

## **COMPANY PARTICULARS**

**June 30, 1997**

### **DIRECTORS**

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

### **SECRETARIES**

Christine Joyce Dyet  
Harriet Elizabeth Oakeshott

### **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**

Geersen & Drinkwater  
Chartered Accountants

### **BANKERS**

Metway Bank Limited  
Westpac Banking Corporation

### **HOME STOCK EXCHANGE**

Sydney

*The Company has developed a strong, exciting and diverse portfolio which embodies a balance of equities, cash and real property investments.*

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# 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 25 November 1997 at 10:00am.

### BUSINESS

1. To receive, consider and adopt the Financial Statements of the Company and of the Economic Entity for the year ended June 30, 1997 and the Reports by Directors and Auditors thereon.
2. To elect Directors for the forthcoming year ending June 30, 1998:  
  
John Scott Leaver who retires in accordance with the Company's Articles of Association, and, being eligible, offers himself for re-election.
3. General Business: To transact any other business which may be brought forward in accordance with the Articles of Association of the Company.

By Order of the Board

### CHRISTINE JOYCE DYET

Secretary

Sydney this 24<sup>th</sup> day of September, 1997.

### 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. 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 deposited at the registered office of the Company not less than forty eight hours before the meeting.

## CHAIRMANS REPORT

On behalf of the Board of Directors, I am pleased to present the 1997 Annual Report and Financial Statements.

The year was marked by a continuing improvement in the quality of investments undertaken. As a consequence, the Company has developed a strong, exciting and diverse portfolio.

### Introduction

In its fifth consecutive year of profitability the Company realised a net operating profit before tax of \$1.4 million. As foreshadowed in the 1996 Chairman's Report, profitability was subdued due to the large number of major investments entered into in 1996 and 1997. The first of these major investments is expected to be realised in calendar 1998.

The directors have declared a fully franked final dividend of 0.5 cents per share.

### Diversity

We have built strength through diversity.

In 1992, Continental Venture Capital Limited ("CVC") began a program of investment enhancement that was designed to provide superior short term returns to complement the long term capital gain aspirations of our venture/development capital portfolio.

The small size and isolation of the Australian capital markets dictate diversity in activities and investment cycles. The current portfolio embodies many of these qualities with a balance of equities, cash and real property investments.

We remain diligent and adaptable to the demands of an increasingly, rapidly changing market place. The elements that constitute our portfolio may change over time, but our philosophy of striving for superior returns for our shareholders through the management of a diverse portfolio of quality investments governs each and every phase.

To gain a better understanding of the diversity, strength and quality of CVC's investments, I commend to you the *Review of Operations* appearing on pages - of this Report and the *Schedule of Equity Investments* appearing on page .  
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### The Year to 30 June 1997

With a majority of the Company's capital committed to investments with a realisation cycle of greater than 12 months, income and profitability for the year was subdued.

Prior years profits also included interest income earned on deposits held to redeem the Company's then preference share capital. Interest earned on the preference capital was not available to ordinary shareholders. The last tranche of preference shares were redeemed in June 1996. Current year profits declined by 20% over the prior period's comparable profit attributable to the holders of ordinary shares.

The Company's continued profitability is reflected in an increase in the net tangible asset backing per ordinary share and an increase in the market price of CVC's ordinary securities. Net tangible assets at book value now exceed 30.8 cents per share (after providing for the latest dividend). The market value of investments held by the Company is substantially higher. The schedule as set out on page lists the market, book and asset value of equity investments greater than \$500,000. The Board, however, considers it appropriate to adopt the conservative accounting approach of valuing investments at the lower of cost or market.

The Company's on market share buy-back scheme has been an important contributor to the improvement in market price of the Company's ordinary shares. The on-market buy-back scheme was introduced in February 1996. In the period from introduction to 30 June 1997, 8,685,250 shares have been bought back. We will continue to buy back shares at current levels as they represent an excellent investment.

With respect to our venture/development capital portfolio, a strong performance from Macarthur National Limited and Tetley Medical Limited more than offset losses incurred by Laserex Technologies Pty Limited and

Pacific Communications Holdings Limited. Loss making entities are subject to ongoing restructuring and realisation programs.

### **Dividends**

As stated in the 1996 Annual Report the Company proposes to maintain a fully franked final dividend. The directors have, therefore, declared a fully franked final dividend of 0.5 cents per share payable on 20 October 1997. The "record" or "books closing" date for determination of entitlements is 6 October 1997.

The future quantum of the final dividend will reflect the Company's profitability, availability of franking credits and capital commitments.

### **The Year Ahead**

The 1997/98 financial year will see the gradual and profitable realisation of the Company's major investments. It is possible that by late 1997 CVC's funds will be full invested. A limited bank standby facility is being negotiated to provide additional liquidity to allow the Company to proceed with investments currently under investigation. Further investments are scheduled for realisation in 1998/99. This realisation program should underpin profitability for the next two financial years.

I would like to personally thank my fellow directors and the CVC management team for their untiring support and often extraordinary efforts over the past year.

**VANDA GOULD**  
**CHAIRMAN**

# Schedule of Equity Investments of \$500,000 or greater as at 30 June 1997

## Listed on the Australian Stock Exchange Limited

Investment	% Equity	Historic Cost \$'000	Market Value \$'000	Net Tangible Asset Value \$'000
Arrowfield Group Limited	3.60	540	538	888
Citistate Corporation Limited	1.70	919	417	453
Macarthur National Limited	27.02	207	935	860
Pacific Communications Holdings Limited	20.71	882	1,144	1,252
Precious Metals Limited	3.90	1,197	688*	294
Sunland Group Limited	31.48	6,883	14,791	9,277
		<u>\$10,628</u>	<u>\$18,513</u>	<u>\$13,024</u>

## Unlisted Investments

Tetley Medical Limited	<u>\$920</u>	<u>\$ N/A</u>	<u>\$1,426</u>
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\*As at 15 September 1997 market value was \$1,310.

## REVIEW OF OPERATIONS

The Company enjoys a strong, exciting and diverse portfolio of investments. A balanced portfolio drawing on equities, interest bearing securities and real property investments provides a sound basis for future profitability.

The Company's portfolio currently consists of three distinct segments:

- Property Developments
- Listed Equity Investments
- Development and Venture Capital

### PROPERTY DEVELOPMENTS

The Company has invested in a broad range of residential property developments predominantly in Sydney and on the Gold Coast.

Wherever possible, each project is mandated to secure a high pre-sales commitment prior to the commencement of construction.

The Company has an interest in the following developments:

#### **The Legends Hotel**

In November 1995, the Company entered into a Joint Venture Agreement with Sunland Group Limited to construct the 403 room *Legends Hotel* on the former Surfers Paradise State School site in central Surfers Paradise. The project adjoins the Gold Coast Highway and is in easy walking distance of the central retail district and beaches. CVC is entitled to interest on its loan of \$6.8 million and an effective 25 percent share of the profits/losses from the development. Construction of the hotel was completed ahead of schedule and below budget in August 1997. A hotel manager has been appointed. The hotel was officially opened on 26 September 1997.

#### **Sun City Resort**

In June 1996, CVC entered into a Finance Agreement with Sunland Group Limited, to provide a loan of \$4.2 million to assist in the development of the prestigious 266 unit *Sun City Resort* development. CVC is entitled to interest on its loan and a 12.5 percent of the profit/losses from the development. Construction is expected to be completed by October 1998. The project is expected to sellout prior to completion. The 40 storey development will employ a Southern American theme, enjoy extensive landscaping and water themed recreational amenities.

#### **The Phoenician**

This two stage residential/retail development is in the heart of Broadbeach, Gold Coast. The development emphasises a health and spa resort theme. *The Phoenician* has assisted in restoring Broadbeach as a preferred holiday and retail destination. Stage 1 of the development consisting of 105 units was completed in May 1997. Stage 2 comprising 144 units is expected to be completed by October 1997. To date, Stage 2 pre-sales exceed 130 units.

#### **The Marrakesh**

A medium rise 10 storey apartment complex, *The Marrakesh*, is located midway between Surfers Paradise and Broadbeach in close proximity to the Gold Coast Holiday Inn. The development comprises 144 predominantly one bedroom residential units. Active marketing of the project commenced in September 1997. Construction is expected to begin by late 1997.

#### **Mosman Development Trust**

The Company has acquired a 50% interest in *the Mosman Development Trust*. The Trust is developing two luxury townhouses and 1 penthouse at 1 Warringah Road, Mosman. Construction is expected to be concluded by October 1997. Contracts have been entered into for the sale of one of the townhouses. The remaining townhouse and penthouse are expected to be sold prior to 31 December 1997.

### **On Broadway**

*On Broadway* is a 243 unit residential high rise development adjoining the University of Technology, Sydney. The Company has lent funds to the development and shares in an effective 25% of the profits of the development. The development has been designed to meet the strong demand for student accommodation from the adjoining University of Technology and the neighbouring University of Sydney. Marketing of the development commenced in September 1997. Expressions of interest have been received for in excess of 180 units. Construction is expected to commence in November 1997 and be completed by March 1999.

