of Appeal unanimously dismissed the appeal. CVC is currently considering what actions are available to it to recover costs and damages against the liquidator and other parties incurred in relation to this matter.

Note 27: Operations by segments

27.1 Primary segments - business segments

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

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

27.2 Secondary segments - geographical segments

CVC operates predominantly in Australia

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 27: Operations by segments - information by business segment (continued)

	Private Equity & Venture Capital $'000's	Listed Investment $'000's	Property $'000's	Funds Management $'000's	Unallocated, Corporate & Tax $'000's	Eliminations $'000's	Consolidated $'000's
Year ended 30 June 2005							
Revenues:							
Revenues from external customers	32,654	26,913	67	852	1,272	-	61,758
Inter-segment revenue	-	-	-	1,763	-	(1,763)	-
Operating revenues	32,654	26,913	67	2,615	1,272	(1,763)	61,758
Equity accounted income	(1,298)	10,041	11,389	12	-	-	20,144
Total revenues	31,356	36,954	11,456	2,627	1,272	(1,763)	81,902
Results:							
Result before non-cash items	6,166	21,533	11,455	422	(3,118)	-	36,458
Depreciation	(218)	-	-	(11)	-	-	(229)
Amortisation of intangibles	(476)	-	-	(458)	-	-	(934)
Other non-cash expenses:							
- Loans written-off and provisions for non-recovery	(4,330)	-	-	-	-	-	(4,330)
- Unrealised loss on investments	-	(1,535)	-	-	-	-	(1,535)
Segment result	1,142	19,998	11,455	(47)	(3,118)	-	29,430
Assets:							
Segment assets excluding equity accounted investments	16,526	54,564	9,023	8,700	44,955	-	133,768
Equity accounted investments	4,505	-	4,386	89	-	-	8,980
Segment assets	21,031	54,564	13,409	8,789	44,955	-	142,748
Liabilities:							
Segment liabilities	-	-	8	303	1,386	-	1,697
Cost of acquisition of non-current assets	2,866	-	-	8,440	-	-	11,306

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 27: Operations by segments - information by business segment (continued)

	Private Equity & Venture Capital $'000's	Listed Investment $'000's	Property $'000's	Funds Management $'000's	Unallocated, Corporate & Tax $'000's	Eliminations $'000's	Consolidated $'000's
Year ended 30 June 2004							
Revenues:							
Revenues from external customers	21,877	24,386	340	-	1,011	-	47,614
Inter-segment revenue	-	-	-	-	-	-	-
Operating revenues	21,877	24,386	340	-	1,011	-	47,614
Equity accounted income	763	10,468	1,606	-	-	-	12,837
Total revenues	22,640	34,854	1,946	-	1,011	-	60,451
Results:							
Result before non-cash items	3,432	17,752	1,945	-	(7,424)	-	15,705
Depreciation	(121)	-	-	-	-	-	(121)
Amortisation of intangibles	(442)	-	-	-	-	-	(442)
Other non-cash expenses:							
- Loans written-off and provisions for non-recovery	(4,567)	-	320	-	-	-	(4,247)
- Unrealised loss on investments	300	(400)	-	-	-	-	(100)
Segment result	(1,398)	17,352	2,265	-	(7,424)	-	10,795
Assets:							
Segment assets excluding equity accounted investments	23,522	10,694	1,328	-	8,020	3,374	46,938
Equity accounted investments	5,273	32,381	9,520	-	2,350	-	49,524
Segment assets	28,795	43,075	10,848	-	10,370	3,374	96,462
Liabilities:							
Segment liabilities	5,020	-	18	-	4,824	3,374	13,236
Cost of acquisition of non-current assets	486	-	-	-	-	-	486

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 28: Related party information

Directors

The names of each person holding the position of Director of CVC during the financial year are:

Vanda Russell Gould

John Scott Leaver

John Douglas Read

Alexander Damien Harry Beard

John Thomas Riedl

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

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

Loans to directors

At a general meeting of the company held on 9 August 2004, shareholders approved the introduction of an Executive and Non-Executive Long Term Incentive Share Plan and the issue of 1 million shares in the Company under the terms of that plan to Mr Beard. On 27 October 2004, in accordance with the plan, the Company issued those shares and simultaneously provided a loan to Mr Beard of $1,150,000 to cover the cost of the acquisition of the shares. Interest is payable on the loan, equivalent to dividends payable on the shares. During the year, dividends of $35,000 in respect of the shares were retained by the Company as an interest charge.

