

**SKANSEN HOLDINGS LIMITED  
AND ITS CONTROLLED ENTITIES  
(A.C.N. 060 199 082)**

**FINANCIAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 1999**

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## DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 1999

### DIRECTORS

The names and details of the directors of the company in office during the financial year and until the date of this report are:

**John Laurie (Chairman – Non-executive)** Mr Laurie was appointed Chairman of the company on 7 June 1999. Mr Laurie is a former senior executive of the CSR Group and director of related companies and is presently chairman of Pymont Raw Materials Pty Ltd, a Sydney based private construction, materials transportation and contracting company, as well as director of two private investment companies and Techstar Pty Ltd.

**Raymond Hartley (Non-executive)** Mr Hartley has been a director of the company from 21st October 1998, following the acquisition of the MRA Entertainment Group. Mr Hartley built the MRA Entertainment Group over a period of 10 years from a small home based business to one of Australia's leading distributors of CDs and Video cassettes with a staff of more than 50 people.

**Martin White (Non-executive)** Mr White was appointed a non-executive director of the company on 23 December 1999. Mr White has a commercial property background with extensive property management and leasing experience and is Brisbane based.

Mr Tony Gilding resigned as joint Managing Director of the company on 9 February 1999. Mr George Snow resigned as Chairman on 28 May 1999. Mr John Abernethy resigned as a non-executive Director of the company on 28 May 1999. Mr Alan Wahlhaus resigned as Finance Director on 7 June 1999.

Mr Jeremy Martineau was appointed as a non-executive Director of the company on 7 June 1999 and resigned on 23 December 1999.

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of the company were:

SKANSEN HOLDINGS LIMITED			
	Ordinary Shares Fully Paid	11% Preference Shares	Options over Ordinary Shares
J Laurie	102,800	-	-
R Hartley	16,036,791	-	-

### PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were wholesaling of giftware, calendars, confectionery, music compact discs and video cassettes.

### EARNINGS PER SHARE

CENTS

Basic earnings per share .....(12.8)

### DIVIDENDS

\$'000

Dividends paid in the year on preference shares .....192

**DIRECTORS' REPORT****REVIEW AND RESULTS OF OPERATIONS**

The consolidated entity's sales revenue increased 12% from \$33.0m for the 12 months ended 31 December 1998 to \$36.9m for the 12 months ended 31 December 1999. These sales were achieved by the Giftware division \$17.7m (1998: \$21.0m), the Confectionery division \$6.3m (1998: \$6.7m) and the Entertainment division \$12.9 (\$5.3m for the period from 2 September 1998 to 31 December 1998).

The consolidated entity's EBIT was a loss of \$3,401,000 (1998: Profit \$431,000). Net interest costs were \$231,000 and the consolidated entity incurred abnormal expenditure of \$2,092,000, resulting in a Loss Before Tax of \$5,724,000 (1998: Loss \$68,000). The abnormal expense relates to writing down goodwill associated with the acquisition of Mastertech Pty Ltd (\$1,000,000), relocation costs (\$229,000), executive termination payments (\$162,000), independent enquiry reports (\$221,000) and prior period adjustments (\$480,000).

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

On 9 February 1999 Mr Tony Gilding resigned as Joint Managing Director. On 22 September 1999 Mr Ray Hartley stood down as Managing Director and Mr Sam Bass was appointed Chief Executive Officer. On 7 June 1999 Mr Alan Wahlhaus resigned as Finance Director and on 15 June 1999 Mr Ian Therkelsen was appointed Group Finance Manager and Chief Finance Officer.

During the year the registered office and Head Office of Skansen Holdings Ltd was moved from the Giftware division's warehouse and offices at Mars Road, Lane Cove, New South Wales to MRA Entertainment's warehouse and offices at Dividend St, Mansfield, Queensland. The accounts departments for Giftware, Confectionery and MRA Entertainment have been merged from three separate units to one unit. The Confectionery division moved from separate premises at Hornsby, New South Wales to share the Giftware division site at Lane Cove.

The Confectionery Division lost its Trolli agency in circumstances which are still under investigation. A replacement supplier has been found together with a number of new suppliers of new products.

