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**CONTINENTAL  
VENTURE CAPITAL  
LIMITED**

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**ANNUAL REPORT**  
**For the year ended**  
**June 30, 1999**

## **COMPANY PARTICULARS**

### **DIRECTORS**

Paul Geoffrey Brazenor  
Vanda Russell Gould  
John Scott Leaver  
John Douglas Read

### **SECRETARIES**

Alexander Damien Harry Beard

### **MANAGEMENT TEAM**

CVC Investment Managers Pty Limited

### **PRINCIPAL AND REGISTERED OFFICE**

Level 40  
50 Bridge Street  
SYDNEY NSW 2000  
AUSTRALIA  
Telephone: (02) 9223 8800  
Facsimile: (02) 9223 9808

### **SHARE REGISTRY**

Gould Ralph Services Pty Limited  
Share Registry Division  
Level 40  
50 Bridge Street  
SYDNEY NSW 2000  
AUSTRALIA  
Telephone: (02) 9231 0500  
Facsimile: (02) 9231 0501

### **AUDITORS**

Lord & Brown  
Chartered Accountants  
Level 8  
1 York Street  
SYDNEY NSW 2000  
AUSTRALIA  
Telephone: (02) 9251 6700  
Facsimile: (02) 9251 6744

### **BANKERS**

National Australia Bank Limited  
Suncorp-Metway Limited

### **HOME STOCK EXCHANGE**

Sydney

## DIRECTORS' REPORT

Your Directors present the Financial Reports of Continental Venture Capital Limited (CVC) and the consolidated financial Independent Statements of the Economic Entity being the Company and its controlled entities, for the year ended June 30, 1999 together with the Audit Report thereon.

### DIRECTORS

The names of Directors in office at the date of this report and at any time during the year are Vanda Russell Gould (Chairman), John Scott Leaver, John Douglas Read and Paul Geoffrey Brazenor.

### DIRECTORS MEETINGS

The number of Directors' Meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year were:

	Directors' Meetings		Audit Committee Meetings	
	No of Meetings attended	No of Meetings held	No of Meetings attended	No of Meetings held
Mr V R Gould	8	8	-	-
Mr J S Leaver	8	8	-	-
Mr J D Read	8	8	1	1
Mr P G Brazenor	8	8	1	1

### PRINCIPAL ACTIVITIES

CVC was incorporated on January 11, 1984 to apply for a license under the Management and Investment Companies Act, 1983, and was granted a license, effective from March 1, 1985. The MIC program concluded on June 30, 1991. The Company's principal activity has been to operate as a management and investment company and now continues as the provider of investment capital.

There has been a broadening in the scope of activities undertaken by the Economic Entity since the conclusion of the MIC program to include a wider range of investments.

The principal activities of the corporations in the Economic Entity during the year were the manufacture, distribution and sale of health and medical equipment and hotel operations, as well as property development and funds management.

### REVIEW OF OPERATIONS

The Economic Entity's operations have remained consistent with last year. The annexes to the Financial Report contain details of the Economic Entity's operations during the year.

### REPORTING

The economic entity now applies the equity method to its investments in associates. The accounting policy of the economic entity's investment in associates has changed due to the mandatory adoption of Accounting Standard AASB1016 "Accounting for Investment in Associates." Previously, investments in associates were accounted using the cost method.

### CONSOLIDATED RESULT

The consolidated profit for the year attributable to the members of CVC was:

	1999	1998
	\$	\$
Operating profit after income tax	7,941,070	4,265,731
Outside equity interests	(209,078)	(257,227)
Operating profit and extraordinary items after income tax attributable to members	\$7,731,992	\$4,008,504

## **DIVIDENDS**

As proposed and provided for in last years report a final ordinary dividend of 0.75 cents per share amounting to \$852,270 in respect of the year ended 30 June 1998 was paid on 23 October 1998.

The Directors have declared a final dividend in respect of the year ended 30 June 1999. The dividend is 1.00 cent per share, fully franked with class C (36%) franking credits, to be paid on 25 October 1999. Total dividends provided for in respect of the year ended 30 June 1999 is \$1,121,773.

## **STATE OF AFFAIRS**

In the opinion of the directors there were no significant changes in the state of affairs of the Economic Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated accounts.

## **LIKELY DEVELOPMENTS**

The likely developments in the operations of the Economic Entity will involve an increase in the range of investment activities undertaken with the emphasis on obtaining higher yields on liquid capital. The profitability or otherwise of those investments cannot be meaningfully predicted at the date of this Report.

## **EVENTS SUBSEQUENT TO BALANCE DATE**

The Company made certain investments and loans in support of its existing investee businesses, acquired various short term interests in listed equities and realised a portion of its short term investments as part of its ordinary course of business subsequent to balance date.

Other than the matters discussed above, and in note 32 of the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Economic Entity, the results of those operations, or the state of affairs of the Economic Entity, in subsequent financial years.

## **INFORMATION ON DIRECTORS**

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

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

Fellow of the Institute of Chartered Accountants in Australia.

Chairman of Macarthur National Limited and CVC Investment Managers Pty Limited and a director of numerous private and public companies including educational establishments.

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

B.Ec. (Uni. of Sydney)

Licensed Securities Dealer

Board member since 1984. Chairman of Finemore Holdings Limited and Sunland Group Limited. Director of C.V.C. Investment Managers Pty 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. Director of Macarthur National Limited and CVC Investment Managers Pty Limited.

### **Paul Brazenor** (Non Executive Director)

B.Econ. (Hons.), M.B.A., F.C.P.A., C.F.P.

Board Member since 1992. Consultant to Davey Financial Management, Director of Brazenor Financial Consulting Pty Limited, Australian Eucalypts Limited and Australian Plantation Timber Limited.

## **SHARE OPTIONS**

No director has received, been granted or exercised any options during the year.

No shares have been issued by virtue of the exercise of an option during the year or to the date of this report. Accordingly, there are no unissued shares for which options are outstanding at the date of this report.

## **DIRECTORS' INTERESTS AND BENEFITS**

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

	<b>Ordinary Shares</b>
Mr V.R. Gould	14,350,978
Mr J.S. Leaver	14,321,106
Mr J.D. Read	13,880,693
Mr P.G. Brazenor	-

At the date of this report no Director held an interest in the share capital of any controlled entities.

Directors benefits are set out in Notes 7 and 25.

## **INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS**

### **INDEMNIFICATION**

The Company 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 the Company 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.

### **INSURANCE PREMIUMS**

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

Continental Venture Capital Limited has paid insurance premiums in respect of directors and officers liability and legal expense insurance for directors and officers of the Company, its controlled entities and certain other directorships of associated companies.

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

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

Dated at Sydney this 30<sup>th</sup> day of September, 1999.

**VANDA RUSSELL GOULD**  
Director

**JOHN DOUGLAS READ**  
Director

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**EQUITY ACCOUNTED  
FINANCIAL STATEMENTS**  
**For the year ended  
June 30, 1999**

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**BALANCE SHEET AS AT  
30 JUNE 1999**

	Notes	Consolidated		The Company	
		1999 \$	1998 \$	1999 \$	1998 \$
<b>CURRENT ASSETS</b>					
Cash		5,886,799	6,827,458	4,607,407	4,730,879
Receivables	10	11,332,072	10,747,187	6,621,160	6,594,249
Inventories	11	489,173	1,159,686	-	-
Investments	12	5,228,909	3,951,504	1,327,407	2,174,509
Other	14	756,956	309,229	464,920	17,753
<b>Total Current Assets</b>		<b>23,693,909</b>	<b>22,995,064</b>	<b>13,020,894</b>	<b>13,517,390</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	10	8,447,439	5,053,867	4,249,458	4,019,841
Inventories	11	11,032,246	13,196,968	11,032,246	13,196,968
Investments	12	21,807,089	12,132,074	4,916,250	6,436,799
Property, Plant and Equipment	13	236,773	335,507	-	-
Other	14	3,414	56,168	-	-
<b>Total Non Current Assets</b>		<b>41,526,961</b>	<b>30,774,584</b>	<b>20,197,954</b>	<b>23,653,608</b>
<b>TOTAL ASSETS</b>		<b>65,220,870</b>	<b>53,769,648</b>	<b>33,218,848</b>	<b>37,170,998</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	16	602,756	1,259,340	198,732	459,854
Borrowings	17	591,846	1,767,366	1,646,614	1,231,828
Provisions	18	1,474,904	1,426,857	1,231,062	955,910
<b>Total Current Liabilities</b>		<b>2,669,506</b>	<b>4,453,563</b>	<b>3,076,408</b>	<b>2,647,592</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	17	8,884,437	9,735,609	8,875,000	14,922,950
Provisions	18	562,922	102,495	-	-
<b>Total Non-Current Liabilities</b>		<b>9,447,359</b>	<b>9,838,104</b>	<b>8,875,000</b>	<b>14,922,950</b>
<b>TOTAL LIABILITIES</b>		<b>12,116,865</b>	<b>14,291,667</b>	<b>11,951,408</b>	<b>17,570,542</b>
<b>NET ASSETS</b>		<b>\$53,104,005</b>	<b>\$39,477,981</b>	<b>\$21,267,440</b>	<b>\$19,600,456</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	19	27,658,353	22,809,018	27,658,353	22,809,018
Reserves	20	74,222	6,131,174	74,222	5,324,992
Retained Profits or (Accumulated losses)		24,550,207	10,015,225	(6,465,135)	(8,533,554)
Shareholders' Equity attributable to Members of the Holding Company		52,282,782	38,955,417	21,267,440	19,600,456
Outside equity interests in controlled entities	21	821,223	522,564	-	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>\$53,104,005</b>	<b>\$39,477,981</b>	<b>\$21,267,440</b>	<b>\$19,600,456</b>

The accompanying notes form part of these financial statements.