Other transactions

At the general meeting of the company held on 9 August 2004, shareholders also approved:

> the acquisition of CVC Managers Pty Limited from CVC Investment Managers Pty Limited for a consideration of 7,391,304 shares in CVC at a valuation of $8,500,000, refer note 2. The acquisition effectively internalised the management function of CVC and was completed on 8 October 2004. Messrs Gould, Leaver and Beard are directors of CVC Managers Pty Limited and CVC Investment Managers Pty Limited;

> the payment of $4 million to CVC Investment Managers Pty Ltd as final settlement of all performance fees to 30 June 2005. The payment was charged as an expense in the 30 June 2004 financial results but was paid on 8 October 2004;

> the sale of 16.3% of Pro-Pac Group Limited by CVC to CVC Private Equity Limited for an initial consideration of $1,678,000 and contingent further consideration, paid in April 2005, of $245,000. Messrs Beard and Read are directors of CVC Private Equity Limited.

Under their respective management agreements the manager of the Company and its wholly owned subsidiary Laserex Pty Limited is entitled to management fee of 4% of the funds under management for providing fund raising, accounting, secretarial and management services. Prior to the internalisation of the management function, the Company paid $337,482 (2004: $1,443,720) and Laserex Pty Limited paid $250,314 (2004: $1,050,758) to CVC Investment Managers Pty Limited in such management fees. Messrs Gould, Leaver and Beard are directors of CVC Investment Managers Pty Limited.

Following its acquisition by CVC, CVC Managers Pty Limited charged management fees of: $374,310 to CVC Private Equity Limited and $87,670 to CVC Sustainable Investments Limited. Messrs Beard and Read are directors of CVC Private Equity Limited. Messrs Beard, Read and Gould are directors of CVC Sustainable Investments Limited.

Following its acquisition by CVC, CVC Managers Pty Limited paid management fees of: $150,000 to Wenola Services Pty Ltd, $75,000 to Southseas Nominees Pty Ltd and $75,000 to Melbourne Corporation of Australia Pty Ltd. It also paid taxation services fees of $103,466 and secretarial services fees of $46,923 to Melbourne Corporation of Australia Pty Ltd. Wenola Services Pty Ltd is a private company associated with Mr Leaver. Southseas Nominees Pty Ltd and Melbourne Corporation of Australia Pty Ltd are private companies associated with Mr Gould.

During the prior year, the Company acquired 3,931,316 shares, for a consideration of $2,751,921, through the underwriting of a rights-issue by CVC Private Equity Limited. Messrs Beard and Read are directors of CVC Private Equity Limited.

Ownership interests in related parties are set out in Note 2 (controlled entities), Note 14 (associated entities) and Note 13 (joint ventures).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 29: Additional financial instruments disclosure

a) Interest rate risk
CVC's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Notes	Floating Interest Rate $	Fixed Interest Rate Maturing in 1 year or less $	Fixed Interest Rate Maturing in 1 to 5 years $	Non-interest bearing $	TOTAL $	Weighted Average Interest Rate
At 30 June 2005:							
Financial assets							
Cash assets	22	**4,429,323**	**36,793,407**	**-**	**54,400**	**41,277,130**	**5.6%**
Receivables	8	**3,220,000**	**14,440,875**	**3,485,142**	**2,906,071**	**24,052,088**	**11.8%**
Financial liabilities							
Payables	17	**-**	**-**	**-**	**921,794**	**921,794**	**0.0%**
At 30 June 2004:							
Financial assets							
Cash assets	22	3,265,932	9,003,759	-	-	12,269,691	4.8%
Receivables	8	-	2,000,000	4,349,778	4,155,607	10,505,385	11.2%
Financial liabilities							
Payables	17	-	-	-	11,714,568	11,714,568	0.0%

(b) Credit risk exposure
Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of CVC which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

Collateral is obtained on longer-term receivables.