**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

1999 proved to be a difficult year. The company has a new board who have taken steps to rectify some of the fundamental weaknesses which had plagued the company in the past, and to take advantage of some of the synergies available as a result of the acquisition of MRA Entertainment. The directors foresee that these initiatives will start to bear fruit during 2000, and will be evidenced through lower costs, and a return to modest profits. In addition, the directors are actively considering new business opportunities which, if introduced, will significantly change the shape of the company.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The entity is not subject to any particular or significant environmental regulation.

**SHARE OPTIONS**

As at the date of this report, there were no unissued ordinary shares under options.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During or since the financial year, the company has paid premiums in respect of a contract insuring all of the directors and certain officers of Skansen Holdings Limited against costs incurred in defending proceedings for conduct involving:

- (a) a willful breach of duty; or
- (b) a contravention of Sections 232(5) or (6) of the Corporations Law, as permitted by section 241A(3) of the Corporations Law.

The company is bound by a confidentiality clause in its insurance policy not to disclose the insurance contract premiums.

## DIRECTORS' REPORT

### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial performance. All senior executives have the opportunity to qualify for participation in the Executive Bonus Scheme which currently provides cash and share option incentives where specified criteria are met including criteria relating to profitability. At 31 December 1999 there are no options issued under this scheme.

Details of the nature and amount of each element of the emolument of each director of the company and each of the five executive officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

### EMOLUMENTS OF DIRECTORS OF SKANSEN HOLDINGS LIMITED

	Annual Emoluments				Long Term Emoluments		
	Base Fee	Bonus	Other	Termination & similar payments	Option Grants	Super - annuation	Other
	\$	\$	\$	\$	\$	\$	\$
G. Snow	20,000	-	-	-	-	-	-
J. Abernethy	10,000	-	-	-	-	-	-
R. Hartley	149,512	-	-	-	-	6,854	-
A. Wahlhaus	62,765	-	-	-	-	3,024	-
A. Gilding	56,738	-	-	162,301	-	2,285	-
J Laurie	23,331	-	-	-	-	-	-
J. Martineau	8,750	-	-	-	-	-	-

### EMOLUMENTS OF THE FIVE MOST HIGHLY PAID EXECUTIVE OFFICERS OF THE COMPANY AND THE CONSOLIDATED ENTITY

	Annual Emoluments				Long Term Emoluments		
	Base Fee	Bonus	Other	Termination & similar payments	Option Grants	Super - annuation	Other
	\$	\$	\$	\$	\$	\$	\$
J. Tobias	134,617	-	-	-	-	6,854	-
A. Iacono	94,232	-	-	-	-	5,141	-
M Clowes	93,992	-	-	-	-	5,162	-
G Navratil	93,319	-	-	-	-	5,698	-
L Block	40,581	2,750	-	50,852	-	2,856	-

The terms "director" and "officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

**DIRECTORS' REPORT**

The category "other" includes the value of any non-cash benefits provided. There were no such benefits provided during the year.

Options granted to directors and any of the five most highly paid officers.

No options over unissued shares in Skansen Holdings Limited have been granted during or since the end of the year to any director and any of the 5 most highly remunerated officers of the company.

**DIRECTORS' MEETINGS**

During the twelve-month period, 17 directors' meetings, 1 audit committee meeting and 5 remuneration committee meetings were held. The number of meetings at which directors were in attendance is as follows:

	Directors' Meetings		Meetings of Committees			
	No. Held While in Office	Meetings Attended	Audit		Remuneration	
			No. Held While in Office	Meetings Attended	No. Held While in Office	Meetings Attended
G Snow	6	6	-	-	1	1
J Laurie	10	10	1	1	4	4
J. Abernethy	6	6	-	-	1	1
R. Hartley	17	16	1	1	-	-
J Martineau	10	10	-	-	4	4
M White	1	1	-	-	-	-
A. D. Wahlhaus	7	7	-	-	-	-
A.A. Gilding	1	1	-	-	-	-

As at the date of this report, the company had an Audit Committee and a Remuneration Committee of the Board of Directors. The members of the Audit Committee are Messrs J Laurie and R Hartley. The members of the Remuneration Committee are Messrs J Laurie and M White.