**PROFIT & LOSS ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 1999**

	Notes	Consolidated		The Company	
		1999 \$	1998 \$	1999 \$	1998 \$
Operating Profit before abnormal items and income tax		5,106,477	415,086	3,190,192	980,903
Abnormal Items	5	3,039,323	4,135,076	-	1,282,227
Operating Profit before Income Tax	3	8,145,800	4,550,162	3,190,192	2,263,130
Income Tax attributable to Operating Profit	4	(204,730)	(284,431)	-	-
Operating Profit after Income Tax		7,941,070	4,265,731	3,190,192	2,263,130
Outside equity interests in Operating Profit after Income Tax		(209,078)	(257,227)	-	-
Operating Profit after Income Tax attributable to Members of the Holding Company		7,731,992	4,008,504	3,190,192	2,263,130
Retained Profits (Accumulated Losses) at the beginning of the financial year		10,015,225	6,858,991	(8,533,554)	(9,944,414)
Adjustment to opening retained profits in respect of adoption of accounting standards for the first time	21	7,924,763	-	-	-
Total available for appropriation		25,671,980	10,867,495	(5,343,362)	(7,681,284)
Dividends provided for or paid		(1,121,773)	(852,270)	(1,121,773)	(852,270)
<b>RETAINED PROFITS OR (ACCUMULATED LOSSES) AT THE END OF THE FINANCIAL YEAR</b>		<b>\$24,550,207</b>	<b>\$10,015,225</b>	<b>\$(6,465,135)</b>	<b>\$(8,533,554)</b>

The accompanying notes form part of these financial statements.



**STATEMENTS OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>				
Cash Receipts in the course of operations	9,088,013	13,868,850	3,278,314	3,506,364
Cash Payments in the course of operations	(7,169,816)	(12,932,572)	(1,142,160)	(4,415,784)
Interest Received	879,358	3,574,509	814,891	3,414,094
Dividends Received	793,185	748,519	630,413	635,963
Interest Paid	(1,179,438)	(724,523)	(1,179,438)	(697,529)
Income Taxes Paid	(158,058)	(396,194)	-	-
Other	66,474	311,612	(11,238)	28,454
<b>Net Operating Cash Flows (Note 24.2)</b>	<b>2,319,718</b>	<b>4,450,201</b>	<b>2,390,782</b>	<b>2,471,562</b>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>				
Payments for Purchases of Property, Plant and Equipment	(94,463)	(561,508)	(48,611)	(519,496)
Proceeds from Sale of Property, Plant and Equipment	-	24,000	-	-
Payments for Purchase of Equity Investments	(3,026,482)	(10,930,168)	(310)	(1,250,600)
Proceeds from Sale of Equity Investments	9,041,333	6,257,105	3,526,904	1,275,910
Loans Provided	(16,635,903)	(4,632,568)	(12,909,675)	(3,007,041)
Loans Repaid	9,453,289	5,238,257	8,445,900	3,425,168
<b>Net Investing Cash Flows</b>	<b>(1,262,226)</b>	<b>(4,604,882)</b>	<b>(985,792)</b>	<b>(76,059)</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>				
Borrowings	-	2,765,142	-	3,842,527
Repayment of Borrowings	(7,587)	(3,465,522)	-	(2,710,167)
Share Buyback	(459,708)	(1,382,148)	(459,708)	(1,382,148)
Dividends Paid	(1,297,165)	(690,743)	(852,270)	(595,648)
Other	(233,691)	-	(216,484)	-
<b>Net Financing Cashflows</b>	<b>(1,998,151)</b>	<b>(2,773,271)</b>	<b>(1,528,462)</b>	<b>(845,436)</b>
<b>RECONCILIATION OF CASH</b>				
Net Increase/(Decrease) in Cash Held	(940,659)	(2,927,952)	(123,472)	1,550,067
Cash at Beginning of Year	6,827,458	9,755,410	4,730,879	3,180,812
<b>CASH AT END OF YEAR (Note 24.1)</b>	<b>\$5,886,799</b>	<b>\$6,827,458</b>	<b>\$4,607,407</b>	<b>\$4,730,879</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 1999**

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**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The significant policies which have been adopted in the preparation of these Financial Statements are:

**1.1 Basis of Preparation**

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

The accounting policies have been consistently applied by the entities in the Economic Entity, except where there is a note of a change in accounting policy.

**1.2 Principles of Consolidation**

The consolidated accounts of the Economic Entity include the accounts of the Company, being the chief entity, and its controlled entities.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated accounts have been eliminated.

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 accounts.

**1.3 Investments - Note 12**

Controlled Entities:

Investments in controlled entities are carried in the Company's accounts at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the profit and loss account when they are proposed by the controlled entities.

Associated Companies:

An associate is an entity, other than a partnership, over which the consolidated entity exercises significant influence and where the investment in the entity has not been acquired with a view to disposal in the near future.

In the Company's financial statements investments in associates are carried at the lower of cost and recoverable amount. Income from interim dividends is brought to account in the profit and loss statement as dividends received. Income from final dividends is brought to account as revenue at the time the dividends have been declared by the associate in a general meeting.

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. The consolidated entity's share of the associates' net profits or loss after tax is recognised in the consolidated profit and loss statement after adjustments for revisions in depreciation of depreciable assets and amortization of goodwill arising from notional adjustments made as at the date of acquisition; dissimilar accounting policies; and the elimination of unrealised profits and losses on transactions between the associate and any entities in the consolidated entity or another associate of the consolidated entity. Other movements in reserves are recognised directly in consolidated reserves.

This is a change in accounting policy from 1998. Refer to note 23 for further details.

Other Companies:

Investments in other companies are carried at the lower of cost, or recoverable amount, being a directors' valuation based on market values at the time of the valuation. Dividends are brought to account as they are received.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 1: Statement of Significant Accounting Policies (Cont'd)**

**1.4 Income Tax - Note 4**

The Economic Entity adopts the liability method of tax effect accounting.

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 accounting periods for income tax and accounting purposes is carried forward in the balance sheet 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 in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

**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 - Note 11**

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

Manufacturing Activities:

Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

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 Account Payable - Note 16**

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the Company or economic entity. Trade accounts payable are normally settled within 30 days.

**1.8 Accounts Receivable - Note 10**

Trade Debtors:

Trade Debtors to be settled within 30 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Term Debtors:

Term debtors are carried at amounts due and settled on completion of projects. A market rate of interest is charged on outstanding amounts and debtors are required to provide collateral. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

**1.9 Property, Plant and Equipment - Note 13**

Acquisition:

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

The cost of property, plant and equipment constructed by controlled entities includes the cost of materials and direct labour and an appropriate proportion of fixed and variable overheads.

## NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 1999

### **Note 1: Statement of Significant Accounting Policies (Cont'd)**

#### Depreciation and Amortisation:

Items of property, plant and equipment, including buildings and leasehold property but excluding freehold land, are depreciated/amortised over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

#### 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. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Economic Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss account.

Payments made under operating leases are charged against profits in equal installments 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.

### **1.10 Provisions - Note 18**

#### Employee Entitlements:

The provision for employee entitlements in relation to wages, sick leave and annual leave represents the amount which the Economic Entity has a present obligation to pay resulting from employee's services provided up to balance date. The provision has been calculated at nominal amounts based on current wage and salary rates and includes related on - costs.

#### Long Service Leave:

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

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Economic Entity's experience with staff departures. Related on-costs have also been included in the liability.

#### Doubtful Debts:

The collectability of debts is assessed at year-end and specific provision is made for any doubtful accounts.

#### Warranties:

Provision is made for the Economic Entity's estimated liability on all products still under warranty and includes claims already received. The estimate is based on the Economic Entity's warranty costs experience over previous years.

### **1.11 Land Held for Sale**

#### Valuation:

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.

#### Recognition of Income:

Income from sales is recognised when unconditional contracts are exchanged and at least ten per cent of the contract sale price is received.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 1: Statement of Significant Accounting Policies (Cont'd)**

**1.12 Revenue and Revenue Recognition**

**Sales Revenue:**

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the Economic Entity. Sales revenue is recognised when the goods are provided, or when the fee in respect of services provided is receivable.

**Interest Income:**

Interest income is recognised as it accrues unless collectability is in doubt.

**Asset Sales:**

The gross proceeds of asset sales received or receivable are included as revenue of the entity. The profit or loss on disposal of assets is brought to account at the date an unconditional contract of sale is signed.

**Other Revenue:**

Revenue recognition policies for investments and land held for resale are described in Note 1.3 and 1.11.

**1.13 Foreign Currency**

**Transactions:**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the profit and loss account in the financial year in which the exchange rates change.

**Hedges:**

Where hedge transactions are designed to hedge the purchase or sale of goods or services, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of entering into the hedge, are deferred and included in the measurement of the purchase or sale. Any exchange differences on the hedge transaction after that date are included in the profit and loss account.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur, the deferred gains and losses that arose on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the profit and loss account for the period.

**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.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 1: Statement of Significant Accounting Policies (Cont'd)**

**1.15 Research and Development Costs**

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised over the shorter of the period in which the related benefits are expected to be realised or five years.

All deferred research and development expenditure is reviewed in accordance with this policy.

**1.16 Joint Venture**

The Economic Entity's interest in an unincorporated joint venture is brought to account by including its interest in the following amounts in the appropriate categories in the balance sheet and profit and loss account:

- each of the individual assets employed in the joint venture;
- liabilities incurred by the economic entity in relation to the joint venture and the liabilities for which it is jointly and/or severally liable; and
- expenses incurred in relation to the joint venture.