(c) Net fair value of financial assets and liabilities
Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. The carrying amounts of bank term deposits, accounts receivable, loans receivable accounts payable, dividends payable and employee entitlements approximate net fair value.

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

(d) Set-off of financial assets and debt instruments
The presentation of assets and liabilities are reflected on a net basis when this reflects the entity's right of set-off and the expected future cash flows from settling the assets and liabilities. At 30 June 2004, CVC and the Company had a $15.3 million investment in the Everest Babcock & Brown Absolute Return Fund, which invests in a range of debt and equity investments. The investment had a full capital guarantee and had been geared with borrowings of $12.3 million, at a fixed interest rate of 7.2%. This investment was shown as a net $3 million investment, at cost, within 'other investments at cost or realisable value' within other financial assets (note 10). Interest expense in relation to the borrowings had not been recognised and instead had been offset against the unrealised increase in the value of the investment. During the current financial year, CVC disposed of its investment and the net profit after repaying associated gearing and interest of $155,940 has been included in the profit for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $

Note 30: Employee entitlements

Aggregate liability for employee entitlements including on-costs:

	Consolidated 2005 $	Consolidated 2004 $	The Company 2005 $	The Company 2004 $
Current	**135,789**	208,830	**-**	-
Non-current	**-**	143,206	**-**	-
Number of employees at year end	**8**	52	**-**	-

Note 31: The effects of the adoption of Australian Equivalents to International Financial Reporting Standards

In July 2004, as part of the process to harmonise Australian Accounting Standards with International Financial Reporting Standards, the Australian Accounting Standards Board issued a suite of new and revised Australian Accounting Standards ('AIFRSs'). AIFRSs do not apply to CVC for the current reporting period but will apply to future reporting periods beginning with the half year to 31 December 2005 and the next full financial year to 30 June 2006.

AIFRSs are expected to have significant effects on CVC's future financial reporting. CVC has performed a detailed review of the impact of AIFRS and prepared revised financial reports for the current financial year as though AIFRS had applied. This information is presented below. However, whilst the information disclosed is the best estimates as at the date of this report, it is important to understand that it is not definitive and could still change significantly due to:

- final review work;
- application of different accounting policies and approaches than those assumed where AIFRSs permit alternatives;
- application of different exemptions than those assumed where this is permitted on initial adoption of AIFRSs;
- collection of information for which estimates have had to be made at the date of this report; and
- any further amendments to, or changes in the interpretations of, the AIFRSs being issued by standard-setters and regulatory authorities.

Effects on the statement of financial position ('balance sheet')

To implement AIFRSs, CVC is required to restate the current financial period's financial information as though AIFRSs applied. To achieve this requires the balance sheets at 30 June 2004 and 30 June 2005 to be restated as though AIFRSs applied. The following table shows the balance sheets under the current standards, the expected changes from the adoption of AIFRSs and the revised AIFRSs balance sheets at 30 June 2004 and 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 31: The effects of the adoption of Australian Equivalents to International Financial Reporting Standards (continued)