### **Bristol on Sinclair**

The Company has provided second mortgage finance of \$800,000 to develop 68 residential units at Sinclair Street, Woolstoncraft. The development is to be known as *Bristol On Sinclair*. Sufficient sales have been secured to cover the first mortgagee's debt. The Company's loan plus interest is expected to be repaid by March 1998.

### **Cape Cabarita**

Subsequent to year end the Company has acquired a 30% interest in Regatta Point Developments Pty Limited. Regatta Point Developments propose to develop, in four stages, 235 residential dwellings on harbourside land at Cabarita, Sydney. The development is to be known as *Cape Cabarita*. Regatta Point Developments has entered into a conditional contract to purchase the land which enjoys water aspects on its eastern, northern and western boundaries. The site is located between central Sydney and the Olympic site at Homebush. Development approval's are expected by year end and construction is anticipated to commence in February 1998. It is anticipated that this project will be a major source of future profits.

## **STRATEGIC LISTED EQUITY INVESTMENTS**

### **Sunland Group Limited**

CVC holds 31.48% of the issued capital of Sunland Group Limited.

In the year to 30 June 1997, Sunland Group Limited realised a net operating profit of \$7.28 million on total revenues of \$59.8 million. The profit represents an improvement of 10% over the prior year.

Sunland Group Limited is a Gold Coast residential property development company. Sunland undertakes a broad range of property development activities in south east Queensland, including land sub-division, residential high rise development, townhouse development and hotel construction. The highlight for the year was the completion of the 403 room *Legends Hotel* in central Surfers Paradise ahead of schedule and below budget. The hotel was officially opened on 26 September 1997.

Sunland has achieved an after tax return on shareholder's equity of 23%, amongst the highest in the construction industry.

Sunland has contracted to acquire a number of new development sites to ensure continuity of supply through to the year 2000.

### **Pacific Communications Holdings Limited**

CVC holds 20.71% of the issued capital of Pacific Communications Holdings Limited. Pacific Communications provides close circuit security television systems to major projects such as airports, casinos, railway stations, prisons, public precincts and transport hubs.

For the year end 30 June 1997, Pacific Communications declared a loss of \$340,000. In calendar 1997, the Company commenced a restructuring program which saw a return to profitability in the 3 months to 30 June 1997. The restructuring program will continue through 1997/98, with the Company projected to return to profitability in that year.



### **Macarthur National Limited**

CVC holds 27.02% of the issued capital of Macarthur National Limited, a listed public company actively engaged in investment and property development. In the year to 30 June 1997, Macarthur realised an after tax profit of \$903,000 an improvement of 224% over the prior year.

Macarthur National has joined with CVC and Raptis Group Limited to develop *The Phoenician*, a multi rise residential unit development at Broadbeach and with CVC in the *Mosman Development Trust* to build two townhouses and one penthouse at 1 Warringah Road, Mosman, Sydney. During the year Macarthur also invested with CVC in *the Marakesh*.

### **DIVERSIFIED LISTED EQUITY TRADING INVESTMENTS**

In addition to the investments detailed above, the group has a diversified trading portfolio of equities listed on the Australian Stock Exchange Limited. The portfolio represents, by cost, approximately 5% of the total assets of the group. Income is sourced from the sale of options, receipt of dividends and by the realisation of investments.

The portfolio's current investments include mining, beverages, construction and property development.

### **DEVELOPMENT AND VENTURE CAPITAL**

#### **Tetley Medical Limited**

Tetley Medical enjoyed a strong year with revenue increasing by 45.5% to \$5.7 million. The Company achieved a before tax operating profit of \$1.24 million an improvement of 89% over the prior year. Tetley paid dividends of \$653,000 to shareholders during the year.

As noted in the 1996 Annual Report, during the year Tetley Medical evaluated the effectiveness of its FDA approval program including assessments by independent experts. As a result of that review, Syncor International ceased to act as Tetley Medical's American distribution. Tetley Medical has spent the first half of 1997 examining various options to secure FDA approval for its range of medical devices.

Sales and profitability during the year were buoyed by Tetley Medical's new role as the Australasian distributor of Dupont's range of radiopharmaceuticals. This new activity has broadened the Company's product base and strengthened the management team particularly in the field of marketing.

Tetley Medical continues to improve its range of products by an active research and development program.

CVC continues to seek better performance from its investment in Tetley Medical. This may take the form of increased dividends, listing on a recognised stock exchange or by outright sale.

#### **Laserex Group**

The restructuring program that commenced in 1996, continued through the 1996/97 financial year. Whilst the business was cash flow positive for the period, a disappointing loss of \$570,000 was realised for the year.

Tenders were called for the sale of the business during 1996/97. Tentative agreements were reached with two potential purchasers. In both instances the proposed sale failed to conclude due to the incapacity of the potential purchasers.

Further restructuring was undertaken during late 1996/97 and Laserex's cash flow is currently positive on a monthly basis. Laserex has been nominated as the preferred supplier for a number of significant contracts. Until the outcome of these contracts can be determined, the Company will be maintained on a restricted basis. It is still CVC's ultimate intention, conditions permitting, to realise its investment in Laserex.

## DIRECTORS' REPORT

Your Directors present the Financial Statements of Continental Venture Capital Limited (CVC) and the consolidated accounts of the Economic Entity being the Company and its controlled entities, for the year ended June 30, 1997 together with the Auditors' Report thereon.

### DIRECTORS

The names of Directors in office at the date of this report 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 are:

	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	7	8	1	1

\* reflects the number of meetings held during the time the director held office during the year.

### PRINCIPAL ACTIVITIES

CVC was incorporated on January 11, 1984 to apply for a licence under the Management and Investment Companies Act, 1983, and was granted a licence, 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 laser devices, microprocessors, irrigation control products, health and medical equipment, as well as property development and funds management.

There were no significant changes in the nature of the activities of the Economic Entity during the year.

### CONSOLIDATED RESULT

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

	1997	1996
	\$	\$
Operating profit after income tax	1,014,255	5,534,229
Outside equity interests	(8,027)	(13,742)
Operating profit and extraordinary items after income tax attributable to members	\$1,006,228	\$5,520,487

## **DIVIDENDS**

As proposed and provided for in last years report a final ordinary dividend of 0.5 cents per share amounting to \$625,628 in respect of the year ended 30 June 1996 was paid on 15 October 1996.

The Directors have declared a final dividend in respect of the year ended 30 June 1997. The dividend is 0.5 cents per share, fully franked with class C (36%) franking credits, is to be paid on 28 October 1997. Total dividends provided for in respect of the year ended 30 June 1997 is \$600,873.

## **REVIEW OF OPERATIONS**

The Chairman's Report, Review of Operations and the annexures to the Financial Statements contain details of the Economic Entity's operations during the year.

## **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 equity 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 29 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.Comm (Uni. of NSW); M.Comm (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 Pacific Communications Holdings Limited, 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 Pacific Communications Holdings Limited, 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 and Australia Forest Holdings 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	13,852,974
Mr J.S. Leaver	14,573,358
Mr J.D. Read	13,761,720
Mr P.G. Brazenor	-

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

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the accounts) by reason of a contract made by the Company or a related corporation with the Director, with a firm of which he is a member, or a company in which he has a substantial financial interest other than, as detailed in Note 5 and Note 23 to the financial statements.

## **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 legal expense insurance for directors and officers of the Company, its controlled entities and certain other directorships of associated companies.

In accordance with subsection 309A(3)(d) 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 25<sup>th</sup> day of September, 1997.

**VANDA RUSSELL GOULD**

**JOHN DOUGLAS READ**

**Director**

**Director**

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**FINANCIAL  
STATEMENTS**  
**For the year ended  
June 30, 1997**

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**BALANCE SHEETS AS AT  
JUNE 30, 1997**