**1.17 Comparative Figures**

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

**1.18 Changes in Accounting Policy – Associated Entities**

The accounting policy of the economic entity's investment in associates has changed due to the mandatory adoption of Accounting Standard AASB1016 "Accounting for Investment in Associates." The economic entity now applies the equity method to its investments in associates. Previously, investments in associates were accounted using the cost method. The effect of the change in accounting policy is to increase operating profit before tax by \$3,039,323 (tax effect: \$Nil), increase opening retained earnings by \$7,794,488 and increase investments in associates by \$10,833,811.

**Adjustments for adoption of accounting standards to opening retained earnings:**

Adjustment for the adoption of accounting standard on consolidation	130,275	-
Adjustment for the adoption of equity accounted earnings for the first time	7,794,488	-
Adjustment to opening retained profits in respect of adoption of accounting standards for the first time	\$7,924,763	\$Nil

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 2: OPERATING REVENUE</b>				
2.1 Sales Revenue				
Sale of Goods & Services	6,393,984	11,193,229	-	-
Hotel Revenue	1,310,654	2,042,939	1,310,654	2,042,939
Proceeds from Share Sales	8,183,992	6,257,105	2,850,921	1,275,910
	15,888,630	19,493,273	4,161,575	3,318,849
Other Operating Revenue:				
Interest Received or Receivable from:				
Other Corporations	1,981,076	4,863,840	878,135	4,596,588
Partly Controlled Entities	-	-	190,922	202,554
Associated Entities	2,634,955	-	1,431,583	-
Dividends Received or Receivable from:				
Wholly Owned Controlled Entities	-	-	-	-
Partly Controlled Entities	-	-	-	-
Other Corporations	170,107	748,520	630,413	635,964
Proceeds on Sale of Plant and Equipment	-	1,119,954	-	1,104,228
Loan Recoveries	-	1,678,467	-	1,678,467
Royalties	10,035	9,494	-	-
Grants and Subsidies	20,891	382,039	-	-
Sundry Revenue	-	220,677	-	-
Exchange Rate Gains	27,151	40,993	-	-
Other	4,464,999	28,463	36,975	28,463
	\$25,197,844	\$28,585,720	\$7,329,603	\$11,565,113
2.2 Sale of assets				
Profit on Sale of Property, Plant and Equipment	-	16,132	-	406
Profit on Sale of Investments	1,621,017	1,869,293	911,717	216,912



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 3: OPERATING PROFIT</b>				
Operating profit before abnormal items and income tax is arrived at after charging/(crediting the following items:				
<b>Charging as Expenses</b>				
Interest Paid or Payable to				
Partly Owned Controlled Entities	-	-	201,607	775,258
Associated Entities	957,067	-	931,383	-
Other Corporations	-	4,302	-	-
Finance charges on Finance Leases	4,859	9,234	-	-
Depreciation of Property, Plant and Equipment	862,324	1,841,264	782,548	1,756,542
Rental Expense on Operating Leases	128,932	121,245	-	-
Loss on Sale of Investments	160,565	718,833	8,238	657,093
Profit Share	-	-	-	1,500,468
Unrealised (Profit) Loss on Short Term				
Investments	190,274	(320,828)	257,905	(853,442)
Foreign Exchange Losses	15,730	82,783	-	-
Bad Debts Written Off	1,022	1,285	229	-
Trust Distribution	3,121	613,068	-	-
Research and Development	133,129	287,576	-	-
Amortisation of:				
Capitalised Leased Assets	28,068	28,651	-	-
Deferred Expenses	39,317	39,317	39,317	39,317
Transfers to (from) Provisions:				
Provision for Loans	135,039	2,547,474	(1,298,480)	1,026,328
Employee Entitlements	(160,673)	2,560	-	2,560

**NOTE 4: INCOME TAX**

**4.1 Income Tax Expense:**

Prima Facie Tax on Operating Profit before				
Income Tax at 36%	2,932,488	1,638,058	1,148,469	814,727
Tax attributable to Equity Accounted Profits	(1,094,156)	-	-	-
Add (Less) the Tax Effect of permanent differences:				
Write Down of Listed Shares	68,499	(115,498)	92,846	(307,239)
Provision Movements	3,638	488,949	(470,459)	(139,963)
Dividend Rebate	(129,933)	(446,931)	(129,933)	(228,947)
Sundry Items	(104,151)	(321,188)	1,719	(148,072)
Deferred Expenditure	2,574	(126,937)	(810)	(126,937)
Capital Loss	(247,278)	(397,522)	(243,590)	(397,522)
Div 43 Allowance	-	(80,407)	-	(80,407)

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 4: Income Tax (Cont'd)**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tax losses not brought to account	-	661		-
Tax Losses Transferred from Related Company	-	-		-
Recovery of Tax Losses Previously not brought to Account	(1,226,951)	(361,036)	(398,242)	614,360
Prior year over provision	-	6,282	-	-
	<b>\$204,730</b>	<b>\$284,431</b>	<b>\$Nil</b>	<b>\$Nil</b>
Income Tax expense attributable to operating profit is made up of:				
Current income tax provision	170,748	276,304	-	-
Deferred income tax provision	(23,638)	(3,251)	-	-
Future income tax benefit	57,620	5,096	-	-
Over provision in prior year	-	6,282	-	-
	<b>\$204,730</b>	<b>\$284,431</b>	<b>\$Nil</b>	<b>\$Nil</b>

**4.2 Future Income Tax Benefits not taken to Account**

Tax Losses carried forward	\$3,398,818	\$4,625,769	\$Nil	\$Nil
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The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the Economic Entity in accordance with Division 36 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the Economic Entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant company and/or the Economic Entity in realising the benefit.

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 5: ABNORMAL ITEMS</b>				
Share of associates equity accounted net profits after tax and abnormal items	3,039,323	-	-	-
Profit on sale of investment	-	1,352,381	-	-
Profit distribution	-	-	-	(1,500,468)
Reversal of prior year loan provision	-	1,678,467	-	1,678,467
Profit on sale of land in Joint Venture	-	1,104,228	-	1,104,228
	<b>\$3,039,323</b>	<b>\$4,135,076</b>	<b>\$Nil</b>	<b>\$1,282,227</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 6: DIVIDENDS</b>				
Dividends provided for or paid by the Company:				
Final ordinary dividend declared of 1.0 cent per share, franked to 100% with class C (36%) franking credits (1998: 0.75 cents per share, franked to 100% with Class C (36%) franking credits):	\$1,121,773	\$852,270	\$1,121,773	\$852,270
Estimated amount of unappropriated profits and reserves which could be distributed as franked dividends out of existing franking credits or out of franking credits arising from the payment of income tax in respect of the current year's profits and after deducting franking credits to be used in payment of the above dividend:				
Class C (36%) franking credits	\$934,969	\$1,151,208	\$Nil	\$179,501

**NOTE 7: REMUNERATION OF DIRECTORS AND EXECUTIVES**

**7.1 Directors' Remuneration**

The number of Directors of the Company whose income from the Company or related bodies corporate falls within the following bands:

	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
\$0 - \$ 9,999	-	-	3	3
\$20,000 - \$29,999	-	-	1	1
\$70,000 - \$79,999	1	-	-	-
\$100,000 - \$109,999	-	-	-	-
\$110,000 - \$119,999	-	1	-	-
\$120,000 - \$129,999	1	-	-	-
\$140,000 - \$149,999	-	1	-	-

Total Income paid or payable, directly or indirectly to all Directors of the Company from the Company or any related parties. This amount includes the value of insurance premiums paid for the benefit of directors.

\$25,000      \$31,260

Total Income paid or payable, directly or indirectly to all Directors of each entity in the Economic Entity from the Company, or any related parties or controlled entities.

\$190,452      \$291,564

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**7.2 Executive Officers' Remuneration**

No amounts were paid or payable, directly or indirectly to executive officers of the Company whose income from the Company or any related parties exceeded \$100,000.

The number of executive officers of the Economic Entity whose income from controlled entities within the Economic Entity exceeded \$100,000 falls within the following bands:

	<b>Number</b>	<b>Number</b>
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	1	-
\$140,000 - \$149,999	-	1

Total Income paid or payable, directly or indirectly to executive officers of the Economic Entity from the Company, Economic Entity or any related party in connection with the management of the affairs of the Economic Entity whose incomes exceed \$100,000.

\$120,060	\$260,304
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	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**NOTE 8: AUDITORS' REMUNERATION**

Amounts received or due and receivable for audit services by:

Auditors of the Company	30,000	39,000	10,000	14,000
Other Auditors	14,500	-	-	-
	\$44,500	\$39,000	\$10,000	\$14,000

Amounts received or due and receivable for other services by the Auditors of the Company

\$Nil	\$7,500	\$Nil	\$4,500
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The Auditors received no other benefits.

	<b>Consolidated</b>	
	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>

**NOTE 9: EARNINGS PER SHARE**

Basic Earnings per Share (dollars per share)	0.0683	0.0345
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Reconciliation of earnings used in the calculation of earnings per share:

Operating profit after income tax	7,941,070	4,265,731
Less: Outside equity interests	(209,078)	(257,227)

Earnings used in the calculation of basic earnings per share and diluted earnings per share	\$7,731,992	\$4,008,504
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**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Number of Shares</b>	
	<b>1999</b>	<b>1998</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	113,175,868	116,120,924

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 10: RECEIVABLES</b>				
<b>Current</b>				
Trade Debtors	293,342	2,889,646	-	717,837
Provision for Doubtful Debts	-	(8,000)	-	-
	293,342	2,881,646		717,837
Other Debtors	1,965,255	415,331	967,558	-
Loans to Other Corporations (a)	5,069,755	5,050,378	-	1,951,329
Loans to Partly Owned Controlled Entities	-	-	6,831,948	1,304,329
Loans to Associated Entities	4,394,720	5,143,372	-	5,097,580
Provision for Loans to Associated Entities	-	(897,579)	-	(897,579)
Provision for Loans to Related Corporations	-	-	(1,178,346)	(1,304,329)
Provision for Loans to other Corporations	(391,000)	(1,845,961)	-	(274,918)
<b>Total Current Receivables</b>	<b>\$11,332,072</b>	<b>\$10,747,187</b>	<b>\$6,621,160</b>	<b>\$6,594,249</b>
<b>Non-Current</b>				
Loans to Other Corporations (b) (c)	5,171,756	1,170,764	-	-
Loans to Joint Venture	4,249,459	4,019,841	4,249,458	4,019,841
Provision for Interest not Received on Loans to Other Corporations	(973,776)	(136,738)	-	-
<b>Total Non-Current Receivables</b>	<b>\$8,447,439</b>	<b>\$5,053,867</b>	<b>\$4,249,458</b>	<b>\$4,019,841</b>

Further details of loans from related entities are set out in Note 25.