	-------- 30 June 2005 --------			-------- 30 June 2004 --------		
	Current Standards $'000's	AIFRSs Changes $'000's	Revised AIFRSs $'000's	Current Standards $'000's	AIFRSs Changes $'000's	Revised AIFRSs $'000's
Current assets						
Cash assets	**41,277**	**-**	**41,277**	12,270	-	12,270
Receivables	**17,317**	**-**	**17,317**	7,615	-	7,615
Inventories	**-**	**-**	**-**	1,132	-	1,132
Other financial assets	**3,367**	**104**	**3,471**	4,922	5,578	10,500
Current tax assets	**1**	**-**	**1**	40	-	40
Other assets	**103**	**-**	**103**	239	-	239
Total current assets	**62,065**	**104**	**62,169**	26,218	5,578	31,796
Non-current assets						
Receivables	**6,735**	**-**	**6,735**	2,890	-	2,890
Other financial assets	**56,987**	**28,179**	**85,166**	11,861	7,954	19,815
Investments accounted for using the equity method	**8,980**	**-**	**8,980**	49,524	(2,823)	46,701
Property, plant and equipment	**22**	**-**	**22**	671	-	671
Intangible assets	**7,959**	**370**	**8,329**	5,158	-	5,158
Deferred tax assets	**-**	**-**	**-**	140	45	185
Total non-current assets	**80,683**	**28,549**	**109,232**	70,244	5,176	75,420
Total assets	**142,748**	**28,653**	**171,401**	96,462	10,754	107,216
Current liabilities						
Payables	**922**	**-**	**922**	11,714	-	11,714
Provisions	**136**	**-**	**136**	209	-	209
Current tax liabilities	**639**	**-**	**639**	992	-	992
Total current liabilities	**1,697**	**-**	**1,697**	12,915	-	12,915
Non-current liabilities						
Provisions	**-**	**-**	**-**	143	-	143
Deferred tax liabilities	**-**	**11,038**	**11,038**	178	-	178
Total non-current liabilities	**-**	**11,038**	**11,038**	321	-	321
Total liabilities	**1,697**	**11,038**	**12,735**	13,236	-	13,236
Net assets	**141,051**	**17,615**	**158,666**	83,226	10,754	93,980
Equity						
Contributed equity	**55,393**	**72**	**55,465**	20,238	-	20,238
Retained profits	**85,658**	**(2,101)**	**83,557**	60,530	1,318	61,848
Other reserves	**-**	**19,644**	**19,644**	-	9,436	9,436
Total parent entity interest	**141,051**	**17,615**	**158,666**	80,768	10,754	91,522
Outside equity interest	**-**	**-**	**-**	2,458	-	2,458
Total equity	**141,051**	**17,615**	**158,666**	83,226	10,754	93,980

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 31: The effects of the adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Effects on the statement of financial position ('balance sheet') - continued

As can be seen the anticipated effect of AIFRS is to increase the net assets by $10.8 million and $17.6 million at 30 June 2004 and 30 June 2005 respectively. The key changes are explained as follows:

(i) Other financial assets - listed investments

Under AIFRSs where there is a quoted market price in an active market for an investment it should be revalued at each reporting date to the market value. This means that CVC's listed investments are to be revalued to market value under AIFRSs, increasing Other Financial Assets by $13.5 million and $28.3 million at 30 June 2004 and 30 June 2005 respectively.

(ii) Investments accounted for using the equity method - investment property

At 30 June 2004, CVC had equity accounted interests in investment properties through the Chevron Developments and Bel Air Real Estate joint ventures. Under AIFRSs all investment properties are either to be revalued each year to market/fair value or carried at depreciated cost. It is anticipated that CVC will apply the depreciated cost method which reduces the equity accounted valuation of the joint ventures at 30 June 2004 by $4 million.

(iii) Investments accounted for using the equity method – inconsistent reporting dates and total AIFRSs effects

Under AIFRS the following considerations in respect of equity accounted associate investments apply:

> under AIFRSs a maximum period of 3 months between the accounts of the associate and the current reporting date is permitted. Historically CVC has reported the result of its investment in Sunland Group Limited in arrears by six months.

> through equity accounting, CVC effectively accounts for a share of the results of its investments. Accordingly, any changes in the financial reporting of equity accounted investments through AIFRS will have a proportional effect on CVC.

> under AIFRS goodwill arising on the acquisition of equity accounted investments will no longer be required to be amortised.

Based on work and information provided by equity accounted associates to date, the effects of the above considerations are expected to be that Investments accounted for using the equity method will increase by $1.2 million at 30 June 2004.

(iv) Intangible assets

Under AIFRSs, goodwill arising on business acquisitions is not amortised but will instead be subject to testing at each reporting date for impairment. However, as a transitional provision for the introduction of AIFRSs, goodwill at 30 June 2004 does not need to be restated as though AIFRSs had always applied. It is expected that CVC will apply this exemption. Accordingly intangible assets at 30 June 2004 are expected to be unchanged but will increase by $0.4m at 30 June 2005 to add back amortisation charged under current accounting standards in the current year.

(v) Deferred income tax assets and liabilities

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

Whilst these tests are subjective and will need further consideration, at 30 June 2004 the effect on CVC is not expected to be significant. This is because the additional deferred tax liabilities arising in relation to such items as the revaluation of listed investments to market value, are expected to be mitigated by the recognition of additional, compensating, deferred tax assets in respect of capital tax losses. However, at 30 June 2005, an additional liability of $11 million in respect of deferred tax liabilities will be required, primarily to reflect the tax that will be payable should the listed investments be realised at their current market values against which there are no longer any significant tax losses that can be offset.