	Notes	Economic Entity		Chief Entity	
		1997 \$	1996 \$	1997 \$	1996 \$
<b>CURRENT ASSETS</b>					
Cash		9,755,410	19,426,211	3,180,812	10,705,093
Receivables	8	4,763,620	3,027,529	3,933,680	2,154,908
Inventories	9	3,629,580	4,955,826	-	2,633,791
Investments	10	2,625,425	8,299,948	2,423,467	8,295,948
Other	12	238,502	214,301	-	-
<b>Total Current Assets</b>		<b>21,012,537</b>	<b>35,923,815</b>	<b>9,537,959</b>	<b>23,789,740</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	8	8,758,258	5,168,545	7,753,814	5,168,545
Inventories	9	12,428,915	-	12,428,915	-
Investments	10	7,821,817	907,417	6,281,445	1,405,305
Property, Plant and Equipment	11	369,257	666,081	-	-
Other	12	65,651	-	-	-
<b>Total Non Current Assets</b>		<b>29,443,898</b>	<b>6,742,043</b>	<b>26,464,174</b>	<b>6,573,850</b>
<b>TOTAL ASSETS</b>		<b>50,456,435</b>	<b>42,665,858</b>	<b>36,002,133</b>	<b>30,363,590</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable	14	1,060,354	2,518,556	40,450	1,559,965
Borrowings	15	2,840,280	949,856	2,105,789	1,408,526
Provisions	16	1,172,784	719,496	600,873	625,628
<b>Total Current Liabilities</b>		<b>5,073,418</b>	<b>4,187,908</b>	<b>2,747,112</b>	<b>3,594,119</b>
<b>NON-CURRENT LIABILITIES</b>					
Accounts Payable	14	1,019,933	-	1,019,933	-
Borrowings	15	6,776,943	219,679	12,683,431	6,307,726
Provisions	16	96,219	71,104	-	-
<b>Total Non-Current Liabilities</b>		<b>7,893,095</b>	<b>290,783</b>	<b>13,703,364</b>	<b>6,307,726</b>
<b>TOTAL LIABILITIES</b>		<b>12,966,513</b>	<b>4,478,691</b>	<b>16,450,476</b>	<b>9,901,845</b>
<b>NET ASSETS</b>		<b>\$37,489,922</b>	<b>\$38,187,167</b>	<b>\$19,551,657</b>	<b>\$20,461,745</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share Capital	17	24,034,950	25,025,100	24,034,950	25,025,100
Reserves	18	6,170,678	6,321,742	5,461,121	5,622,400
Retained Profits or (Accumulated Losses)		6,858,991	6,365,455	(9,944,414)	(10,185,755)
Shareholders' Equity attributable to Members of the Holding Company		37,064,619	37,712,297	19,551,657	20,461,745
Outside equity interests in controlled entities	19	425,303	474,870	-	-

<b>TOTAL SHAREHOLDERS' EQUITY</b>	\$37,489,922	\$38,187,167	\$19,551,657	\$20,461,745
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The accompanying notes form part of these financial statements.



**PROFIT & LOSS ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	Notes	Economic Entity		Chief Entity	
		1997 \$	1996 \$	1997 \$	1996 \$
Operating Profit before Income Tax	2	1,425,869	5,534,229	842,214	4,051,142
Income Tax attributable to Operating Profit	3	(411,614)	-	-	-
Operating Profit after Income Tax		1,014,255	5,534,229	842,214	4,051,142
Outside equity interests in Operating Profit after Income Tax		(8,027)	(13,742)	-	-
Operating Profit after Income Tax attributable to Members of the Holding Company		1,006,228	5,520,487	842,214	4,051,142
Retained Profits (Accumulated Losses) at the beginning of the financial year		6,365,457	6,146,780	(10,185,755)	(13,611,269)
Write off of minority interests in Solatrol Inc.		-	(4,676,184)	-	-
Deconsolidation adjustment		88,179	-	-	-
Total available for appropriation		7,459,864	6,991,083	(9,343,541)	(9,560,127)
Dividends provided for or paid	4	(600,873)	(625,628)	(600,873)	(625,628)
<b>RETAINED PROFITS OR (ACCUMULATED LOSSES) AT THE END OF THE FINANCIAL YEAR</b>		<b>\$6,858,991</b>	<b>\$6,365,455</b>	<b>\$(9,944,414)</b>	<b>\$(10,185,755)</b>

The accompanying notes form part of these financial statements.

**STATEMENTS OF CASHFLOWS  
FOR THE YEAR ENDED 30 JUNE 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>				
Cash Receipts in the course of operations	7,989,347	15,297,605	-	3,474,742
Interest Received	1,815,007	6,976,985	1,227,162	6,301,658
Cash Payments in the course of operations	(18,779,979)	(15,119,970)	(10,320,624)	(5,721,655)
Dividends Received	569,187	529,110	1,079,073	683,777
Interest Paid	(36,480)	(10,259)	-	-
Other	555,014	194,894	10	-
<b>Net Operating Cash Flows (Note 22.2)</b>	<b>(7,887,904)</b>	<b>7,868,365</b>	<b>(8,014,379)</b>	<b>4,738,522</b>
<b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>				
Payments for Purchases of Property, Plant and Equipment	(68,194)	(68,711)	-	-
Proceeds from Sale of Property, Plant and Equipment	554,037	304,188	-	-
Payments for Purchase of Equity Investments	(7,599,806)	(4,440,894)	(5,078,709)	(4,440,894)
Proceeds from Sale of Equity Investments	7,334,288	5,574,115	6,636,849	5,563,280
Loans Provided	(7,777,632)	(10,971,918)	(6,800,300)	(5,662,445)
Loans Repaid	499,609	36,789,205	1,314,044	34,965,180
<b>Net Investing Cash Flows</b>	<b>(7,057,698)</b>	<b>27,185,985</b>	<b>(3,928,116)</b>	<b>30,425,121</b>
<b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>				
Borrowings	7,413,525	-	6,400,325	3,583,402
Repayment of Borrowings	(15,560)	(3,129,492)	-	-
Share Buyback	(1,151,428)	(680,423)	(1,151,428)	(680,423)
Dividends Paid	(766,237)	-	(625,184)	-
Redemption of Preference Shares	(205,499)	(37,304,948)	(205,499)	(37,304,948)
Other	-	(45,505)	-	-
<b>Net Financing Cashflows</b>	<b>5,274,801</b>	<b>(41,160,368)</b>	<b>4,418,214</b>	<b>(34,401,969)</b>
<b>RECONCILIATION OF CASH</b>				
Net Increase/(Decrease) in Cash Held	(9,670,801)	(6,106,018)	(7,524,281)	761,674
Cash at Beginning of Year	19,426,211	25,532,229	10,705,093	9,943,419
<b>CASH AT END OF YEAR (Note 22.1)</b>	<b>\$9,755,410</b>	<b>\$19,426,211</b>	<b>\$3,180,812</b>	<b>\$10,705,093</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 1: STATEMENT OF 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. They have been prepared on the basis of historical costs and do 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 and, except where there is a note of a change in accounting policy, are consistent with those of the previous year.

**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**

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 associated company is one in which:

- the Economic Entity exercises significant influence; and
- the investment is long-term.

Investments in associated companies are carried at the lower of cost and recoverable amount. In the case of interim dividends, dividends are brought to account in the profit and loss account as they are received, or in the case of final dividends after they have been declared by the associated company in general meeting.

Information prepared on an equity accounting basis is set out in Note 21.

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 JUNE 30, 1997**

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

**1.4 Income Tax**

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**

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 Property, Plant and Equipment**

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.

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.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

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

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 instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**1.8 Provisions**

**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.

**1.9 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 expended 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 JUNE 30, 1997**

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

**1.10 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 1.9.

**1.11 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.

**Translation of Controlled Foreign Entities:**

The balance sheets of the controlled entities incorporated overseas (being self-sustaining foreign operations) are translated at the rates of exchange ruling at balance date. The profit and loss accounts are translated at a weighted average rate for the year. Exchange differences arising on translation are taken directly to the foreign currency translation reserve.

**1.12 Non Current Assets**

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

**1.13 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.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

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

**1.14 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.

**1.15 Comparative Figures**

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 2: OPERATING PROFIT</b>				
Operating Profit before Income Tax has been determined after:				
<b>2.1 Crediting as Operating Revenue</b>				
Sales Revenue	14,678,692	16,823,347	5,736,399	7,009,171
Other Operating Revenue:				
Interest Received or Receivable from:				
Wholly Owned Controlled Entities	-	-	15,082	3,825,385
Partly Owned Controlled Entites	-	-	228,767	173,160
Other Corporations	2,872,534	7,410,448	1,890,455	2,941,211
Dividends Received or Receivable from:				
Wholly Owned Controlled Entities	-	-	10,801	-
Partly Controlled Entities	-	-	501,120	154,666
Other Corporations	569,189	528,516	567,154	528,516
Proceeds on Sale of Plant and Equipment	4,037	604,188	-	-
Loan Recoveries	-	-	135,832	4,480
Investment Writeback	-	-	420,000	-
Royalties	8,762	660,749	-	-
Grants and Subsidies	156,115	228,981	-	-
Facility Fees	-	400,000	-	400,000
Profit on Share Buyback	-	68,874	-	68,874
Sundry Revenue	140,624	72,647	-	70,850
Exchange Gains	88,082	-	-	-
	<b>\$18,518,035</b>	<b>\$26,797,750</b>	<b>\$9,505,610</b>	<b>\$15,176,313</b>
<b>2.2 Sales of non current assets</b>				
Profit on Sale of Property, Plant and Equipment	\$313	\$270,884	\$Nil	\$Nil