Term Debtors

The weighted average effective interest rate on term debtors, are current 17.16%, and non-current 13.27%, at 30 June 1999.

Collateral is obtained for all loans and includes:

- a) First ranking fixed, floating and equitable mortgage (\$1,038,630). Second registered fixed and floating mortgage over assets, land and improvements (\$3,730,134). Second ranking charge over a development company for which a full provision has been made (\$1,001,043).
- b) Right to register a second mortgage over the real property subject of the development projects (\$6,136,476).
- c) Right to register a third mortgage over the real property subject of the development projects (\$3,430,000).

Other Debtors

Other Debtors represent interest, dividend, trust distribution and property settlement receivables.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 11: INVENTORIES</b>				
<b>Current</b>				
Raw Materials - at cost	448,582	897,667	-	-
Less Provision for Obsolescence	-	(340,603)	-	-
	448,582	557,064	-	-
Work in Progress - at cost	44,498	153,147	-	-
Finished Goods - at cost	53,093	506,475	-	-
	97,591	659,622	-	-
Less Provision for Obsolescence	(57,000)	(57,000)	-	-
	40,591	602,622	-	-
<b>Total Current Inventories</b>	\$489,173	\$1,159,686	\$Nil	\$Nil
<b>Non Current</b>				
Land for Development - cost	1,688,430	1,688,430	1,688,430	1,688,430
Development Costs capitalised	9,343,816	11,508,538	9,343,816	11,508,538
<b>Total Non-Current Inventories</b>	\$11,032,246	\$13,196,968	\$11,032,246	\$13,196,968

Development Costs include holding costs, rates, interest up to date of completion, taxes and other amounts are capitalised.

Land and development costs capitalised held is considered by the directors to have a value of \$16,250,000. This is based on an independent valuation as at 30 June 1998. The valuation, which has not been updated or recognised in the financial statements, was based on the estimated fair value of the land in an open market.

**NOTE 12: INVESTMENTS**

**Current**

Shares in Quoted Corporations				
- at cost	2,968,545	2,173,037	-	2,173,037
- at market value	2,260,364	1,471,954	1,327,407	1,472
Unlisted Debenture				
- at cost	-	306,513	-	-
	\$5,228,909	\$3,951,504	\$1,327,407	\$2,174,509
Market Value of Shares in Quoted Corporations	\$10,388,364	\$4,775,545	\$1,327,407	\$3,307,064

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>Non-Current</b>				
Investments comprise shares in:				
Controlled Entities (refer Note 21)				
Unlisted - at cost	-	-	54,666	53,456
Other Investments	456,581	-	454,570	-
Associates:				
Equity accounted shares in Associated Companies	17,832,799	-	-	-
Equity accounted units in Associated Unlisted Unit Trusts	3,517,709	-	-	-
Shares in Associated Companies at cost (b)	-	9,132,074	4,407,014	6,383,343
Units in Associated Unlisted Unit Trust at cost (a)	-	3,000,000		
<b>Total Non-Current Investments</b>	<b>\$21,807,089</b>	<b>\$12,132,074</b>	<b>\$4,916,250</b>	<b>\$6,436,799</b>
Market Value of Shares in Quoted Corporations: Associated Companies	22,457,749	16,963,036	17,732,040	14,221,505
	\$22,457,749	\$16,963,036	\$17,732,040	\$14,221,505

The directors have valued shares in quoted corporations at the lower of cost and market value as at 30 June 1999. The net fair value is represented as the market value.

- a) The cost of the unlisted units in a unit trust equates to the net fair value, being the relevant share of underlying net assets. The valuation was not made in accordance with a policy of regular revaluation.
- b) Shares in Sunland Group Limited were classified as Other Quoted Corporations in 1998 and as an Associated Company in 1999. The cost of Sunland Group Limited shares at 30 June 1999 is \$7,102,056 (1998: \$7,847,107). The market value of these shares at 30 June 1999 was \$21,162,399 (1998: \$15,879,328).

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 13: PROPERTY, PLANT AND EQUIPMENT</b>				
Plant and Equipment				
At cost	378,294	3,490,696	-	-
Less: Accumulated Depreciation	(260,667)	(3,231,937)	-	-
	117,627	258,759	-	-

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 13: PROPERTY, PLANT AND EQUIPMENT (cont'd)</b>				
Leasehold Improvements				
At cost	132,750	43,149	-	-
Less: Accumulated Amortisation	(58,054)	(31,875)	-	-
	74,696	11,274	-	-
Leased Plant and Equipment				
At Capitalised Cost	116,230	95,099	-	-
Less: Accumulated Amortisation	(71,780)	(29,625)	-	-
	44,450	65,474	-	-
<b>Total Property, Plant &amp; Equipment</b>	<b>\$236,773</b>	<b>\$335,507</b>	<b>\$Nil</b>	<b>\$Nil</b>
<b>NOTE 14: OTHER ASSETS</b>				
<b>Current</b>				
Prepayments and Deposits	\$756,956	\$309,229	\$464,920	\$17,753
<b>Non-Current</b>				
Future Income Tax Benefits				
- attributable to timing differences	-	56,168	-	-
Intangible Assets	3,414	-	-	-
	\$3,414	\$56,168	\$Nil	\$Nil
<b>NOTE 15: FINANCING ARRANGEMENTS</b>				
The Economic Entity has access to the following lines of credit:				
Total facilities available:				
Bank Overdraft	2,100,000	2,100,000	2,000,000	2,000,000
Joint Venture - Finance Loans	4,249,458	4,019,840	-	-
- Bank Loans	10,000,000	10,000,000	-	-
Bank Finance	50,000	50,000	-	-
Other	-	-	-	2,000,000
	\$16,399,458	\$16,169,840	\$2,000,000	\$4,000,000
Facilities utilised at balance date:				
Joint Venture - Finance Loans	4,249,458	4,019,840	-	-
- Bank Loans	8,750,000	9,500,000	-	-
Bank Finance	-	49,000	-	-
	\$12,999,458	\$13,568,840	\$Nil	\$Nil



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 15: FINANCING ARRANGEMENTS (cont'd)**

Facilities not utilised at balance date:

Bank Overdraft	2,100,000	2,100,000	2,000,000	2,000,000
Joint Venture - Bank Loans	1,250,000	500,000	-	-
Bank Finance	50,000	1,000	-	-
Other	-	-	-	2,000,000
	<b>\$3,400,000</b>	<b>\$2,601,000</b>	<b>\$2,000,000</b>	<b>\$4,000,000</b>

**Bank Overdraft**

The bank overdraft to the extent of \$2,000,000 is secured by a registered mortgage over the assets of CVC. The overdraft of the controlled entities Tetley Medical Limited is secured by EFIC Insurance. The facility and security is subject to annual review. Interest on bank overdrafts is charged at prevailing market rates.

**Bank Finance**

The bank finance funds are guaranteed against certain trade debtors and EFIC insurance of Tetley Medical Limited.

**Joint Venture Bank Loans**

The bank loan is secured by registered mortgage over a development property, fixed and floating charges over assets and undertakings and guarantees by various companies and directors of the joint ventures and related parties excluding the Company and its controlled entities.

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 16: ACCOUNTS PAYABLE</b>				
<b>Current</b>				
Trade Creditors	510,256	889,956	106,232	260,674
Sundry Creditors and Accruals	92,500	326,259	92,500	199,180
Unearned Income	-	43,125	-	-
<b>Total Current Accounts Payable</b>	<b>\$602,756</b>	<b>\$1,259,340</b>	<b>\$198,732</b>	<b>\$459,854</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 17: BORROWINGS**

**Current**

Bank Finance Facility (Note 15)	-	49,000	-	-
Lease Liability (Note 27)	51,537	25,754	-	-
Loans from Other Persons	153,712	1,692,612	98,479	75,000
Loans from Controlled Entities	-	-	1,161,538	1,156,828
Loans from Associated Entities	386,597	-	386,597	-
<b>Total Current Borrowings</b>	<b>\$591,846</b>	<b>\$1,767,366</b>	<b>\$1,646,614</b>	<b>\$1,231,828</b>

**Non-Current**

Bank Loans (Note 15)	8,875,000	9,500,000	8,875,000	9,500,000
Lease Liability (Note 27)	9,437	60,992	-	-
Loans from Other Persons	-	174,617	-	1,500,468
Loans from Controlled Entities	-	-	-	3,922,482
<b>Total Non-Current Borrowings</b>	<b>\$8,884,437</b>	<b>\$9,735,609</b>	<b>\$8,875,000</b>	<b>\$14,922,950</b>

**NOTE 18: PROVISIONS**

**Current**

Warranties	7,500	12,443	-	-
Employee Entitlements	66,512	231,250	250	103,640
Dividends	1,121,773	1,102,270	1,121,773	852,270
Taxation	155,081	80,894	97,539	-
Other	124,038	-	11,500	-
<b>Total Current Provisions</b>	<b>1,474,904</b>	<b>1,426,857</b>	<b>1,231,062</b>	<b>955,910</b>

**Non-Current**

Employee Entitlements	29,531	25,466	-	-
Deferred Income Tax – attributable to timing differences	53,391	77,029	-	-
Other	480,000	-	-	-
<b>Total Non-Current Provisions</b>	<b>\$562,922</b>	<b>\$102,495</b>	<b>\$Nil</b>	<b>\$Nil</b>

**NOTE 19: SHARE CAPITAL**

**19.1 Issued Capital**

112,177,282 fully paid Ordinary Shares fully paid (1998: 114,045,088)	\$27,658,353	\$22,809,018	\$27,658,353	\$22,809,018
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On 21 February 1996 the Company commenced an on-market share buyback scheme. A scheme commenced on 13 June 1998 and ended on 14 December 1998. A further scheme commenced on 15 December 1998 and ended on 15 June 1999. Another scheme commenced on 16 June 1999 and has yet to be completed.