(vi) Contributed equity

During the current year, CVC has issued shares to executives which can be considered to have the characteristics of options. Under AIFRS, $0.1 million will be recognised in contributed equity for the valuation of these options at 30 June 2005.

(vii) Retained profits and other reserves

The net effect of all of the above adjustments will be reflected in Retained Profits and Other Reserves. The split between these two components of Equity will be determined by the extent to which listed investments are classified as 'held for trading' or 'available for sale'. It is anticipated that the vast majority, by value, of investments will be classified as available for sale and therefore under AIFRS those changes in respect of the market values of listed investments less related deferred income tax liabilities will be recognised in an Other Reserve. This will mean that Retained Profits will only increase by $1.3 million at 30 June 2004 and decrease by $2.1 million at 30 June 2005.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 31: The effects of the adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Effects on the statement of financial performance ('income statement')

The following table shows the income statement under the current standards together with anticipated AIFRS changes and the revised income statement under AIFRS:

	-------- 30 June 2005 --------		
	Current Standards $'000	AIFRSs Changes $'000	Revised AIFRSs $'000
Revenue			
Revenue from sale of goods	17,417	-	17,417
Revenue from sale of services	746	-	746
Proceeds from share sales/profit on sales of shares	39,373	(23,066)	16,307
Interest income	3,022	-	3,022
Other revenue from ordinary activities	1,200	-	1,200
Total revenue from ordinary activities	61,758	(23,066)	38,692
Share of net profits of associates accounted for using the equity method	8,448	(5,406)	3,042
Share of net profits of joint ventures accounted for using the equity method	11,696	4,045	15,741
Expenses			
Amortisation of intangibles	934	(847)	87
Cost or carrying value of shares sold	25,407	(25,407)	-
Cost of goods sold	9,980	-	9,980
Depreciation expense	229	-	229
Employee expenses	3,797	72	3,869
Loans written-off and provisions for non-recovery	4,330	-	4,330
Management & consultancy fees	1,828	-	1,828
Unrealised Loss on Investments	1,535	(1,535)	-
Other expenses from ordinary activities	3,322	-	3,322
Profit from ordinary activities before related income tax expense	30,540	3,289	33,830
Income tax expense	1,110	6,709	7,819
Net profit	29,430	(3,420)	26,011
Net profit attributable to outside equity interests	428	-	428
Net profit attributable to members	29,002	(3,420)	25,583

As can be seen the anticipated effects of AIFRSs are to increase the profit before tax by $3.3 million but reduce the profit after tax by $3.4 million for the current financial year. The key changes are explained as follows:

(i) Income tax expense

Under current accounting standards tax losses brought forward have not been recognised as deferred tax assets in previous years and consequently this has reduced the tax expense when otherwise taxable profits have been realised. As explained above, under AIFRS it is expected that deferred tax assets in respect of losses will be recognised at transition to AIFRSs and therefore the tax charge for the current year will reflect the 'cost' of utilising those losses and not having them available for future periods.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2005

Note 31: The effects of the adoption of Australian Equivalents to International Financial Reporting Standards (continued)

Effects on the statement of financial performance ('income statement') - continued

(ii) Share of net profits of associates accounted for using the equity method

As explained above, under AIFRS, equity accounted investments will be adjusted: to bring financial information concurrent; to reflect the effect of AIFRS adjustments on the reported results of the associates; and to cease amortisation of goodwill. It is estimated based on current information available, that the effects of these changes will be to reduce the equity accounted profit for the period by $5.4 million.

(iii) Share of net profits of joint ventures accounted for using the equity method

As stated above, investment properties held by joint ventures would have been depreciated under AIFRSs. This would have reduced the carrying values of these properties at 30 June 2004 by $4 million and thereby increased the sale on their disposal during the current year by an equivalent amount.

(iv) Goodwill amortisation

Under AIFRSs, goodwill will not be amortised but subject to annual impairment. Under current accounting standards $0.8m was charged for goodwill amortisation and this is reversed for the result under AIFRSs.