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 2: Operating Profit (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2.3 Charging as Expenses</b>				
Interest Paid or Payable to:				
Partly Owned Controlled Entities	-	-	892,698	307,726
Other Corporations	917	20,826	-	-
Finance charges on Finance Leases	9,485	3,665	-	-
Depreciation of Property, Plant and Equipment	165,977	204,020	-	-
Writedown of Property, Plant and Equipment	233,617	-	-	-
Rental Expense on Operating Leases	195,535	334,658	-	-
Loss on Sale of Property, Plant & Equipment	-	24,180	-	-
Loss on Sale of Investments	854,817	1,200,280	849,003	1,200,280
Loans Written off	124,812	-	4,222	133,269
Writedown of Investments	1,428	-	-	457,953
Writedown on Foreclosure of net assets of Controlled Entity	-	868,837	-	-
Unrealised (Profit) Loss on Short Term Investments	(250,625)	444,332	(419,122)	444,332
Foreign Exchange Losses	20,246	179,587	-	-
Bad Debts Written Off	79,634	39,727	-	-
Research and Development	140,719	106,567	-	-
Amortisation of:				
Capitalised Leased Assets	24,233	8,709	-	-
Deferred Capital Raising Costs	-	469,607	-	469,607
Borrowing Costs	10,524	-	-	-
Transfers to (from) Provisions:				
Provision for Loans	1,189,970	457,228	1,315,368	545,928
Doubtful Trade Debtors	(11,740)	650,000	-	-
Warranties	(5,000)	(50,432)	-	-
Foreign Currency Translation	-	106,557	-	-
Employee Entitlements	39,239	(72,695)	-	-
Obsolescence	(51,082)	-	-	-

**NOTE 3: INCOME TAX**

**3.1 The Prima Facie tax on Operating Profit is reconciled to the Income Tax provided in the Accounts as follows:**

Prima Facie Tax on Operating Profit before Income Tax at 36%	513,313	1,992,322	303,197	1,458,411
Add (Less) the Tax Effect of permanent differences:				
Amortisation of Capital Raising Costs	-	169,059	-	169,059
Write Down of Listed Shares	(89,322)	159,960	(150,884)	159,960
Provision Movements	138,032	184,314	380,656	-
Dividend Rebate	(204,909)	(245,708)	(388,467)	(245,708)
Sundry Items	183,342	(36,687)	(420)	(23,295)
Tax Losses Transferred from Related Company	-	-	(144,082)	(1,518,427)
Recovery of Tax Losses Previously not brought to Account	(128,842)	(2,223,260)	-	-

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

\$411,614	\$Nil	\$Nil	\$Nil
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**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 3: Income Tax (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>3.2 Future Income Tax Benefits not brought to Account</b>				
Tax Losses carried forward	\$4,173,154	\$4,301,996	\$Nil	\$Nil

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 Section 80G of the Income Tax Assessment Act 1936;
- (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>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 4: DIVIDENDS</b>				

Dividends provided for or paid by the Company:

Final ordinary dividend declared of 0.5 cents per share, franked to 100% with class C (36%) franking credits:	\$600,873	\$625,628	\$600,873	\$625,628
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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	\$802,227	\$429,294	\$390,613	\$429,294
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**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

<b>Economic Entity</b>		<b>Chief Entity</b>	
<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
\$	\$	\$	\$

**NOTE 5: REMUNERATION OF DIRECTORS AND EXECUTIVES**

**5.1 Directors' Remuneration**

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 made for the benefit of directors.

	\$31,596	\$44,236
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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.

	\$258,312	\$371,526
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Management fees were paid to CVC Investment Managers Pty Limited as disclosed in Note 23.

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

	<b>1997 No.</b>	<b>1996 No.</b>
\$0 - \$ 9,999	4	2
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	1	2

**5.2 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>1997 No.</b>	<b>1996 No.</b>
\$100,000 - \$110,000	1	1
\$110,001 - \$120,000	1	1

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

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.	\$226,716	\$222,182
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**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 6: AUDITORS' REMUNERATION</b>				
Amounts received or due and receivable for audit services by:				
Auditors of the Company	40,000	55,606	17,500	20,000
Other Auditors	2,000	2,676	-	-
	\$42,000	\$58,282	\$17,500	\$20,000
Amounts received or due and receivable for other services by the Auditors of the Company				
	\$4,500	\$4,500	\$4,500	\$4,500

The Auditors received no other benefits.

	<b>Economic Entity</b>	
	<b>1997</b>	<b>1996</b>
	\$	\$
<b>NOTE 7: EARNINGS PER SHARE</b>		
Basic Earnings per Share (dollars per share)	0.0082	0.04
Diluted Earnings per Share (dollars per share)	0.0082	0.03
Reconciliation of earnings used in the calculation of earnings per share:		
Operating profit after income tax	1,014,255	5,534,229
Less: Outside equity interests	(8,027)	(13,742)
Earnings used in the calculation of basic earnings per share and diluted earnings per share	\$1,006,228	\$5,520,487

	<b>Number of Shares</b>	
	<b>1997</b>	<b>1996</b>
Weighted average number of ordinary shares used in the calculation of basic earnings per share	123,632,067	127,786,986
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	123,632,067	203,282,036

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 8: RECEIVABLES</b>				
<b>Current</b>				
Trade Debtors	1,348,572	2,043,277	58,933	-
Less Provision for Doubtful Debts	(32,315)	(694,055)	-	-
	1,316,257	1,349,222	58,933	-
Interest Bearing Deposits	-	47,500	-	47,500
Interest Receivable	-	46,001	-	45,231
Other Debtors	111,743	1,584,806	70,000	901,650
Loans to Other Corporations	3,020,472	-	3,020,472	-
Loans to Wholly Owned Controlled Entities	-	-	-	518,814
Loans to Partly Owned Controlled Entities	-	-	2,109,969	2,099,989
Loans to Associated Entities	315,148	-	-	-
Provision for Loans to Related Corporations	-	-	(1,325,694)	(1,458,276)
<b>Total Current Receivables</b>	<b>\$4,763,620</b>	<b>\$3,027,529</b>	<b>\$3,933,680</b>	<b>\$2,154,908</b>
<b>Non-Current</b>				
Bank Security Deposit	50,547	-	50,547	-
Loans to Other Corporations	10,323,670	5,594,543	9,319,226	5,594,543
Provision for Interest not Received on Loans to Other Corporations	(1,615,959)	(425,998)	(1,615,959)	(425,998)
<b>Total Non-Current Receivables</b>	<b>\$8,758,258</b>	<b>\$5,168,545</b>	<b>\$7,753,814</b>	<b>\$5,168,545</b>
<b>NOTE 9: INVENTORIES</b>				
<b>Current</b>				
Land for Development - at cost	1,307,042	3,017,291	-	1,710,249
Development Costs capitalised	1,162,175	938,894	-	923,542
	2,469,217	3,956,185	-	2,633,791
Raw Materials - at cost	791,379	826,452	-	-
Less Provision for Obsolescence	(340,293)	(401,375)	-	-
	451,086	425,077	-	-
Work in Progress - at cost	105,417	215,763	-	-
Finished Goods - at cost	635,694	358,801	-	-
Less Provision for Obsolescence	(31,834)	-	-	-
	603,860	358,801	-	-
<b>Total Current Inventories</b>	<b>\$3,629,580</b>	<b>\$4,955,826</b>	<b>\$Nil</b>	<b>\$2,633,791</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 9: Inventories (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>Non Current</b>				
Land for Development - cost	1,688,430	-	1,688,430	-
Development Costs capitalised	10,740,485	-	10,740,485	-
<b>Total Non-Current Inventories</b>	<b>\$12,428,915</b>	<b>\$Nil</b>	<b>\$12,428,915</b>	<b>\$Nil</b>

Development Costs include holding costs, rates, interest, taxes and other amounts capitalised.

**NOTE 10: INVESTMENTS**

**Current**

Shares in Quoted Corporations				
- at cost	640,413	5,867,082	608,455	5,863,082
- at market value	1,985,012	2,432,866	1,815,012	2,432,866
	<b>\$2,625,425</b>	<b>\$8,299,948</b>	<b>\$2,423,467</b>	<b>\$8,295,948</b>
 Market Value of Shares in Quoted Corporations	 \$2,714,908	 \$14,892,045	 \$2,505,789	 \$14,892,045

**Non-Current**

Investments comprise shares in:

Controlled Entities (refer Note 19)				
Unlisted - at directors valuation	-	-	-	500,000
Unlisted - at cost	-	-	5,088	5,088
 Other Quoted Corporations				
- at cost	5,322,022	826,460	5,322,022	826,460
- at market value	1,409,400	-	-	-
 Associated Companies - at cost	 1,090,395	 80,957	 954,335	 73,757
<b>Total Non-Current Investments</b>	<b>\$7,821,817</b>	<b>\$907,417</b>	<b>\$6,281,445</b>	<b>\$1,405,305</b>
 Market Value of Shares in Quoted Corporations:				
Other Corporations	14,791,305	1,363,725	13,381,905	1,363,725
Associated Companies	2,079,414	482,714	1,298,819	103,432
	<b>\$16,870,719</b>	<b>\$1,846,439</b>	<b>\$14,680,724</b>	<b>\$1,467,157</b>



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

Directors have valued shares in quoted corporations at the lower of cost and market value as at 30 June 1997.