During the year, a total of 1,867,806 shares were bought back. Total consideration paid for the shares during the year was \$421,625 (1998: \$1,382,148) at prices varying from 20¢ to 27¢ (1998: 19¢ to 23¢) per share

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 20: RESERVES</b>				
Share Premium Reserve	-	5,315,900	-	5,304,905
Capital Profits Reserve	74,222	370,087	74,222	20,087
Foreign Currency Translation Reserve	-	445,187	-	-
	<b>\$74,222</b>	<b>\$6,131,174</b>	<b>\$74,222</b>	<b>\$5,324,992</b>

**Movements in Reserves:**

Share Premium Reserve

Balance at the beginning of the year	5,315,900	5,304,905
Less premium on share buy back	-	-
Less transfer to issued capital	(5,315,900)	(5,304,905)
<b>Balance at the end of the year</b>	<b>\$Nil</b>	<b>\$Nil</b>

Foreign Currency Translation Reserve

Balance at the beginning of the year	388,187	-
Increment upon translation of subsidiaries' accounts denominated in foreign currencies	(388,187)	-
<b>Balance at the end of the year</b>	<b>\$Nil</b>	<b>\$Nil</b>

Capital Profits Reserve

Balance at the beginning of the year	370,087	20,087
Transfer to Share Capital	(350,000)	-
Provision for Capital Expenditure	54,135	54,135
<b>Balance at the end of the year</b>	<b>\$74,222</b>	<b>\$74,222</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 21: CONTROLLED ENTITIES**

**21.1 Particulars in Relation to Controlled Entities**

The consolidated financial statements at 30 June 1999 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

During the year dividends of \$300,000 (1998: \$304,920) from Tetley Medical Limited were paid to a controlled entity, CVC Communication & Technology Pty Limited.

All companies are incorporated in Australia except as follows;

Laserex Inc and Solatrol Inc - United States of America.  
Geneva Truehand Plc - Ireland.

	Note	Interest Held	
		1999	1998
		%	%
<hr/>			
Continental Venture Capital Limited			
<b>Controlled Entities:</b>			
Biomedical Systems Pty Limited		100	100
Head to Heart Pty Limited (formerly CVC Investments Pty Limited)		100	100
Kingarrow Pty Limited		100	100
Kingrose Development Trust		51	51
Geneva Truehand Plc		51	51
Campburn Pty Limited		100	100
Mosman Development Trust		50	50
CVC Pay TV Trust		100	100
Laserex Limited		98.39	98.89
CVC Communication and Technology Pty Ltd		98.39	98.89
Tetley Medical Limited		76.23	76.23
Tetley Research Pty Limited		76.23	76.23
Tetley Marketing Pty Limited		76.23	76.23
Tetley Treadmills Pty Limited (formerly Tork Pty Limited)		76.23	76.23
Broadway Development Pty Limited		50	50
Laserex Inc		75	75
CVC Technologies Pty Limited		100	75
Solatrol Australasia Pty Limited		100	100
Solatrol Inc		82	82

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 21: Controlled Entities (Cont'd)**

	<b>Consolidated</b>	
	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
<b>21.2 Outside Equity Interests in Controlled Entities comprise:</b>		
Interest in retained profits at the beginning of the financial year	(6,767,021)	(7,902,832)
Interest in operating profit and extraordinary items after income tax	(209,078)	(257,227)
Interest in dividends provided or paid	(114,182)	(492,955)
Share of retained profits (losses) in controlled entities acquired/disposed of during the year.	(1,267,688)	1,885,993
Interest in retained profits (losses) at end of the financial year	(8,357,969)	(6,767,021)
Interest in share capital	9,179,192	6,970,025
Interest in reserves	-	319,560
Total outside equity interests	\$821,223	\$522,564

**NOTE 22: OPERATIONS BY SEGMENTS**

**22.1 Geographical Segments**

The Economic Entity operates predominantly in Australia

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 22: Operations By Segments (Cont'd)**

**22.2 Industrial Segments**

	Medical	Hotel	Investment and Venture Capital	Electronics	Property Development	Elimination's	Consolidated
	\$	\$	\$	\$	\$	\$	\$
<b>1999:</b>							
Revenue from Customers outside the Group	5,757,650	1,310,654	8,820,326	-	-	-	15,888,630
Associates Net Profits	-	-	(200,096)	-	2,589,196	-	2,389,100
Intersegment Revenue	304,473	-	6,799,705	30,000	-	(214,064)	6,920,114
Total Revenue	\$6,062,123	\$1,310,654	\$15,419,935	\$30,000	\$2,589,196	\$(214,064)	\$25,197,844
 Segment Result	 \$656,634	 \$(650,223)	 \$5,109,593	 \$26,792	 \$2,589,196	 \$Nil	 \$7,731,992
 Segment Assets	 \$3,199,720	 \$12,853,979	 \$39,778,400	 \$9,446	 \$9,379,325	 \$Nil	 \$65,220,870
 <b>1998:</b>							
Revenue from Customers Outside the Group	5,531,506	3,147,165	6,992,179	1,561,676	6,813,121	-	24,045,647
Intersegment Revenue	-	-	4,863,855	169,188	-	(492,970)	4,540,073
Total Revenue	\$5,531,506	\$3,147,165	\$11,856,034	\$1,730,864	\$6,813,121	\$(492,970)	\$28,585,720
 Segment Result	 \$484,251	 \$1,014,590	 \$2,730,115	 \$23,983	 \$1,979,365	 \$Nil	 \$6,232,304
Unallocated Expenses	-	-	-	-	-	-	(1,966,573)
							\$4,265,731
 Segment Assets	 \$2,699,943	 \$13,674,593	 \$11,481,068	 \$830,846	 \$25,083,198	 \$Nil	 \$53,769,648

Inter – segment pricing is determined on an arms length basis

The Economic Entity operates predominantly in five industries as disclosed above. Medical operations comprise a) the manufacturing and sale of nuclear medical equipment; b) distribution of radio pharmaceuticals; and c) royalties on biological cell lines. Property development comprises investments in property development companies. Investment and Venture Capital involves a range of activities including investments in short and long term listed entities, interest bearing loans to various entities, and dividends received. Electronics operations comprise the manufacture and sale of laser products. Hotel operations comprise a share of the ownership and operations of the Legends Hotel.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 23: INVESTMENTS IN ASSOCIATED COMPANIES**

**Associated Companies**

Details of material interests in associated companies are as follows:

Name	Principal Activities	Class of Share	Ownership Interest			
			Consolidated		The Company	
			1999	1998	1999	1998
			%	%	%	%
Macarthur National Limited	Investment	Ord	31.79	31.12	9.42	9.42
Australasian Technology Corporation Limited (formerly Pacific Communications Holdings Limited)	Electronic & Security	Ord	Nil	22.13	Nil	18.86
Sunland Group Limited	Property Development	Ord	31.10	34.06	25.50	28.52
Regatta Point Unit Trust	Property Development	Units	30.00	30.00	-	-

The balance date of the associated companies is 30 June 1999 and all were incorporated in Australia.

Name	Investment Carrying Amount				Dividends Received/Receivable			
	Consolidated		The Company		Consolidated		The Company	
	1999	1998	1999	1998	1999	1998	1999	1998
	\$	\$	\$	\$	\$	\$	\$	\$
Macarthur National Limited	1,294,558	335,097	234,421	234,421	Nil	Nil	Nil	Nil
Australasian Technology Corporation Limited (formerly Pacific Communications Holdings Limited)	Nil	949,870	Nil	784,929	Nil	87,314	Nil	74,428
Sunland Group Limited	16,538,241	7,847,107	4,172,593	5,363,993	630,413	653,402	506,712	553,734
Regatta Point Unit Trust	3,517,709	3,000,000	Nil	Nil	Nil	Nil	Nil	Nil

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 23: Investment in Associated Companies (Cont'd)**

	<b>Consolidated</b>	
	<b>1999</b>	<b>1998</b>
	\$	\$
<b>Equity Information</b>		
Investments in associated companies are accounted for using equity accounting principles. Investments in associates are carried at the lower of the equity accounted value and recoverable amount in the consolidated accounts. Information about the investments under the equity accounting method is set out below.		
Share of associated company's operating profit and extraordinary items after income tax.	3,669,736	2,726,270
Aggregate dividend revenue	(630,413)	(740,716)
	3,039,323	1,985,554
Adjusted opening retained profits in respect of adoption of accounting standards for the first time	7,794,488	4,326,645
Aggregate share of retained profits and operating profits not reflected in the investment carrying accounts	10,833,811	6,312,199
Aggregate carrying amount of investments in associated companies	10,516,697	9,132,074
Aggregate amount of investments in associated companies, as determined under the equity method of accounting	\$21,350,508	\$15,444,273

The comparative figures have been adjusted to include Sunland Group Limited.