**ROUNDING**

The amounts contained in this report and in the financial statements have been rounded off under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

**CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Skansen Holdings Limited support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

Signed in accordance with a resolution of the directors.



J Laurie  
Chairman

Sydney, 9 March 2000

# PROFIT AND LOSS STATEMENT

YEAR ENDED 31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
OPERATING REVENUE	2	36,953	33,555	17,745	22,970
OPERATING (LOSS) / PROFIT BEFORE					
ABNORMAL ITEMS AND INCOME TAX	2	(3,632)	244	(3,628)	457
ABNORMAL ITEMS BEFORE INCOME TAX	3	(2,092)	(312)	(612)	(312)
OPERATING (LOSS) / PROFIT BEFORE INCOME TAX		(5,724)	(68)	(4,240)	145
INCOME TAX ATTRIBUTABLE TO OPERATING (LOSS) / PROFIT	4	(1,621)	120	(1,313)	(222)
OPERATING (LOSS) / PROFIT AFTER INCOME TAX attributable to members of Skansen Holdings Limited	5	(4,103)	(188)	(2,927)	367
ACCUMULATED LOSSES at the beginning of the financial year		(3,530)	(3,181)	(4,339)	(4,545)
TOTAL AVAILABLE FOR APPROPRIATION		(7,633)	(3,369)	(7,266)	(4,178)
DIVIDENDS PROVIDED FOR OR PAID	6	192	161	192	161
ACCUMULATED LOSSES at the end of the financial year		(7,825)	(3,530)	(7,458)	(4,339)

## BALANCE SHEET

AT 31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>					
Cash		3,077	2,253	1,519	1,062
Receivables	7	9,364	12,340	8,090	9,694
Inventories	8	4,041	6,531	2,070	3,245
Other	9	645	612	411	412
<b>TOTAL CURRENT ASSETS</b>		<b>17,127</b>	<b>21,736</b>	<b>12,090</b>	<b>14,413</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	10	16	311	16	311
Investments	11	-	-	6,675	6,675
Property, plant and equipment	12	1,655	1,127	785	328
Intangibles	13	2,297	3,570	57	75
Other	14	1,940	1,176	886	302
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,908</b>	<b>6,184</b>	<b>8,419</b>	<b>7,691</b>
<b>TOTAL ASSETS</b>		<b>23,035</b>	<b>27,920</b>	<b>20,509</b>	<b>22,104</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	15	5,872	7,164	4,351	3,073
Borrowings	16	6,168	5,292	6,119	5,175
Provisions	17	1,652	2,163	443	1,553
<b>TOTAL CURRENT LIABILITIES</b>		<b>13,692</b>	<b>14,619</b>	<b>10,913</b>	<b>9,801</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	18	519	89	453	-
Provisions	19	89	307	41	207
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>608</b>	<b>396</b>	<b>494</b>	<b>207</b>
<b>TOTAL LIABILITIES</b>		<b>14,300</b>	<b>15,015</b>	<b>11,407</b>	<b>10,008</b>
<b>NET ASSETS</b>		<b>8,735</b>	<b>12,905</b>	<b>9,102</b>	<b>12,096</b>
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	20	16,560	16,435	16,560	16,435
Accumulated losses		(7,825)	(3,530)	(7,458)	(4,339)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>8,735</b>	<b>12,905</b>	<b>9,102</b>	<b>12,096</b>

## STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers		40,036	28,589	18,793	22,014
Payments to suppliers and employees		(39,177)	(27,871)	(18,806)	(19,888)
Interest received		14	-	13	-
Interest and other costs of finance paid		(315)	(187)	(297)	(181)
Income tax refunded / (paid)		148	(140)	71	(443)
NET CASH FLOWS FROM/(USED IN)					
OPERATING ACTIVITIES	21	706	391	(226)	1,502
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of property, plant and equipment		(405)	(49)	(139)	(58)
Proceeds from sale of property, plant and equipment		58	7	-	1
Acquisition of licence		-	(88)	-	(88)
Acquisition of masters		(180)	(69)	-	-
Acquisition costs		-	(255)	-	(254)
Cash received on purchase of controlled entity		-	4	-	-
NET CASH FLOWS USED IN					
INVESTING ACTIVITIES		(527)	(450)	(139)	(399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Cash proceeds issue of shares		425	925	425	925
Finance lease principal paid		(358)	(27)	(181)	-
Advances-related parties		-	66	-	(2,468)
Borrowings-other		770	1,500	770	1,500
Dividends paid		(192)	(493)	(192)	(331)
NET CASH FLOWS FROM/(USED IN)					
FINANCING ACTIVITIES		645	1,971	822	(374)
NET INCREASE IN CASH HELD		824	1,912	457	729
Add opening cash brought forward		2,253	341	1,062	333
CLOSING CASH CARRIED FORWARD	21	3,077	2,253	1,519	1,062

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1999

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

The financial statements have been prepared in accordance with the historical cost convention. The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Law which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to deferred product development costs which are now expensed as incurred rather than deferred and amortised. The effect of the revised policy is not significant.

### **Principles of consolidation**

The consolidated accounts are those of the economic entity, comprising Skansen Holdings Limited (the parent entity) and all entities which Skansen Holdings controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

Financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### **Foreign currencies**

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year. Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are brought to account in determining the profit or loss for the financial year. Refer to note 31 (a) for the accounting policy related to specific hedges.

### **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.

### **Inventories**

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is assigned on an average cost basis and includes expenditure incurred in acquiring the stock.

Net realisable value is the estimated proceeds of sale less, where applicable, all costs to be incurred in marketing and distribution to customers.

### **Recoverable Amount**

Non-current assets are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining the recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

## NOTES continued

31 DECEMBER 1999

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

#### Property, plant and equipment

##### *Cost and valuation*

Items of property, plant and equipment are carried at cost.

##### *Depreciation*

Depreciation is provided on a straight line basis on all property, plant and equipment, other than freehold land.

Major depreciation periods are:	1999	1998
● Leasehold improvements:	the lease term	the lease term
● Plant and equipment:	5 to 15 years	5 to 15 years

#### Intangibles

##### *Goodwill*

Goodwill is recorded initially at the amount by which the purchase price for a business or for shares in a controlled entity exceeds the fair value of the net tangible assets at the date of acquisition. Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is taken as being up to 10 years (1998: 20 years).

At 30 June 1999 the carrying amount of the remaining goodwill balance was reviewed and as a result an additional amortisation charge of \$1,000,000 was recorded during the period.

#### Income Tax

The entity has adopted the liability method of income tax effect accounting. Income tax expense shown in the profit and loss account is calculated on the operating result before tax, adjusted for items which, due to treatment under income tax legislation, create permanent differences between accounting profit and taxable income.

Future income tax benefits represent the expected future tax effect of timing differences which occur when items of expenditure are included in the determination of accounting profit in periods different to the periods in which those items are allowable for income tax purposes.

The net future income tax benefit relating to timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

#### Income recognition

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

##### *Sale of Goods*

Control of the goods has passed to the buyer.

##### *Interest*

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

#### Employee entitlements

Provision is made for long service leave and annual leave estimated to be payable to employees on the basis of statutory and contractual entitlements. The contributions made to superannuation funds are charged against profits.

**Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

*Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

*Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

**Earnings Per Share**

Basic earnings per share is determined by dividing the operating result after tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is determined by dividing the operating result after tax adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year.

**Financial Instruments**

Refer to note 31 (a) for accounting policies related to financial instruments.