(v) Unrealised losses on investments

Under current standards an expense has been recognised of $1.5 million to write down listed investments to market value where this is lower than their carrying amount but no amounts are reflected for increases in value. Under AIFRSs, and based on the classification of investments as 'available for sale', discussed above, all such movements would be recognised in an other reserve and no charge would be made in the income statement.

(vi) Profits and losses on sales of non-current assets

The effects of the AIFRSs changes to goodwill amortisation and equity accounting for associates will be to change the carrying values of these assets when sold compared to their carrying values under current accounting standards. In restating the current year's results to AIFRSs, the effect of these changes is to increase the profits on disposal of interests in these assets by $2.4 million.

Under current standards the proceeds and costs of assets sold are shown gross. Under AIFRS just the net profit or loss on sale will be shown. This reduces revenues and expenses by $25.4 million each, with no effect on profit, when the current year income statement is restated for AIFRS.

Effects on the statement of cash flows

Unsurprisingly, there are not expected to be any significant changes in the statement of cash flows, although the reconciliation of cash flows from operating activities to net profit will change to reflect changes to the income statement discussed above.

DIRECTORS' DECLARATION

for the year ended 30 June 2005

In the opinion of the directors of CVC Limited:

(a) the financial statements and notes, set out in pages 18 to 47, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company and CVC as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2005.

(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.

Dated at Sydney this 22nd day of September 2005.

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

ADH Beard
Director

VR Gould
Director

INDEPENDENT AUDITORS' REPORT

to the members of CVC Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2005, and the statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the year ended 30 June 2005 for both CVC Limited ('the Company') and the CVC Limited group ('CVC') as set out on pages 18 to 48. CVC comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates within the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance that the financial report is free of material misstatement. The nature of an audit is influenced by several factors including the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of audit evidence which maybe persuasive rather than conclusive. Accordingly, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and CVC's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

> examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and

> assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

When determining the nature and extent of our procedures we considered the effectiveness of management's internal controls over financial reporting. Our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of CVC Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and CVC's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Dated at Sydney this 22nd day of September 2005.

P Meade
Partner

HLB Mann Judd *(NSW Partnership)*
Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of the Company is responsible for the corporate governance of CVC. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. At the date of this report the Directors in office are as follows:

Vanda Russell Gould (Chairman)
Appointed 31 October 1996
Also Director from 1984 to 1994

Alexander Damien Harry Beard (Managing Director)
Appointed 17 August 2000, member of the audit committee

John Scott Leaver
Appointed 29 May 1984

John Douglas Read
Appointed 20 March 1989, chairman of the audit committee

John Thomas Riedl (Independent Director)
Appointed 27 November 2002, member of the audit committee

Details of skills, experience and other qualifications of Directors and of numbers and attendances of Board and audit committee meetings are included in the Directors' report.

In March 2003, the ASX Corporate Governance Council issued 'Principles of Good Corporate Governance and Best Practice Recommendations'. In this report, the Council suggested 'best practices' for running companies. However, it acknowledged that 'a one size fits all' approach is inappropriate and that it is unwise to command all companies to follow a single set of rules when for individual companies, with differing circumstances, the recommendations may be unnecessary or may even be counter-productive. In particular it acknowledged that it maybe inappropriate or uneconomic for smaller companies, such as CVC, to follow the same rules as Australia's largest listed companies. Instead the Council chose to issue a full suite of recommendations and require companies to adopt an 'if not why not' approach to reporting compliance with the recommendations. Companies are at liberty to determine whether each recommendation is appropriate to it but are required to disclose any recommendations not followed throughout each reporting period, with explanations, in the Corporate Governance Statement of the annual report.

The Company did not comply with all the recommendations throughout the financial year ended 30 June 2005. The Company has categorised the recommendations it did not follow into two distinct categories and these are discussed in detail below:

Size and experience of the Board of Directors of the Company

Mr Gould is Chairman of the Company. Given his stewardship over almost the whole of the life and the growth of the Company, the Board believes Mr Gould is a very appropriate Chairman for the Company.