**Contingent Liabilities of Associates**

Sunland Group Limited has guaranteed the finance facilities of its controlled entities to a value of \$35,339,815. The Economic Entity's interest in the contingent liability from these guarantees is \$11,235,944. The finance facilities have not been guaranteed by the company or its controlled entities

**Events Subsequent to Balance Date of Associates**

Subsequent to balance date, a controlled entity of the Sunland Group Limited entered into conditional contracts with a number of vendors to purchase residential land at Chevron Island for a purchase price of \$4 million. The contracts are due for completion by April, 2000.



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 24: STATEMENT OF CASH FLOWS</b>				
<b>24.1 Reconciliation of Cash</b>				
Cash Balance Comprises				
Cash on Hand	1,748,333	2,890,202	468,941	793,623
Cash on Deposit	4,138,466	3,937,256	4,138,466	3,937,256
	\$5,886,799	\$6,827,458	\$4,607,407	\$4,730,879
 <b>24.2 Reconciliation of the Operating Profit After Tax to the Net Cash Flows from Operations</b>				
Operating Profit After Tax	7,941,070	4,265,731	3,190,192	2,263,130
Adjustments for non-cash income and expense items				
Share of associates profits	(3,039,323)	-	-	-
Depreciation and Amortisation of Property Plant and Equipment	862,324	1,841,264	782,548	1,756,542
Amortisation - Other	67,386	73,385	39,317	39,317
Loss on Sale/Writedown of Property, Plant & Equipment	(2,864)	-	-	-
Profit of Sale of Property, Plant & Equipment	-	(16,132)	-	(406)
Unrealised Profit on Short Term Investments	-	(320,828)	-	(853,442)
Profit Distribution	-	-	-	1,500,464
Profit on Disposal Short Term Investments	-	(1,869,293)	-	(216,912)
Loss on Disposal Short Term Investments	325,536	718,834	257,905	657,094
Unrealised Exchange Losses	-	167,339	-	-
Loan Provisions	5,445,102	1,255,006	1,297,997	(474,140)
Interest Expense not Paid	-	186,964	-	775,258
Interest Income not Received	(4,279,920)	(1,289,331)	(1,898,377)	(1,056,033)
Movement in Income Tax Provision	95,961	(322,593)	-	-
Movement in Deferred Tax	(23,638)	(3,251)	-	-
Changes in Assets and Liabilities:				
Trade Receivables	(695,893)	(675,430)	-	496,022
Inventories	304,974	1,128,365	(1,295,300)	(1,393,151)
Trade Creditors	(226,103)	408,422	16,500	(2,250)
Unearned Income	(1,292,390)	(1,019,931)	-	(1,019,931)
Provisions	(3,107,863)	(25,348)	-	-
Prepayments	(54,995)	(52,972)	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$2,319,718</b>	<b>\$4,450,201</b>	<b>\$2,390,782</b>	<b>\$2,471,562</b>

**24.3 Financing Facilities** - Refer Note 15.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 25: RELATED PARTY INFORMATION**

**Directors**

The names of persons who held the position of Director of the Company at any time during the year ended June 30, 1999 were:

Vanda Russell Gould  
John Scott Leaver  
John Douglas Read  
Paul Geoffrey Brazenor

Details of directors' remuneration, superannuation and retirement payments are set out in Note 7.

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

**Directors Loans**

There were no loans to directors during the year or existing at the end of the financial year.

**Other Transactions**

CVC Investment Managers Pty Limited, of which Messrs Gould, Read and Leaver were Directors during the relevant period, is entitled to a management fee of 4% of the funds under management of Continental Venture Capital Limited for providing fund raising, accounting, secretarial and management services. CVC Investment Managers Pty Limited is also entitled to a further payment (Incentive Fee) assessed at 20 percent of the increment in the net asset value of the Company during the year. No Incentive Fee has been paid for the year to 30 June 1999. CVC Investment Managers Pty Limited is responsible for the remuneration of several Directors and Executive Officers of Continental Venture Capital Limited together with the provision of administration and management services.

Management fees of \$1,125,360 (1998: \$1,129,842) were paid to CVC Investment Managers Pty Limited by Continental Venture Capital Limited during the year.

CVC Investment Managers Pty Limited received management fees from the controlled entities and associated companies of Continental Venture Capital Limited for the provision of services directly to those companies totaling \$937,681 (1998: \$1,018,945).

Royalties totaling \$4,002 (1998: \$7,940) were paid by Tetley Medical Limited to Co-Tech Management Pty Limited, of whom a director, Mr William Burch, is a director and shareholder of Tetley Medical Limited. Royalties are based on 1% of receipted sales of Technegas generators.

During prior years Continental Venture Capital Limited ("CVC") lent \$6,740,806 to The Legends Hotel Joint Venture of which it has a 50% interest. The balance of the loan at 30 June 1999 was \$8,498,917 including capitalised interest. The balances of the interests in the Legends Hotel Joint Venture are held by Sunland Group Limited ("Sunland"). Mr Leaver is a director of Continental Venture Capital Limited and Sunland. Mr Read is a director of Continental Venture Capital Limited and a secretary of Sunland.

Continental Venture Capital Limited, during the year, repaid in full the loan to CVC Communication & Technology Pty Limited. Continental Venture Capital Limited, during the year 30 June 1999, loaned to CVC Communication & Technology Pty Limited amounts totaling at year end \$6,875,728 including capitalised interest.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Note 25: Related Party Information (Cont'd)**

Broadway Development Pty Limited, a controlled entity of CVC Communication & Technology Pty Limited, is the trustee of the Broadway Development Unit Trust. At 30 June 1999 the balance of the advance was \$1,650,541. The balance of the loan and accrued interest has been fully provided for. Mr Read is a director of the Company and Broadway Development Pty Limited.

Continental Venture Capital Limited and CVC Communication & Technology Pty Limited purchased and sold shares in Sunland Group Limited and Macarthur National Limited during the year. All purchases and sales were made at market prices on the Australian Stock Exchange Limited with the exception of a parcel of 720,000 shares in the Sunland Group Limited. The parcel of Sunland Group Limited shares was sold on the 30<sup>th</sup> March 1999 subject to an agreement with Mr Soheil Abedian, Managing Director of Sunland Group Limited, whereby any profit ultimately realised from the sale of these shares less interest, plus dividends, is divided equally between the Company and Mr Soheil Abedian or his nominee. The directors of Continental Venture Capital Limited and CVC Communication & Technology Pty Limited are director/secretaries of the above mentioned companies and all companies are related/ associates of Continental Venture Capital Limited.

During the year, CVC Communications & Technology Pty Limited made advances to Raptis Group Limited for two residential property developments. Advances totaling \$3,430,000, including capitalised interest of \$180,000, were made during the year for a Raptis Group Limited development. In addition, CVC Communications & Technology Pty Limited made advances totaling \$483,953 for a second Raptis Group Limited development. The balance of the loan for the second development, including capitalised interest of \$174,143, is \$1,692,123. Macarthur National Limited is a co-investor in the second Raptis Group Limited development. Mr Read and Mr Gould are directors of Continental Venture Capital Limited and of Macarthur National Limited. Mr Beard is a secretary of Continental Venture Capital Limited and a director of Macarthur National Limited.

During the year, the Raptis Group Limited repaid in full the loan, including capitalised interest, for the Raptis Group Limited Marrakesh Development. Continental Venture Capital Limited received \$1,951,329 as full consideration for the loan. Macarthur National Limited is a co-investor in the Raptis Group Limited Marrakesh Development. Mr Read and Mr Gould are directors of Continental Venture Capital Limited and of Macarthur National Limited. Mr Beard is a secretary of Continental Venture Capital Limited and a director of Macarthur National Limited.

CVC Communications & Technology Pty Limited advanced funds totaling \$3,840,000 to Regatta Point Developments Pty Ltd during the year 30 June 1999. The balance at year end totaled \$4,394,720, including capitalised interest of \$554,720. Mr Read is a director of CVC Communications and Technology Pty Limited and Regatta Point Developments Pty Ltd.

**Transactions with Related Parties in the Wholly Owned Group**

Laserex Inc purchased electronic products from Laserex Technologies Pty Limited during the year. These transactions are in the normal course of business and on normal terms and conditions.

The business of Laserex Technologies Pty Limited was sold on 31 December 1998 for a total consideration of \$99,600.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Partly-owned Controlled Entities**

*Balances with Entities within Partly Owned Group*

The aggregate amounts receivable from and payable to partly-owned controlled entities by the Company at balance date:

	<b>The Company</b>	
	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
Receivables - Current (net of provisions)	\$8,448,181	\$483,849
Borrowings - Non - current	\$485,076	\$5,422,949

Interest revenue brought to account by the Company in relation to partly owned controlled entities was \$190,992 (1998: \$202,554).

Interest capitalised by the Company, but not paid, in relation to partly controlled entities was \$135,039 (1998 - \$775,254).

**Dividends**

Dividends of \$300,000 (1998: \$304,920) were received by CVC Communication & Technology Pty Limited from Tetley Medical Limited, a partly owned controlled entity.

**Wholly owned Controlled Entities**

*Balances with Entities within the Wholly-Owned Group*

Loans between group entities are on commercial terms and conditions except as follows;

- \* Loans to Laserex Inc., which due to uncertainties regarding recovery, have been written off or fully provided for.
- \* Loans to Biomedical Systems Pty Limited are at nil rate of interest.
- \* Loans from Kingarrow Pty Limited are at nil rate of interest.

The aggregate amounts receivable from, and payable to, wholly owned controlled entities by the Company at balance date:

	<b>The Company</b>	
	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>
Receivables - Current	\$Nil	\$Nil
Borrowings - Current	\$Nil	\$1,156,828

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**Ownership Interests**

The ownership interests in related parties are set out in Note 21 (controlled entities), Note 23 (associated entities) and Note 30 (joint ventures).