## NOTES continued

31 DECEMBER 1999

	CONSOLIDATED		SKANSEN HOLDINGS LTD	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
	\$'000	\$'000	\$'000	\$'000
<b>2. OPERATING RESULT</b>				
The operating result before income tax is arrived at after charging/(crediting) the following items:				
Amortisation of non-current assets				
Goodwill	273	256	18	199
Leasehold improvements	118	-	116	-
Other non-current assets	62	5	-	-
Plant and equipment under lease	129	8	83	-
	<b>582</b>	<b>269</b>	<b>217</b>	<b>199</b>
Depreciation of non-current assets				
Plant and equipment	467	318	291	291
Bad and doubtful debts				
Trade debtors - other persons	358	18	221	93
Decrement in value of inventories				
	-	447	-	191
Borrowing costs expensed				
Interest expense - other persons/corporations	245	181	245	181
Other borrowing costs				
Finance charges - lease liability	70	7	52	-
	<b>315</b>	<b>188</b>	<b>297</b>	<b>181</b>
Net (profit) / loss on disposal of property, plant and equipment				
	(1)	3	-	3
Rental - operating leases				
	823	447	416	213
Net foreign currency (gains) / losses				
	(3)	48	(14)	57
Other provisions				
Provision for employee entitlements	152	84	137	34
Included in the operating result are the following items of operating revenue:				
Sales revenue	36,885	32,968	17,732	21,032
Interest - other persons / corporations	14	-	13	-
Royalties received	42	9	-	-
Dividends - controlled entities	-	-	-	1,500
Sundry income	12	578	-	438
Operating revenue	<b>36,953</b>	<b>33,555</b>	<b>17,745</b>	<b>22,970</b>

## NOTES continued

31 DECEMBER 1999

	CONSOLIDATED		SKANSEN HOLDINGS LTD	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
	\$'000	\$'000	\$'000	\$'000
<b>3. ABNORMAL ITEMS</b>				
Included in the operating result are the following abnormal items:				
<b>Items charged</b>				
Write down in the value of goodwill arising on the acquisition of the Mastertech Pty Ltd	1,000	-	-	-
Applicable income tax	-	-	-	-
	<b>1,000</b>	-	-	-
Relocation costs	229	-	229	-
Applicable income tax	(82)	-	(82)	-
	<b>147</b>	-	<b>147</b>	-
Executive termination payments	162	-	162	-
Applicable income tax	(58)	-	(58)	-
	<b>104</b>	-	<b>104</b>	-
Costs of independent enquiries	221	-	221	-
Applicable income tax	(79)	-	(79)	-
	<b>142</b>	-	<b>142</b>	-
Expense adjustments arising from prior period items of MRA Entertainment Group Pty Ltd	645	-	-	-
Applicable income tax	(232)	-	-	-
	<b>413</b>	-	-	-
Write-off of goodwill in relation to Voicecard business	-	114	-	114
Applicable income tax	-	-	-	-
	-	<b>114</b>	-	<b>114</b>
Write-off of excess calendar inventory	-	198	-	198
Applicable income tax	-	(71)	-	(71)
	-	<b>127</b>	-	<b>127</b>
<b>Items credited</b>				
Revenue adjustment in relation to prior period items of MRA Entertainment Group Pty Ltd	165	-	-	-
Applicable income tax	(59)	-	-	-
	<b>106</b>	-	-	-
Total net abnormal items charged before applicable income tax	<b>2,092</b>	<b>312</b>	<b>612</b>	<b>312</b>

## NOTES continued

31 DECEMBER 1999

## 4. INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation, on operating result differs from the income tax provided in the accounts as follows:

Prima facie tax on operating (loss) / profit

Tax effect of permanent differences

Amortisation of goodwill

Non-deductible expenses

Tax losses recouped previously not brought to account

Tax losses transferred to controlled entity

Rebateable dividends received from controlled entity

Other items (net)

Income tax expense attributable to operating result

## 5. CONTRIBUTIONS TO OPERATING RESULT

Skansen Holdings Limited

Sweetring Imports Pty Ltd

Mastertech Pty Ltd Consolidated Group

MRA International Pty Ltd

Amortisation and write-off of goodwill on consolidation

	CONSOLIDATED		SKANSEN HOLDINGS LTD	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
	\$'000	\$'000	\$'000	\$'000
Prima facie tax on operating (loss) / profit	(2,060)	(24)	(1,526)	52
Tax effect of permanent differences				
Amortisation of goodwill	458	94	5	72
Non-deductible expenses	-	8	-	6
Tax losses recouped previously not brought to account	-	(58)	-	(58)
Tax losses transferred to controlled entity	-	-	208	145
Rebateable dividends received from controlled entity	-	-	-	(540)
Other items (net)	(19)	100	-	101
Income tax expense attributable to operating result	(1,621)	120	(1,313)	(222)
5. CONTRIBUTIONS TO OPERATING RESULT				
Skansen Holdings Limited	(2,927)	(1,133)	-	-
Sweetring Imports Pty Ltd	242	637	-	-
Mastertech Pty Ltd Consolidated Group	(211)	364	-	-
MRA International Pty Ltd	48	-	-	-
Amortisation and write-off of goodwill on consolidation	(1,255)	(56)	-	-
	(4,103)	(188)	-	-