The Board of the Company comprises five Directors. Messrs Gould and Leaver are the founding directors of the Company, have significant ownership interests in the Company and bring invaluable experience and expertise to the Company. Mr Beard is the Chief Executive Officer. Mr Read is chairman of the audit committee, but because he has been on the Board of the Company for more than fifteen years, he is not considered independent. Accordingly, only Mr Riedl is considered to be an independent Director.

The Board believes that a Board of five Directors: works effectively, generally allows the Board to collectively exercise its authority without the need for 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.

In these circumstances the Company did not comply with the following best practice recommendations throughout the financial year ended 30 June 2005:

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

However, given the growth in size and market value of the Company and to comply with ASX listing rules, the Company is currently seeking a new independent Director. Such an appointment will greatly assist the Company to comply with some of these best practice recommendations in the future.

CORPORATE GOVERNANCE STATEMENT

Costs and benefits of compliance

A number of the best practice recommendations require the creation of formal documentation for policies and procedures that the Company already substantially performs. The Company considered that to create such documentation independently and specifically for the Company would have had minimal additional benefit but substantial additional expense. The Company is also mindful to not adopt such procedures solely for the sake of adoption or where they could actually inhibit the proper function or opportunities of the Company.

In these circumstances the Board determined it appropriate to delay the adoption of such formal policies and procedures until such time as industry standards, that could be tailored to the Company at minimal expense, became accepted and then to consider each policy's appropriateness for the Company. The Company is currently, in the process of preparing such documentation for consideration by the Board and dissemination. However, in these circumstances, the Company obviously did not comply with the following best practice recommendations throughout the financial year ended 30 June 2005:

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

Other information

The Company has a policy of allowing directors to take reasonable independent legal advice in the furtherance of their duties at the expense of the Company.

The Company did not perform a performance evaluation of the Board and its members during the year ended 30 June 2005.

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

Dated at Sydney the 22nd of September 2005.

ADDITIONAL INFORMATION

1. Distribution of Shareholders as at 19th of September 2005:

Category (Size of Holding)	Number of Ordinary Shareholders
1 - 1,000	42
1,001 - 5,000	161
5,001 - 10,000	122
10,001 - 100,000	224
100,001 and over	87
	636

As at 19th of September 2005, 17 shareholders held less than a marketable parcel.

2. The names of the substantial shareholders at 19th of September 2005, as advised to the Australian Stock Exchange Limited.

Shareholder	Number of Ordinary Shares in Which Interest Held
Leagou Pty Limited	20,704,611
Penalton Limited	15,575,978
Joseph David Ross	8,850,656
452 Capital Pty Limited	6,382,353
Commonwealth Bank of Australia	6,382,353

3. 20 Largest Shareholders - Ordinary Capital: at 19th of September 2005

Shareholder	Number of Ordinary Shares Held	% of Issued Capital Held
Leagou Pty Limited	20,704,611	16.25
Penalton Limited	15,575,978	12.22
Abasus Investments Ltd	6,256,000	4.91
Southgate Investment Funds Limited	5,500,000	4.32
Derrin Brothers Properties Limited	4,899,259	3.84
Bank of Commerce (Micronesia) Limited	4,893,345	3.84
Southsea (Aust.) Pty Limited	4,698,843	3.69
JP Morgan Nominees Australia Limited	4,539,288	3.56
LJK Nominees Pty Limited	4,132,114	3.24
Huang Xiao Sheung Limited	4,085,951	3.21
National Nominees Limited	3,573,124	2.80
Chemical Trustee Limited	3,358,680	2.64
Hua Wang Bank Berhad	3,195,559	2.51
Dr Joseph David Ross	2,359,356	1.85
Mr Alexander Damien Harry Beard	2,293,136	1.80
UBS Nominees Pty Ltd	2,117,156	1.66
Kirman Traders Pty Ltd	1,500,000	1.18
Tifu Pty Limited	1,435,544	1.13
Citicorp Nominees Pty Limited	1,384,700	1.09
Pacific Securities Inc	1,240,995	0.97
Top 20 Shareholders	97,743,639	76.69
All other Shareholders	29,704,199	23.31
	127,447,838	100.00%

4. Voting rights

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

5. Registered office

The Company is registered and domiciled in Australia. Its registered office and principal place of business are at Level 42, AAP Centre, 259 George Street, Sydney NSW 2000.