**Transactions with Associated Entities**

Dividends of \$630,413 were received from the Sunland Group Limited, an associated company of CVC.

CVC Communication & Technology Pty Limited, received dividends of \$123,700 from the Sunland Group Limited, an associated company of CVC.

<b>Consolidated</b>		<b>The Company</b>	
<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
\$	\$	\$	\$

**NOTE 26: FOREIGN CURRENCY BALANCES**

The unhedged amounts payable and receivable in United States Dollars, are as follows:

**Denominated in United States Dollars:**

Current Receivables	\$Nil	\$Nil	\$Nil	\$Nil
Current Accounts Payable	\$69,531	\$505,746	\$Nil	\$Nil

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>NOTE 27: COMMITMENTS</b>				
<b>Capital Expenditure Commitments</b>				
Contracted but not provided for and payable: not later than one year	\$2,407,800	\$702,716	\$975,000	\$556,716
<b>Finance Lease Commitments</b>				
Finance lease rentals are payable as follows:				
not later than one year	51,537	30,400	-	-
later than one year but not later than two years	9,437	31,855	-	-
later than two years but not later than five years	-	53,401	-	-
	\$60,974	\$115,656	\$Nil	\$Nil
<b>Lease Liabilities</b>				
Current (Note 17)	51,537	25,754	-	-
Non-Current (Note 17)	9,437	60,992	-	-
Total Lease Liabilities	\$60,974	\$86,746	\$Nil	\$Nil
Finance Lease Expenditure Not Provided in the Accounts	\$Nil	\$28,910	\$Nil	\$Nil
<b>Operating Lease Commitments</b>				
Future operating lease rentals not provided for in the financial statements and payable: not later than one year.	-	5,239	-	-
	\$Nil	\$5,239	\$Nil	\$Nil

**NOTE 28: SUPERANNUATION COMMITMENTS**

Neither the Company, nor any entity within the Economic Entity, has established or sponsored a superannuation or retirement benefit plan.

All entities contribute superannuation payments to Third Party Funds in relation to the requirements of the Superannuation Guarantee Levy.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**NOTE 29: CONTINGENT LIABILITIES**

The Company, has a 50% interest in the "Legends Hotel Joint Venture" as disclosed in Note 30. The Company is severably liable for its share of the liabilities incurred by the Joint Venture. As at 30 June 1999 the assets of the Joint Venture were sufficient to meet such liabilities. Total liabilities of the Joint Venture as at 30 June 1999 was \$8,875,000.

The controlled entity Tetley Medical Limited (Tetley or the Company) has been advised by its North American distributor, Syncor International Corporation (Syncor), that it has ceased to act as the Company's distributor. Syncor has sought to recover from Tetley in excess of \$US1.4 million allegedly spent by Syncor on market development and regulatory management of Tetley's products. Tetley denies any liability whatsoever to Syncor in respect of the alleged expenditure and has obtained independent legal advice confirming that the Company is not legally obligated to reimburse Syncor for the alleged expenditure.

Continental Venture Capital Limited, Solatrol Inc. and Solatrol (Australia) Pty Limited are defendants in an action brought in the Superior Court of the State of California, United States of America. The plaintiff is the former landlord of Solatrol Inc. and is seeking damages of approximately USD\$500,000 relating to the lease term remaining on the building at the cessation of Solatrol's business. The Company will strongly defend the action and denies any responsibility for the damages claimed.

In August 1995 Continental Venture Capital Limited (CVC) and 13 other applicants commenced proceedings in the Federal Court of Australia seeking to set aside examination summonses issued to them by the Court at the request of the liquidator of Amann Aviation Pty Limited ("Amann"). The costs of the proceedings have been borne by CVC Investment Managers Pty Limited.

It is difficult to determine the amount of the claim by the liquidator of Amann against the various defendants in the Supreme Court proceedings. It is fair to say that the liquidator alleges, presumably on behalf of the Commissioner of Taxation, that certain CVC companies were involved in an alleged failure to pay tax on damages awarded to Amann as a result of proceedings brought by CVC against the Commonwealth in 1987.

The liquidator alleges in the statement of claim that CVC repay to him amounts paid to CVC as a result of the 1987 proceedings, together with damages, interest and the costs of these proceedings.

As a result of the High Court's decision in Gould V Brown No. 2, there is some doubt whether the liquidator can now prosecute the Supreme Court proceedings. This issue is the subject of a High Court application currently on foot. It is noted that the judgement in Gould V Brown No. 2 was in favour of CVC and its related applicants.

At the date of this report CVC has not received any claims for the legal costs of the defendants.

The amount of claim, if any, by the liquidators of Amann cannot be determined at this time.

**NOTE 30: INTEREST IN JOINT VENTURE**

The Company holds an interest of 50% (1998 : 50%) in a joint venture, The Legends Hotel Joint Venture, whose principal activity is the ownership and operation of a 403 room hotel on the Gold Coast, Queensland. For the year ended 30 June 1999 the Joint Venture incurred an operating loss of \$650,223.

Included in the assets and liabilities of the Company and the Economic Entity are the following items which represent the Company's and the Economic Entity's interest in the assets and liabilities employed in the Joint Venture, recorded in accordance with the accounting policies described in Note 1:

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	\$	\$	\$	\$
<b>CURRENT ASSETS</b>				
Cash	113,363	225,886	113,363	225,886
Receivables	1,243,450	233,987	1,243,450	233,987
Other	464,920	17,752	464,920	17,752
<b>Total current assets</b>	<b>1,821,733</b>	<b>477,625</b>	<b>1,821,733</b>	<b>477,625</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

	<b>Consolidated</b>		<b>The Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NON-CURRENT ASSETS</b>				
Inventories	11,032,246	13,196,968	11,032,246	13,196,968
Receivables		-		-
<b>Total non-current assets</b>	<b>11,032,246</b>	<b>13,196,968</b>	<b>11,032,246</b>	<b>13,196,968</b>
<b>Total Assets</b>	<b>\$12,853,979</b>	<b>\$13,674,593</b>	<b>\$12,853,979</b>	<b>\$13,674,593</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	96,282	421,903	96,282	421,903
Borrowings	92,500	75,000	92,500	75,000
Provisions	97,539	103,640	97,539	103,640
<b>Total current liabilities</b>	<b>286,321</b>	<b>600,543</b>	<b>286,321</b>	<b>600,543</b>
<b>NON CURRENT LIABILITIES</b>				
Borrowings	13,373,258	13,519,841	13,373,258	13,519,841
<b>Total non-current liabilities</b>	<b>13,373,258</b>	<b>13,519,841</b>	<b>13,373,258</b>	<b>13,519,841</b>
<b>Total Liabilities</b>	<b>\$13,659,579</b>	<b>\$14,120,384</b>	<b>\$13,659,579</b>	<b>\$14,120,384</b>

Refer Notes 27 and 29 for details of commitments and contingent liabilities.

**NOTE 31: ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE**

**a) Interest rate risk**

The economic entity is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the economic entity together with effective interest rates as at balance date.

		<b>Fixed Interest Rate Maturing in:</b>				<b>Total</b>
		<b>Floating Interest Rate</b>	<b>1 year or less</b>	<b>Over 1 to 5 years</b>	<b>Non-interest bearing</b>	
<b>1999</b>	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<i>Financial Assets</i>						
Cash	24	5,886,779	-	-	-	5,886,779
Investments	12	-	5,228,909	-	21,807,089	27,035,998
Receivables	10	-	9,073,475 (i)	8,447,439	2,258,597	19,779,511
Weighted average interest rate		7.32%	17.16%	13.27%	-	
<i>Financial Liabilities</i>						
Bank overdraft and loans	17	540,309	-	8,875,000	-	9,415,309
Accounts Payable	16	-	-	-	602,756	602,756
Lease Liabilities	27	-	51,537	9,437	-	60,974
Dividends Payable	6	-	-	-	1,121,773	1,121,773
Weighted average interest rate		8.92%	12.44%	7.60%	-	



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE, 1999**

**(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 the economic entity which have been recognised on the balance sheet, is the carrying amount, net of any provisions.

Collateral is obtained. Refer Note 10.

36% of total assets relate to loans to the property industry (net of provisions) of which 27% is concentrated in Sydney and 73% on the Gold Coast. Loans are made to two companies on the Gold Coast and three companies in Sydney.

30% of the long term investments are in companies/trusts in the property development industry in Sydney and the Gold Coast.

Tetley Medical Limited supply technegas generators and associated consumables to numerous hospitals and medical centres within Australia and to a single distributor in Europe. 38% of total sales were to the European distributor. Tetley Medical Limited negotiated a new distribution agreement with its European distributor for the period 1 July 1999 to 30 June 2004.

**(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 and dividends payable 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 of the respective corporations.

**NOTE 32: EVENTS SUBSEQUENT TO BALANCE DATE**

Since 30 June 1999, the group has deregistered and registered various smaller controlled and partly controlled entities.

Since 30 June 1999, the Economic Entity has bought and sold shares in listed entities at market prices on the Australian Stock Exchange.

Since 1 July 1999, the Company has bought back 318,459 shares under the Company's on market share buy-back scheme.

On 20 July 1999, CVC Communications & Technology Pty Limited purchase on market on the London Stock Exchange 950,000 ordinary shares in Skyepharma PLC for a total consideration of \$1,032,451.

On 4 August 1999, the Company purchased 500,000 ordinary shares in Powerlan Limited for a total consideration of \$500,000.

**DIRECTORS' DECLARATION**  
**For the Year Ended 30th June, 1999**

1. The directors of the Company declare that:

- (a) The financial statements and notes, set out on pages 7 to 41, are in accordance with Corporations Law, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 1999 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) 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 30<sup>th</sup> day of September 1999.