## NOTES continued

31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>6. DIVIDENDS PAID OR PROVIDED FOR</b>					
Dividends paid during the year					
Franked dividends - preference		192	161	192	161
The tax rate at which dividends have or will be franked is 36% (1998: 36%)					
The amount of franking credits available for the subsequent financial year are:					
– franking account balance as at the end of the financial year		1,641	1,436	926	1,368
– franking debits that will arise from the payment of dividends as at the end of the financial year		(9)	-	(9)	-
– franking debits that will arise from the receipt of income tax refundable as at the end of the financial year		-	(249)	-	-
		1,632	1,187	917	1,368
<b>7. RECEIVABLES (CURRENT)</b>					
Trade debtors	7(b)	9,571	12,274	5,449	7,099
Provision for doubtful debts	7(a)	(402)	(177)	(250)	(150)
		9,169	12,097	5,199	6,949
Other debtors		8	225	10	211
Loan controlled entity (wholly owned)		-	-	2,881	1,034
Director related entities		187	18	-	-
Dividend receivable - controlled entity (wholly owned)		-	-	-	1,500
		9,364	12,340	8,090	9,694
(a) Movement in provision for doubtful debts					
– balance at beginning of year		(177)	(237)	(150)	(222)
– bad debts previously provided for written-off during the year		133	196	121	165
– bad and doubtful debts provided for during the year		(358)	(136)	(221)	(93)
– balance at end of year		(402)	(177)	(250)	(150)
(b) Australian dollar equivalent of amounts receivable in foreign currencies not effectively hedged:					
New Zealand dollars		348	722	348	722

## NOTES continued

31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>8. INVENTORIES (CURRENT)</b>					
Finished goods					
At cost		5,120	7,649	2,686	3,824
Provision for diminution in value		(1,079)	(1,118)	(616)	(579)
Total inventories at lower of cost and net realisable value		4,041	6,531	2,070	3,245
<b>9. OTHER CURRENT ASSETS</b>					
Deferred product development costs	1	-	128	-	128
Prepayments/other		645	484	411	284
		645	612	411	412
<b>10. RECEIVABLES (NON-CURRENT)</b>					
Related parties					
– Loans to Employee Share Trust	31	16	311	16	311
<b>11. INVESTMENTS (NON-CURRENT)</b>					
<b>Investments at cost comprise:</b>					
Shares					
Controlled entities					
Unlisted shares	11(a)	-	-	6,675	6,675
Total investments in balance sheet		-	-	6,675	6,675
<b>(a) Investment in controlled entities</b>					
Name	Country of incorporation	Percentage of equity interest held by the consolidated entity			
		1999	1998		
		%	%		
Sweet Ring Imports Pty Ltd	Aust				
– ordinary shares		100	100	621	621
Mastertech Pty Ltd	Aust				
– ordinary shares		100	100	6,054	6,054
MRA International Pty Ltd	Aust				
– ordinary shares		100	100	-	-
MRA Entertainment Group Pty Ltd	Aust				
– ordinary shares		100	100	-	-
Total Video Services Pty Ltd	Aust				
– ordinary shares		100	100	-	-
				6,675	6,675