Shares in Sunland Group Limited were classified at cost, as current in 1996 and non-current in 1997. The cost of Sunland Group Limited shares at 30 June is \$6,883,442 (1996: \$4,158,022). The market value of these shares at 30 June 1997 was \$14,791,305 (1996: \$10,323,625). If these shares are valued at their net tangible asset backing, then the value of the investment would be \$9,276,698.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>				
Plant and Equipment				
At cost	2,833,119	2,211,296	-	-
Less: Accumulated Depreciation	(2,558,065)	(1,624,505)	-	-
	275,054	586,791	-	-
Leasehold Improvements				
At cost	45,622	43,776	-	-
Less: Accumulated Amortisation	(31,875)	(18,666)	-	-
	13,747	25,110	-	-
Leased Plant and Equipment				
At Capitalised Cost	110,081	59,581	-	-
Less: Accumulated Amortisation	(29,625)	(5,401)	-	-
	80,456	54,180	-	-
<b>Total Property, Plant &amp; Equipment</b>	<b>\$369,257</b>	<b>\$666,081</b>	<b>\$Nil</b>	<b>\$Nil</b>
<b>NOTE 12: OTHER ASSETS</b>				
<b>Current</b>				
Prepayments and Deposits	\$238,502	\$214,301	\$Nil	\$Nil
<b>Non-Current</b>				
Deferred Share Issue Expenses	-	4,582,180	-	4,582,180
Less: Accumulated Amortisation	-	(4,582,180)	-	(4,582,180)
Future Income Tax Benefits				
- attributable to timing differences	65,651	-	-	-
<b>Total Non-Current Other Assets</b>	<b>\$65,651</b>	<b>\$Nil</b>	<b>\$Nil</b>	<b>\$Nil</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 13: FINANCING ARRANGEMENTS</b>				
The Economic Entity has access to the following lines of credit:				
Total facilities available:				
Bank Overdraft	100,000	100,000	-	-
Commercial Bills	1,900,000	-	-	-
Joint Venture - Finance Loans	3,988,416	-	-	-
- Bank Loans	10,000,000	-	-	-
Bank Finance	50,000	-	-	-
Other	-	-	2,000,000	-
	\$16,038,416	\$100,000	\$2,000,000	\$Nil
Facilities utilised at balance date:				
Bank Overdraft	-	-	-	-
Commercial Bills	1,000,000	-	-	-
Joint Venture - Finance Loans	3,988,416	-	-	-
- Bank Loans	6,533,451	-	-	-
Bank Finance	48,800	-	-	-
Other	-	-	-	-
	\$11,570,667	\$Nil	\$Nil	\$Nil
Facilities not utilised at balance date:				
Bank Overdraft	100,000	100,000	-	-
Commercial Bills	900,000	-	-	-
Joint Venture - Finance Loans	-	-	-	-
- Bank Loans	3,466,549	-	-	-
Bank Finance	1,200	-	-	-
Other	-	-	2,000,000	-
	\$4,467,749	\$100,000	\$2,000,000	\$Nil

**Commercial Bills**

The commercial bills are secured by a registered mortgage over land.

**Bank Finance**

The bank finance funds are guaranteed against certain trade debtors and EFIC insurance.

**Joint Venture Bank Loans**

The bank loan is secured by registered mortgage over development properties, fixed and floating charges over assets and undertakings and guarantees by various companies and directors of the joint venturers and related parties.

**Joint Venture Finance Loans**

Subordinated fixed and floating charges over the assets and undertakings of two controlled entities of Sunland Group Limited and a first registered charge over 3,940,000 shares in Sunland Group Limited held by a director controlled entity.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 14: ACCOUNTS PAYABLE</b>				
<b>Current</b>				
Trade Creditors	780,077	1,115,134	-	579,783
Sundry Creditors and Accruals	237,867	378,288	40,450	17,665
Unearned Income	42,410	1,025,134	-	962,517
<b>Total Current Accounts Payable</b>	<b>\$1,060,354</b>	<b>\$2,518,556</b>	<b>\$40,450</b>	<b>\$1,559,965</b>
<b>Non-Current</b>				
Unearned Income	\$1,019,933	\$Nil	\$1,019,933	\$Nil
<b>NOTE 15: BORROWINGS</b>				
<b>Current</b>				
Commercial Bills (Note 13)	1,000,000	-	-	-
Bank Finance Facility (Note 13)	48,800	-	-	-
Lease Liability	19,986	14,491	-	-
Loans from Other Persons	1,771,494	693,879	947,219	-
Redemption Creditors	-	241,486	-	241,486
Loans from Wholly Owned Controlled Entities	-	-	1,158,570	1,167,040
<b>Total Current Borrowings</b>	<b>\$2,840,280</b>	<b>\$949,856</b>	<b>\$2,105,789</b>	<b>\$1,408,526</b>
<b>Non-Current</b>				
Bank Loans (Note 13)	6,533,451	-	6,533,451	-
Lease Liability	68,875	43,486	-	-
Loans from Other Persons	174,617	176,193	-	-
Loans from Partly Owned Controlled Entities	-	-	6,149,980	6,307,726
<b>Total Non-Current Borrowings</b>	<b>\$6,776,943</b>	<b>\$219,679</b>	<b>\$12,683,431</b>	<b>\$6,307,726</b>
<b>NOTE 16: PROVISIONS</b>				
<b>Current</b>				
Warranties	12,500	17,500	-	-
Employee Entitlements	155,924	76,368	-	-
Dividends	600,873	625,628	600,873	625,628
Taxation	403,487	-	-	-
<b>Total Current Provisions</b>	<b>\$1,172,784</b>	<b>\$719,496</b>	<b>\$600,873</b>	<b>\$625,628</b>
<b>Non-Current</b>				
Employee Entitlements	22,442	71,104	-	-
Deferred Income Tax - attributable to timing differences	73,777	-	-	-
<b>Total Non-Current Provisions</b>	<b>\$96,219</b>	<b>\$71,104</b>	<b>\$Nil</b>	<b>\$Nil</b>

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 17: SHARE CAPITAL</b>				
<b>17.1 Authorised Capital</b>				
250,000,000 Ordinary Shares of 20c each	50,000,000	50,000,000	50,000,000	50,000,000
2,000,000,000 Convertible Redeemable Preference Shares of 0.1c each	2,000,000	2,000,000	2,000,000	2,000,000
	\$52,000,000	\$52,000,000	\$52,000,000	\$52,000,000

**17.2 Issued Capital**

120,174,750 Ordinary Shares of 20c each, fully paid (1996: 125,125,500)	\$24,034,950	\$25,025,100	\$24,034,950	\$25,025,100
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On 21 February 1996 the Company commenced an on-market share buyback scheme. The initial scheme ended on 21 August 1996. A new scheme commenced on 12 December 1996 and ended on 12 June 1997. A further scheme commenced on 13 June 1997 which has yet to complete. A total of 4,950,750 (1996: 3,746,500) shares have been bought back under the Schemes.

Total consideration paid for the shares was \$1,151,428 (1996: \$681,364.80) at prices varying from 22c to 25c (1996: 18c to 19c) per share.

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>NOTE 18: RESERVES</b>				
Share Premium Reserve	5,472,116	5,633,395	5,461,121	5,622,400
Capital Profits Reserve	350,000	350,000	-	-
Foreign Currency Translation Reserve	348,562	338,347	-	-
	\$6,170,678	\$6,321,742	\$5,461,121	\$5,622,400

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 18: Reserves (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$
<b>Movements in Reserves:</b>				
Share Premium Reserve				
Balance at the beginning of the year	5,633,395	42,457,484	5,622,400	42,446,489
Less premium on share buy back	(161,279)	-	(161,279)	-
Less premium on preference shares redeemed during the year	-	(36,824,089)	-	(36,824,089)
<b>Balance at the end of the year</b>	<b>\$5,472,116</b>	<b>\$5,633,395</b>	<b>\$5,461,121</b>	<b>\$5,622,400</b>
Foreign Currency Translation Reserve				
Balance at the beginning of the year	338,347	323,602	-	-
Increment/(decrement) upon translation of subsidiaries' accounts denominated in foreign currencies	10,215	14,745	-	-
	<b>\$348,562</b>	<b>\$338,347</b>	<b>\$Nil</b>	<b>\$Nil</b>

**NOTE 19: CONTROLLED ENTITIES**

**19.1 Particulars in Relation to Controlled Entities**

The consolidated financial statements at 30 June 1997 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

Dividends of \$501,120 (1996: \$154,667) from Tetley Medical Limited and \$10,801 from CVC Waste Management Pty Limited were paid to the chief entity during the year.