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

**V R Gould**  
**Director**

**J D Read**  
**Director**

# **AUDITORS' REPORT TO THE MEMBERS OF CONTINENTAL VENTURE CAPITAL LIMITED**

## **Scope**

We have audited the financial report of Continental Venture Capital Limited for the financial year ended 30 June 1999, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 7 to 42. The financial report comprise the accounts of the Company. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with accounting standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## **Audit Opinion**

In our opinion, the financial report of Continental Venture Capital Limited is in accordance with:

- (a) the Corporations Law, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 1999, and of its performance, for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Dated at Sydney this 30<sup>th</sup> day of September 1999.

**LORD & BROWN  
CHARTERED ACCOUNTANTS**

**MICHAEL TRAYNOR  
PARTNER**

# CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

## **BOARD OF DIRECTORS AND ITS COMMITTEES**

The Board is responsible for the overall Corporate Governance of the economic entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### *Composition of the Board*

The names of the directors of the Company in office at the date of this statement are set out in the Directors Report of this financial report.

The Company has no employees. The Company is managed by CVC Investment Managers Pty Limited, pursuant to a Management Agreement dated 30 December 1986. Three directors of the Company are also directors of CVC Investment Managers Pty Limited.

The Board is comprised using the following principals:

- \* the Board should comprise of not less than three nor more than ten directors.
- \* the Board should comprise directors with a broad range of expertise both nationally and internationally.
- \* the Board should comprise of at least two employees/directors of the management company.
- \* the Board should comprise of at least one other non- executive director not related to the management company. This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.
- \* at least one third of the directors shall retire from office and be eligible for re-election at every annual general meeting. No director shall retain office for more than three years without submitting to re-election unless they are the managing director who can be appointed for a fixed term not exceeding five years or a period without limitation.

The composition of the Board is reviewed annually. When a vacancy exists, through whatever cause, the directors review the appropriateness of appointing a new director. If a new director is to be appointed, via a vacancy or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board identifies, reviews and appoints the most suitable candidate who must then stand for election at the next general meeting of shareholders.

### *Role of the Board*

The Board of Directors is responsible for setting the strategic direction and establishing the policies of the Company. It is responsible for overseeing the financial position, and for monitoring the business and affairs of the Company on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. It also addresses issues relating to internal controls and approaches to risk management.

At directors meetings held throughout the financial year, directors discuss any major risks affecting the economic entity. If a risk is identified one or more directors are nominated to develop strategies to mitigate these risks and take corrective action. The Board is informed of actions taken.

### *Independent Professional Advice*

Each director has the right to seek independent professional advice at the economic entity's expense. However, prior approval of the chairman is required, which is not to be unreasonably withheld.

## **Corporate Governance Statement (Cont'd)**

### *Remuneration*

The employees/directors of CVC Investment Managers Pty Limited who are appointed to the Board are not directly remunerated by the Company.

Non - executive directors which are not related to the management company are remunerated by the Company. The current remuneration for non executive directors in aggregate must not exceed \$50,000 per annum to be divided amongst the non-executive directors as they see fit. This level of remuneration was approved at the 1995 Annual General Meeting.

Further details of director's remuneration are set out in Note 7 of the financial statements.

### *Audit Committee*

The directors review the performance of the external auditor on an annual basis and one or more directors meet with the auditor during the year in connection with the following:

- review of audit plan, fees, scope and effectiveness;
- review of accounting policies adopted or proposed changes thereto;
- review of financial information and financial statements.

## **ETHICAL STANDARDS**

All directors are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity.

## **THE ROLE OF SHAREHOLDERS**

The Board of Directors aims to ensure that shareholders are informed of all major developments affecting the economic entity's state of affairs. Information is communicated to shareholders as follows:

- the annual report;
- the half-yearly report;
- proposed major changes in the economic entity which may impact on share ownership rights are submitted to a vote of shareholders; and
- announcements to the Australian Stock Exchange Limited.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the economic entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

## **YEAR 2000**

The Board recognises the potential exposure of the consolidated entity to the Year 2000 issue.

Over the remaining period to 1 January 2000, the Company will review the progress of action plans, with particular emphasis on contingency planning.

The Year 2000 issue, however, is unique. There can be no assurance that the steps taken by any company will successfully minimise vulnerabilities of its software and systems, or those of its suppliers, to the problems associated with the transition to the Year 2000. Significant third parties with which the consolidated entity interfaces include, amongst others, banks and financial service organisations, technology suppliers and service providers, and utility infrastructure providers (power, transportation, telecommunications), on which all entities rely. Lack of readiness by these third parties would expose the consolidated entity to the potential for loss, impairment of business processes and activities, and general disruption of its markets.

## **Corporate Governance Statement (Cont'd)**

**YEAR 2000 (Cont'd)**

Further details of the consolidated entity's Year 2000 plans and exposure have been reported to the Australian Stock Exchange Limited. Copies of these reports may be obtained from the Company or the Exchange.

This statement is a Year 2000 disclosure statement for the purposes of the Year 2000 Information Disclosure Act 1999. A person may be protected by that Act from liability for this statement in certain circumstances.

## ADDITIONAL INFORMATION

### 1. Distribution of Shareholders as at 30 September 1999:

Category (Size of Holding)	Number of Ordinary Shareholders
1 - 1,000	19
1,001 - 5,000	106
5,001 - 10,000	109
10,001 - 100,000	214
100,001 and over	82
	530

As at 30 September 1999, 23 shareholders held less than a marketable parcel.

### 2. The names of the substantial shareholders at 30 September, 1999 as advised to the Australian Stock Exchange Limited.

Shareholder	Number of Ordinary Shares in Which Interest Held
Penalton Limited	15,575,978
John Scott Leaver	14,321,106
Vanda Russell Gould	14,350,978
John Douglas Read	13,880,693
CVC Investment Managers Pty Limited	13,778,082
Joseph David Ross	11,439,044
Derin Brothers Properties Limited	10,523,200
Abasus Investments Limited	6,256,000

### 3. 20 Largest Shareholders - Ordinary Capital:

Shareholder	Number of Ordinary Shares Held	% of Issued Capital Held
Penalton Limited	15,575,978	13.92
CVC Investment Managers Pty Limited	13,778,082	12.31
Derin Brothers Properties Limited	10,523,200	9.40
Abasus Investments Limited	6,256,000	5.59
LJK Investments Pty Limited	6,104,681	5.45
Southgate Investment Funds Limited	5,500,000	4.91
Bank of Industry & Commerce Limited	4,731,704	4.23
Southsea (Aust.) Limited	4,600,000	4.11
Huang Xio Sheung Limited	4,000,000	3.57
Tifu Pty Limited	3,071,908	2.74
Hua Wang Bank Berhard	3,000,000	2.68
Indo-Suez Investments Pty Ltd	1,528,362	1.37
Kirman Traders Pty Ltd	1,500,000	1.34
Pacific Securities Inc	1,200,000	1.07
Dr Joseph David Ross	1,200,000	1.07
Josa Investments Pty Limited	1,145,454	1.02
Mr Brian Sherman	1,073,860	0.96
LJK Investments Pty Limited	1,034,363	0.92
Mr Nigel Stokes	1,006,363	0.90
Wenola Pty Limited pension Fund	700,000	0.63
	87,529,955	78.19%

The 20 largest shareholders held 78.19% of the shares of the Company.

#### **4. Voting Rights**

Continental Venture Capital Limited's Constitution details the voting rights of members. Clause 71 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. Directors' Interests in Equity**

The interests of each Director in the share capital of Continental Venture Capital Limited as at 30<sup>th</sup> September 1999 is as follows:

<b>Director</b>	<b>Personally Held Interests in Ordinary Shares</b>	<b>Non-Beneficially Held Interests in Ordinary Shares</b>
Vanda R Gould	354,616	13,996,362
John S. Leaver	-	14,321,106
John D. Read	-	13,880,693
Paul G. Brazenor	-	-



# **CONTINENTAL VENTURE CAPITAL LIMITED**

A.C.N. 002 700 361

## **NOTICE OF MEETING**

NOTICE is hereby given that the Annual General Meeting of Continental Venture Capital Limited will be held in the Board Room of the Company at Level 40, AMP Centre, 50 Bridge Street, Sydney on Tuesday 24<sup>th</sup> November 1999 at 4:00 pm.

### **BUSINESS**

1. To receive, consider and adopt the Financial Report of the Company and of the Economic Entity for the year ended June 30, 1999 and the Reports by Directors and Auditors thereon.
2. To elect Directors for the forthcoming year ending June 30, 1999:
3. General Business: To transact any other business that may be brought forward in accordance with the Articles of Association of the Company.

By Order of the Board

### **ALEXANDER DAMIEN BEARD**

Company Secretary

Sydney this 30<sup>th</sup> day of September, 1999.

### **NOTES**

A separate proxy form is enclosed.

Nominations for the office of Director close fifteen working days before the Meeting and must be lodged at the registered office of the Company by that date.

Copies of the Company's Memorandum and Articles of Association are available for inspection at the registered office of the Company.

### **PROXIES**

A member entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the member's voting rights and the proportion stated on each proxy form. A proxy need not be a member.

The instrument appointing a proxy must be in writing under the hand of the appointor or the appointor's attorney or if such appointor is a corporation under its common seal or the hand of its attorney or secretary.

To be effective, the instrument appointing a proxy (and the power of attorney, if any, under which it is signed) must be received by either of the following:

- a) mailed to the office of the Company, Level 40, AMP Centre, 50 Bridge Street, Sydney 2000; or
- b) sent by facsimile on (02) 9223 9808

not less than forty eight hours before the time for holding the meeting.