31 DECEMBER 1999

	CONSOLIDATED		SKANSEN HOLDINGS LTD	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
	\$'000	\$'000	\$'000	\$'000
<b>12. PROPERTY PLANT &amp; EQUIPMENT</b>				
Leasehold improvements				
At cost	497	263	487	263
Provision for amortisation	(118)	(263)	(116)	(263)
	379	-	371	-
Plant and equipment				
At cost	2,451	2,462	1,454	1,664
Provision for depreciation	(1,591)	(1,491)	(1,261)	(1,336)
	860	971	193	328
Plant and equipment under lease				
At cost	580	164	328	-
Provision for amortisation	(164)	(8)	(107)	-
	416	156	221	-
Total Plant and equipment	1,276	1,127	414	328
Total Property, plant and equipment				
Cost	3,527	2,888	2,269	1,927
Provision for depreciation and amortisation	(1,872)	(1,761)	(1,484)	(1,599)
Total written down value	1,655	1,127	785	328
<b>13. INTANGIBLES</b>				
Goodwill	3,643	3,643	88	88
Provision for amortisation	(1,346)	(73)	(31)	(13)
	2,297	3,570	57	75
<b>14. OTHER NON-CURRENT ASSETS</b>				
Audio and video masters	624	444	-	-
Provision for amortisation	(67)	(5)	-	-
	557	439	-	-
Future income tax benefit	1,383	737	886	302
	1,940	1,176	886	302
(a) The future income tax benefit of the consolidated entity includes \$484,000 (1998: nil) of tax losses carried forward. The future income tax benefit of the chief entity includes \$484,000 (1998: nil) of tax losses carried forward.				

## NOTES continued

31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>15. ACCOUNTS PAYABLE (CURRENT)</b>					
Trade creditors		5,872	7,164	2,731	2,536
Amounts other than trade debts payable to:					
Wholly-owned group		-	-	1,620	537
- controlled entity	5,872	7,164	4,351	3,073	
<b>16. BORROWINGS (CURRENT)</b>					
Lease liability	16(a), 22	223	117	174	-
Borrowings secured by mortgage	16(b)				
- refinanced letters of credit		1,195	975	1,195	975
- bank bills		4,750	4,200	4,750	4,200
		6,168	5,292	6,119	5,175
(a) Secured lease liability - finance lease		223	117	174	-
The lease liability is secured by a charge over the leased assets.					
(b) The refinanced letters of credit, bank bills and bank overdrafts are secured by first mortgage over the whole of the group's assets including goodwill and uncalled capital and called capital.					
<b>17. PROVISIONS (CURRENT)</b>					
Taxation		327	847	-	451
Employee entitlements	23	385	498	203	319
Other		940	818	240	783
		1,652	2,163	443	1,553
<b>18. BORROWINGS (NON-CURRENT)</b>					
Lease liability	16(a),22	519	89	453	-
(a) Secured lease liability – finance lease		519	89	453	-
The lease liability is secured by a charge over the leased assets.					

31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD	
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$'000	\$'000	\$'000	\$'000
<b>19. PROVISIONS (NON-CURRENT)</b>					
Employee entitlements	23	89	-	41	-
Deferred income tax liability		-	307	-	207
		<b>89</b>	<b>307</b>	<b>41</b>	<b>207</b>
<b>20. SHARE CAPITAL</b>					
Issued and paid up capital					
- 33,175,192 ordinary shares fully paid (1998: 32,775,192)		14,810	14,685	14,810	14,685
- 2,692,308 converting preference shares fully paid (1998: 2,692,308)		1,750	1,750	1,750	1,750
		<b>16,560</b>	<b>16,435</b>	<b>16,560</b>	<b>16,435</b>

**Shares movements during the year**

On 9 February 1999 1,000,000 ordinary shares of 42.5 cents each were issued to parties associated with the vendors of Mastertech Pty Ltd.

On 10 August 1999 600,000 ordinary shares of 50 cents each were cancelled in accordance with a special resolution dated 28 May 1999.

**Skansen Employees Share Incentive Plan**

The entity established an employee share scheme known as the Skansen Employees Share Incentive Plan on 30 June 1993. These shares are held on trust for the employee from the date of allotment. Dividends declared and paid by the company in respect of the shares are paid to the Trustee and credited:

- a) to interest owing (if any) by the employee on the balance of the subscription price;
- b) at the discretion of the Trustee, in settlement of the unpaid portion of the subscription price.

Skansen Holdings Ltd have recorded an interest free loan receivable from the Trust equal to the number of shares issued under the scheme at the relevant subscription price.