All companies are incorporated in Australia except as follows;

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 19: Controlled Entities (Cont'd)**

	Interest Held		Carrying Amount Investment	
	1997	1996	1997	1996
	%	%	\$	\$
<hr/>				
Continental Venture Capital Limited				
<b>Controlled Entities:</b>				
Biomedical Systems Pty Limited	100	100	-	-
CVC Australian Pty Limited (formerly Continental Venture Enterprises Limited)	100	100	1	1
Head to Heart Pty Limited (formerly CVC Investments Pty Limited)	100	100	2	2
CVC Waste Management Pty Limited	100	100	-	-
Kingarrow Pty Limited	100	100	2	2
Kingrose Developments Pty Limited	51	51	-	-
Kingrose Development Trust	51	51	-	-
Geneva Truehand Plc	51	51	-	-
Campburn Pty Limited	100	100	60	60
Mosman Development Trust	50	50	5	5
CVC Capital Partners Pty Limited	100	100	2	2
CVC Pay TV Trust	100	100	-	-
Laserex Limited	98.67	98.66	5,016	5,016
CVC Communication and Technology Pty Ltd	98.67	98.66	-	-
Tetley Medical Limited	75.22	78	920,000	500,000
Tetley Research Pty Limited	75.22	78	-	-
Tetley Marketing Pty Limited	75.22	78	-	-
Tork Pty Limited	75.22	80	-	-
Laserex Inc	75	75	-	-
Laserex Technologies Pty Limited	75	75	-	-
Solatrol Australasia Pty Limited	100	100	-	-
Solatrol Inc	82	82	-	-

**19.2 Acquisition/Disposal of Controlled Entities**

The following controlled entities were acquired or disposed of during the financial year:

	Consideration	Net Tangible Assets at Date of Disposal	Economic Entity Profit/(Loss) on Disposal	Chief Entity's Interest
	\$	\$	\$	%
<b>Disposals</b>				
<b>1997</b>				
Solatrol Distribution Pty Limited	-	(88,179)	88,179	100
<b>1996</b>				
Solatrol Limited	-	-	-	100
Biomedical Holdings Ltd	-	-	-	100
Biomedical Systems Agencies Pty Ltd	-	-	-	100
Trentdale Investments Pty Ltd	-	-	-	70

The above companies were all deregistered during the year.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 19: Controlled Entities (Cont'd)**

	<b>Economic Entity</b>	
	<b>1997</b>	<b>1996</b>
	\$	\$
<b>19.3 Outside Equity Interests in Controlled Entities comprise:</b>		
Interest in retained profits at the beginning of the financial year	(7,759,310)	(16,931,306)
Interest in operating profit and extraordinary items after income tax	(8,027)	(13,742)
Interest in dividends provided or paid	152,212	45,504
Share of retained profits (losses) in controlled entities acquired / disposed of during the year.	(287,707)	9,140,234
Interest in retained profits (losses) at end of the financial year	(7,902,832)	(7,759,310)
Interest in share capital	8,048,888	7,958,134
Interest in reserves	279,247	276,046
Total outside equity interests	\$425,303	\$474,870

**NOTE 20: OPERATIONS BY SEGMENTS**

**20.1 Geographical Segments**

	<b>Australia</b>	<b>US</b>	<b>Economic</b>
	\$	\$	Entity
			\$
<b>1997:</b>			
Revenue from Customers Outside the Group	\$17,553,489	\$964,546	\$18,518,035
Segment Results	\$1,451,083	\$(436,828)	\$1,014,255
Segment Assets	\$49,469,945	\$986,490	\$50,456,435
<b>1996:</b>			
Revenue from Customers Outside the Group	\$24,836,563	\$1,961,187	\$26,797,750
Segment Results	\$6,208,387	\$(674,158)	\$5,534,229
Segment Assets	\$41,557,847	\$1,108,011	\$42,665,858



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 20: Operations By Segments (Cont'd)**

**20.2 Industrial Segments**

	<b>Medical</b>	<b>Investment and Venture Capital</b>	<b>Electronics</b>	<b>Property Development</b>	<b>Eliminations</b>	<b>Consolidated</b>
	\$	\$	\$	\$	\$	\$
<b>1997:</b>						
Revenue from Customers outside the Group	5,686,723	6,814,274	2,177,695	-	-	14,678,692
Intersegment Revenue	328,404	1,817,209	122,594	2,083,057	(511,921)	3,839,343
<b>Total Revenue</b>	<b>\$6,015,127</b>	<b>\$8,631,483</b>	<b>\$2,300,289</b>	<b>\$2,083,057</b>	<b>\$(511,921)</b>	<b>\$18,518,035</b>
Segment Result	\$844,535	\$1,139,299	\$(569,661)	\$866,918	\$ Nil	2,281,091
Unallocated Expense	-	-	-	-	-	(1,266,836)
						<b>\$1,014,255</b>
Segment Assets	\$3,357,133	\$12,803,392	\$787,613	\$33,508,297	\$Nil	\$50,456,435
<b>1996:</b>						
Revenue from Customers Outside the Group	4,701,110	14,178,116	3,937,142	3,981,382	-	26,797,750
Intersegment Revenue	-	346,382	-	-	(346,382)	-
<b>Total Revenue</b>	<b>\$4,701,110</b>	<b>\$14,524,498</b>	<b>\$3,937,142</b>	<b>\$3,981,382</b>	<b>\$(346,382)</b>	<b>\$26,797,750</b>
Segment Result	\$660,658	\$6,061,091	\$(110,759)	\$413,401	\$ Nil	7,024,391
Unallocated Expenses						(1,490,162)
						<b>\$5,534,229</b>
Segment Assets	\$2,151,715	\$30,440,452	\$1,612,734	\$8,460,957	\$ Nil	\$42,665,858

Inter - segment pricing is determined on an arms length basis

The Economic Entity operates predominantly in four industries as disclosed above. Medical operations comprise a) the manufacturing and sale of a Technegas Generator and associated consumables; b) distribution of radio pharmaceuticals; and c) royalties on biological cell lines. Property development comprise the provision of loans made to property development entities. Investment and venture 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.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 21: INVESTMENTS IN ASSOCIATED COMPANIES**

**Associated Companies**

Details of material interests in associated companies are as follows:

Name	Principal Activities	Class of Share	Ownership		Interest	
			Economic Entity		Chief Entity	
			1997 %	1996 %	1996 %	1995 %
Macarthur National Limited	Investment	Ord	27.02	23.7	7.42	5.08
Pacific Communications Holdings Limited	Electronic & Security	Ord	20.71	19.86*	18.86	19.86*

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

Name	Investment Carrying Amount				Dividends Received/Receivable			
	Economic Entity		Chief Entity		Economic Entity		Chief Entity	
	1997 \$	1996 \$	1997 \$	1996 \$	1997 \$	1996 \$	1997 \$	1996 \$
Macarthur National Limited	206,801	80,957	169,406	73,757	Nil	Nil	Nil	Nil
Pacific Communications Holdings Limited	881,594	826,546*	784,929	826,546*	47,025	221,017	47,025	221,017

\* Pacific Communications Holdings Limited was not classified as an associated entity in the prior year, although there was an ownership interest. The Economic Entity has exerted a 'significant influence' over the operations of that company and its controlled entities since January 1997.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 21: Investment in Associated Companies (Cont'd)**

	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>
<b>Equity Information</b>		
Investments in associated companies are accounted for on a cost basis in the Company accounts and 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.	162,708	260,848
Aggregate dividend revenue	(47,025)	(221,017)
	115,683	39,831
Aggregate share of retained profits at the beginning of the year	35,282	(4,549)
Aggregate share of retained profits not reflected in the investment carrying accounts	150,965	35,282
Aggregate carrying amount of investments in associated companies	1,088,395	907,503
Aggregate amount of investments in associated companies, as determined under the equity method of accounting	\$1,239,360	\$942,785

The comparative figures have been adjusted to include Pacific Communications Holdings Limited.

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>NOTE 22: STATEMENT OF CASH FLOWS</b>				
<b>22.1 Reconciliation of Cash</b>				
Cash Balance Comprises				
Cash on Hand	2,182,398	3,649,359	659,553	3,068,656
Cash on Deposit	7,573,012	15,776,852	2,521,259	7,636,437
	\$9,755,410	\$19,426,211	\$3,180,812	\$10,705,093

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 22: Statement of Cash Flows (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>22.2 Reconciliation of the Operating Profit After Tax to the Net Cash Flows from Operations</b>				
Operating Profit After Tax	1,014,255	5,534,229	842,214	4,051,142
Adjustments for non-cash income and expense items				
Depreciation and Amortisation of Property Plant and Equipment	190,190	204,020	-	-
Amortisation - Other	10,524	478,316	-	469,607
Loss on Sale/Writedown of Property, Plant & Equipment	233,617	24,180	-	-
Profit of Sale of Property, Plant & Equipment	(313)	(270,884)	-	-
Unrealised Profit/Loss on Short Term Investments	(250,625)	444,332	(419,111)	444,332
Write Down/Writeback of Investments	1,428	-	(420,000)	457,953
Write Down on Foreclosure of Net Assets of Controlled Entity	-	868,837	-	-
Profit on Disposal Short Term Investments	(738,689)	(1,001,267)	(650,768)	(997,910)
Loss on Disposal Short Term Investments	854,795	1,200,280	849,002	1,200,280
Profit on Share Buyback	-	(68,874)	-	(68,874)
Unrealised Exchange Losses	(20,246)	179,587	-	-
Bad and Doubtful Debts	79,634	39,727	-	-
Loan Provisions	1,189,970	457,228	1,179,545	545,928
Loan Writeoffs	124,812	-	4,222	133,269
Interest Expense not Paid/Interest Income not Received	(1,098,423)	-	(526,530)	-
Movement in Income Tax Provision	403,487	42,460	-	-
Movement in Deferred Tax	8,126	-	-	-
Other	17,220	-	-	(358)
Changes in Assets and Liabilities:				
Accrued Interest Receivable/Payable	-	(421,598)	-	(401,689)
Trade Receivables	81,874	238,021	(27,816)	3,750
Inventories	(10,571,608)	(1,202,603)	(9,248,085)	(2,633,791)
Trade Creditors	572,030	1,521,217	402,948	1,534,883
Provisions	34,240	(240,701)	-	-
Prepayments	(24,202)	(158,142)	-	-
<b>Net Cash Flows from Operating Activities</b>	<b>\$(7,887,904)</b>	<b>\$7,868,365</b>	<b>\$(8,014,379)</b>	<b>\$4,738,522</b>

**22.3 Financing Facilities** - Refer Note 13.

**22.4 Non Cash - Financing and Investing Activities**

During the financial year the chief entity sold several controlled entities to CVC Communication & Technology Pty Limited, a further controlled entity, consideration being a decrease in a loan receivable.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 23: 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, 1997 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 5.

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 1997. 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 \$1,155,899 (1996: \$1,255,872) 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 totalling \$784,853 (1996: \$619,173)

Royalties totaling \$7,960 (1996: \$10,602) 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 and Co-Tech Management Pty Limited. Royalties are based on 1% of receipted sales of Technegas generators.

Continental Venture Capital Limited ("CVC") has lent \$6,740,806 to The Legends Hotel Joint Venture of which it has a 50% interest. The balance of the interests in the Legends Hotel Joint Venture are held by Sunland Group Limited ("Sunland"). Mr Leaver is a director of CVC and Sunland. Mr Read is a director of CVC and secretary of Sunland. A provision of \$1,236,026 (1996: \$425,998) has been made against interest income earned but not received and due on completion of the development. Interest is payable at 11% per annum and capitalised 6 monthly. The balance at 30 June 1997 was \$7,976,832, before interest provisions.

CVC has lent funds to Sunland Southbank Pty Limited for the development of "Sun City Resort". The loan is guaranteed by Sunland. Mr Leaver is a director of CVC and Sunland. Mr Read is a director of CVC and secretary of Sunland. Interest is payable at 11% per annum and capitalised 6 monthly. A provision of \$379,933 has been made against interest income earned but not received and due on completion of the project. At 30 June 1997 the balance of this loan was \$4,579,933 before interest provisions.

CVC and CVC Communication & Technology Pty Limited ("CVC Communication") have lent funds to Raptis Group Limited. Mr Leaver was a director of Raptis Group Limited for part of the year from 1 July 1996 until his resignation on 23 October 1996. In the period 1 July 1996 to 23 October 1996 an amount of \$688,800 was advanced by CVC to Raptis Group Limited and \$456,258 was received by CVC as profit share on certain developments.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

Messrs Read and Gould are directors of Macarthur National Limited. Macarthur National Limited is a co-financier with the companies

**Note 23: Related Party Information (Cont'd)**

in several residential property developments managed by Raptis Group Limited. At 30 June 1997 the balances of these loans were \$4,275,793 (1996: \$2,011,140).

CVC Communication loaned \$6,000,000 to its ultimate parent entity, CVC in the prior year at 9% interest. At year end the loan totalled \$6,149,980 including capitalised interest. A further loan facility of \$2,000,000 has not been utilised at year end.

CVC Communication lent \$300,000 to Pacific Communications Pty Limited at an annualised interest rate of 15%-17% interest. The loan balance at year end totalled \$315,148 including capitalised interest. Mr Read is a director of CVC Communication, CVC and Pacific Communications Pty Limited. Pacific Communications Pty Ltd Limited is a controlled entity of Pacific Communications Holding Limited an associate of CVC.

CVC sold its 76.23% interest in its controlled entity, Tetley Medical Limited and controlled entities to CVC Communication for \$920,000 on 30 June 1997.

An advance of \$500,000 was made by CVC Communication to the Broadway Development Unit Trust for a residential property development. Broadway Development Pty Limited, a controlled entity of CVC Communication, is the trustee of the Broadway Development Unit Trust. Mr Read is a director of CVC and Broadway Development Pty Limited. Mrs Dyet is Company Secretary of both companies.

CVC and CVC Communication purchased shares in Sunland Group Limited, Macarthur National Limited and Pacific Communications Holdings Limited during the year. All purchases were made at market prices on the Australian Stock Exchange Limited. The directors of CVC and CVC Communication are director/secretaries of the above mentioned companies and all companies are related/ associates of CVC.

**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.

**Transfer of Tax Losses**

Tax losses were transferred from Solatrol Australasia Pty Limited, Kingarow Pty Limited and CVC Waste Management Pty Limited to Continental Venture Capital Limited, for nil consideration.

**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>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>
Receivables - Current (net of provisions)	\$784,275	\$663,879
Borrowings - Non - current	\$6,149,980	\$6,307,726

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

Interest revenue brought to account by the Company in relation to partly owned controlled entities was \$228,767 (1996: \$173,160).

**Note 23: Related Party Information (Cont'd)**

Interest capitalised by the Company, but not paid, in relation to partly controlled entities was \$892,698 (1996 - \$307,726).

*Dividends*

Dividends of \$501,120 (1996: \$154,666) were received by the Chief Entity from Tetley Medical Limited, a partly owned controlled entity.

**Wholly owned Controller Entities**

*Balances with Entities within the Wholly-Owned Group*

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

- \* Loans to Solatrol and Laserex economic entities, 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>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>
Receivables - Current	\$Nil	\$518,814
Borrowings - Current	\$1,158,570	\$1,167,040

Interest revenue brought to account by the Company in relation to loans to wholly owned controlled entities during the year was \$15,082 (1996: \$3,825,385).

*Dividends*

Dividends of \$10,801 were received by the Chief Entity from CVC Waste Management Pty Limited, a wholly owned controlled entity.

**Ownership Interests**

The ownership interests in related parties are set out in Note 19 (controlled entities), Note 21 (associated entities) and Note 28 (joint ventures).

**Directors' Shareholding**

The relevant interests of directors of the reporting entities and their director-related entities in shares of the entities within the economic entity at year end were as follows:

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 23: Related Party Information (Cont'd)**

	<b>Consolidated Number Held</b>			
	<b>1997 No.</b>	<b>1996 No.</b>	<b>Net Increase (Decrease)</b>	
<b>Continental Venture Capital Limited</b>				
Beneficially Held Ordinary Shares	354,616	-	354,616	*
Non-Beneficially Held Ordinary Shares	14,753,358	13,761,720	991,638	+
Total Ordinary Shares	15,107,974	13,761,720	1,346,254	

There are no outstanding share options in the Company.

\* Director appointed to the Company.

+ Director appointed to a 'director-related' entity

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	\$	\$	\$	\$

**NOTE 24: FOREIGN CURRENCY BALANCES**

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

**Denominated in United States Dollars:**

Current Receivables	\$86,351	\$248,926	\$Nil	\$Nil
Current Account Payable	\$373,758	\$76,294	\$Nil	\$Nil

**NOTE 25: COMMITMENTS**

**Capital Expenditure Commitments**

Contracted but not provided for and payable: not later than one year	\$3,105,125	\$5,199,981	\$932,781	\$5,199,981
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**Finance Lease Commitments**

Finance lease rentals are payable as follows: not later than one year	28,182	19,271	-	-
later than one year but not later than two years	27,996	12,140	-	-
later than two years but no later than five years	50,233	40,158	-	-
	\$106,411	\$71,569	\$Nil	\$Nil



**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**Note 25: Commitments (Cont'd)**

	<b>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Lease Liabilities</b>				
Current (Note 15)	19,986	14,491	-	-
Non-Current (Note 15)	68,875	43,486	-	-
Total Lease Liabilities	\$88,861	\$57,977	\$ Nil	\$Nil
Finance Lease Expenditure				
Not Provided in the Accounts	\$17,550	\$13,592	\$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.	5,728	120,225	-	-
later than one year but not later than two years	-	58,333	-	-
	\$5,728	\$178,558	\$Nil	\$Nil

**NOTE 26: 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.

**NOTE 27: CONTINGENT LIABILITIES**

The Company, has a 50% interest in the "Legends Hotel Joint Venture" as disclosed in Note 28. The Company is severably liable for its share of the liabilities incurred by the Joint Venture. As at 30 June 1997 the assets of the Joint Venture were sufficient to meet such liabilities.

On 24 June 1996 the Company entered into a Finance Agreement with Sunland Southbank Pty Limited and Sunland Group Limited, in respect of a residential property development known as "Sun City Resort". The Company shares in one eighth of the profits and losses of the Development.

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 what so ever 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.

The Company own 970,000 shares in Sunland Group Limited. These shares are subject to an agreement with Mr Soheil Abedian, Managing Director of Sunland Group Limited, or his nominee, 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.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 28: INTEREST IN JOINT VENTURE**

The Company holds an interest of 50% (1996 : 50%) in a joint venture, The Legends Hotel Joint Venture, whose principal activity is the development of a 403 room hotel on the Gold Coast , Queensland. For the year ended 30 June 1997 the joint venture did not contribute to the operating profit of the Company or the Economic Entity.

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>Economic Entity</b>		<b>Chief Entity</b>	
	<b>1997</b>	<b>1996</b>	<b>1997</b>	<b>1996</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>				
Cash	9,557	2,444,441	9,557	2,444,441
Receivables	-	47,470	-	47,470
<b>Total current assets</b>	<b>9,557</b>	<b>2,491,911</b>	<b>9,557</b>	<b>2,491,911</b>
<b>NON-CURRENT ASSETS</b>				
Inventories	12,428,915	2,633,791	12,428,915	2,633,791
Receivables	50,547	-	50,547	-
<b>Total non-current assets</b>	<b>12,479,462</b>	<b>2,633,791</b>	<b>12,479,462</b>	<b>2,633,791</b>
<b>Total Assets</b>	<b>\$12,489,019</b>	<b>\$5,125,702</b>	<b>\$12,489,019</b>	<b>\$5,125,702</b>
<b>CURRENT LIABILITIES</b>				
Accounts payable	-	1,542,300	-	1,542,300
Borrowings	947,219	3,583,402	947,219	3,583,402
<b>Total current liabilities</b>	<b>947,219</b>	<b>5,125,702</b>	<b>947,219</b>	<b>5,125,702</b>
<b>NON CURRENT LIABILITIES</b>				
Accounts payable	1,019,933	-	1,019,933	-
Borrowings	10,521,867	-	10,521,867	-
<b>Total non-current liabilities</b>	<b>11,541,800</b>	<b>-</b>	<b>11,541,800</b>	<b>-</b>
<b>Total Liabilities</b>	<b>\$12,489,019</b>	<b>\$5,125,702</b>	<b>\$12,489,019</b>	<b>\$5,125,702</b>

Refer Notes 25 and 27 for details of commitments and contingent liabilities.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**NOTE 29: EVENTS SUBSEQUENT TO BALANCE DATE**

In September 1997 Kingarrow Pty Limited, a wholly owned controlled entity of Continental Venture Capital Limited acquired 30% interest in Regatta Point Developments (No.2) Pty Limited, Regatta Point Pty Limited and Regatta Point Development Pty Limited. All entities had nil assets or liabilities at acquisition.

On 4 September 1997 CVC Communication & Technology Pty Limited purchased a 30% interest in The Regatta Point Unit Trust. The trustee of the Unit Trust is Regatta Point Pty Limited. Mr John Read is a director of the above companies. Mrs Dyet is a Secretary of the above companies. The Unit Trust has entered into a conditional contract for the purchase of land at Concord, Sydney, for the development of a multi stage residential development.

On 19 September 1997 CVC Communication & Technology Pty Limited entered into an agreement to purchase 2,150,000 ordinary shares in SkyePharma plc for a total consideration of £967,500 conditional on the terms and conditions of an Underwriting Agreement between SkyePharma plc and SBC Warburg, Dillon Read, underwriters.

The Company has brought back a 895,636 shares under the Company's on market share buyback scheme since 1 July 1997.

## STATEMENT BY DIRECTORS

1. In the opinion of the directors of Continental Venture Capital Limited:
  - a) the financial statements set out on pages 5 to 37 are drawn up so as to give a true and fair view of the results and cash flows for the financial year ended 30 June 1997, and the state of affairs at 30 June 1997, of the Company and the Economic Entity;
  - b) the consolidated accounts have been made out in accordance with Divisions, 4A and 4B of Part 3.6 of the Corporations Law; and
  - c) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.
2. The financial statements have been made out in accordance with applicable Accounting Standards and Urgent Issues Group Consensus Views.

Dated at Sydney this 25<sup>th</sup> day of September, 1997.

Signed in accordance with a resolution of the directors:

**VANDA RUSSELL GOULD**  
Director

**JOHN DOUGLAS READ**  
Director

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

## **Scope**

We have audited the financial statements of Continental Venture Capital Limited for the year ended June 30, 1997 consisting of the profit and loss accounts, balance sheets, statements of cash flows, accompanying notes, and the statement by directors as set out on pages 5 to 38. The financial statements comprise the accounts of Continental Venture Capital Limited, and the consolidated accounts of the economic entity comprising Continental Venture Capital Limited and the entities it controlled from time to time during the financial year and at year end. The Company's directors are responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements and the information they contain in order to express an opinion on them 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 statements are free of material misstatement. Our procedures included examination on a test basis of evidence supporting the amounts and other disclosures in the financial statements, 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 statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position and the results of their operations and cash flows.

We have not audited all the controlled entities, however we have received sufficient information and explanations concerning the controlled entities to enable us to form an opinion on the financial statements of the economic entity.

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

## **Audit Opinion**

In our opinion the financial statements of Continental Venture Capital Limited are properly drawn up:

- a) so as to give a true and fair view of:
  - i) the state of affairs of the Company and of the economic entity as at June 30, 1997 and of the results and cash flows of the Company and of the economic entity for the year ended on that date; and
  - ii) the other matters required by Division 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- b) in accordance with the provisions of the Corporations Law; and
- c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Dated at Sydney this 25th day of September , 1997.

GEERSEN & DRINKWATER  
CHARTERED ACCOUNTANTS

**RICHARD P. GEERSEN, F.C.A.**  
**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 on page of these financial statements.

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.

At all 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 5 to 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.

## ADDITIONAL INFORMATION

### 1. Distribution of Shareholders as at 19 September 1997:

Category (Size of Holding)	Number of Ordinary Shareholders
1 - 1,000	18
1,001 - 5,000	126
5,001 - 10,000	126
10,001 - 100,000	282
100,001 and over	99
	651

As at 19 September 1997, 30 shareholders held less than a marketable parcel.

### 2. The names of the substantial shareholders at 19 September, 1997 as advised to the Australian Stock Exchange Limited.

Shareholder	Number of Ordinary Shares in Which Interest Held
Penalton Limited	15,575,978
Joseph David Ross	15,101,044
John Scott Leaver	14,573,358
Vanda Russell Gould	13,852,974
John Douglas Read	13,761,720
CVC Investment Managers Pty Ltd	13,498,358
LJK Nominees Pty Limited	6,104,681
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	13.04
CVC Investment Managers Pty Limited	13,498,358	11.30
Abasus Investments Limited	6,256,000	5.23
Derin Brothers Properties Limited	6,123,200	5.13
LJK Nominees Pty Limited	6,104,681	5.11
LJK Investments Pty Limited	4,896,363	4.10
Bank of Industry & Commerce Limited	4,731,704	3.96
Southsea (Aust.) Limited	4,600,000	3.85
Garrett Properties Limited	4,400,000	3.68
Huang Xio Sheung Limited	4,000,000	3.35
Hua Wang Bank Berhard	3,000,000	2.51
Tifu Pty Limited	2,800,000	2.34
Mrs Lucille Ross	1,704,000	1.43
Indo-Suez Investments Pty Ltd	1,528,362	1.28
Kirman Traders Pty Ltd	1,500,000	1.26
Saltbush Nominees Pty Ltd	1,264,000	1.06
Dr Joseph David Ross	1,200,000	1.00
Pacific Securities Inc	1,200,000	1.00
Josa Investments Pty Limited	1,145,454	0.96
Mr Brian Sherman	1,073,860	0.90
	86,601,960	72.49%



The 20 largest shareholders held 72.49% of the shares of the Company.

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

Continental Venture Capital Limited's Articles of Association detail the voting rights of members. Article 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 19 September 1997 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	13,498,358
John S. Leaver	-	14,573,358
John D. Read	-	13,761,720
Paul G. Brazenor	- -	-

**CONTINENTAL VENTURE CAPITAL LIMITED**

A.C.N. 002 700 361

Incorporated in New South Wales

Registered Office: Level 40, 50 Bridge Street, Sydney, 2000.

**PROXY FORM**

I.....  
FULL NAME - BLOCK LETTERS

of.....

being a shareholder of Continental Venture Capital Limited

**SECTION A**      HEREBY APPOINT.....

of.....

or, failing him, the Chairman of the Meeting, as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on Tuesday, November 25 1997 at ten o'clock in the morning, or at any adjournment thereof. The proxy so appointed shall represent all my voting rights except those (if any) specified in B below.

**SECTION B**      and I further appoint.....

DO NOT      of.....  
complete  
unless you  
wish to  
appoint  
two proxies

as my proxy to vote for me and on my behalf at the said meeting or at any adjournment thereof.  
The proxy, appointed by this Section B shall represent my voting rights in respect of ..... shares.

My proxy is instructed to vote as indicated below. If no specific direction to vote is given the proxy holder may vote as he or she thinks fit or abstain from voting.

	First or Sole Proxy		Second Proxy	
	For	Against	Against	For
Resolution 1 Accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ....., 1997

.....  
Signature of Shareholder

.....  
Signature of Witness