Employees selected by Directors are eligible to participate in the plan. The subscription price is the greater of the par value of a share at the time the Plan was established (\$0.20), the value determined by the board of directors or in the case of issued shares purchased by the trustee for the benefit of the employees, a price determined by the board of directors which is not less than the price at which each share was acquired by the trustee.

Total shares on issue under the plan at 31 December 1999 were 154,000. Of these shares, one employee is entitled to acquire 10,000 shares.

The market value of shares of Skansen Holdings Ltd at 31 December 1999 was \$0.13.

## NOTES continued

31 DECEMBER 1999

## 21. STATEMENT OF CASH FLOWS

a) Reconciliation of the operating result after tax to the net cash flows from operations

	CONSOLIDATED		SKANSEN HOLDINGS LTD	
	31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
	\$'000	\$'000	\$'000	\$'000
– Operating (loss)/profit after tax	(4,103)	(188)	(2,927)	367
– Depreciation of non-current assets	467	326	291	291
– Amortisation of non-current assets	1,582	261	217	199
– Provision movements	98	3,085	(618)	2,067
– Net (profit)/loss on disposal of property, plant and equipment	(1)	3	-	3

## Changes in assets and liabilities

– Trade receivables	2,976	(5,008)	1,604	(3,410)
– Inventory	2,490	504	1,175	1,046
– Trade and other creditors	(1,292)	1,591	1,278	1,134
– Tax provision	(520)	155	(451)	(158)
– Deferred income tax liability	(307)	(13)	(207)	(73)
– Future income tax benefit	(646)	(159)	(584)	10
– Prepayments	(33)	(130)	1	31
– Other receivables	(5)	(36)	(5)	(5)
– Net cash flow from (used in) operating activities	706	391	(226)	1,502

(b) Cash balance comprises:

– Reconciliation of cash				
– cash on hand	3,077	2,253	1,519	1,062

(c) The consolidated entity and the chief entity have bank overdraft/bank bills/letter of credit facility available to the extent of \$7,250,000 (1998 \$7,200,000) as at the year end.

(d) Non-Cash Financing and Investing Activities  
During the year the consolidated entity acquired plant and equipment with an aggregate fair value of \$323,000 and leasehold improvements of \$408,000. The chief entity acquired plant and equipment with an aggregate fair value of \$274,000 and leasehold improvements of \$408,000.

31 DECEMBER 1999	Notes	CONSOLIDATED		SKANSEN HOLDINGS LTD		
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998	
		\$'000	\$'000	\$'000	\$'000	
<b>22. EXPENDITURE COMMITMENTS</b>						
(a) Lease expenditure commitments						
(i) Operating leases (non-cancellable)						
-		not later than one year	634	236	382	66
-		later than one year and not later than five years	1,592	394	1,109	7
-		later than five years	3	-	-	-
-		aggregate lease expenditure contracted for at balance date				
			<b>2,229</b>	<b>630</b>	<b>1,491</b>	<b>73</b>
Operating leases at the balance date have an average term of 3 years. Assets which are the subject of operating leases are buildings, items of small machinery and office furniture.						
(ii) Finance leases						
-		not later than one year	278	126	221	-
-		later than one year and not later than five years	570	96	500	-
-		total minimum lease payments	848	222	721	-
-		future finance charges	(106)	(16)	(94)	-
-		lease liability	742	206	627	-
-	16	current liability	223	117	174	-
-	18	non-current liability	519	89	453	-
			<b>742</b>	<b>206</b>	<b>627</b>	<b>-</b>
Refer to note 31 (a) for a general description of finance leases.						
<b>23. EMPLOYEE ENTITLEMENTS</b>						
<b>Employee Entitlements</b>						
The aggregate employee entitlement liability is comprised of:						
		Accrued salaries, wages and on-costs	15	-	3	-
		Provisions (current)	385	498	203	319
		Provisions (non-current)	89	-	41	-
			<b>489</b>	<b>498</b>	<b>247</b>	<b>319</b>
<b>24. CONTINGENT LIABILITIES</b>						
The directors are not aware of contingent liabilities existing at balance date nor at the date of signature of the financial report.						

## NOTES continued

31 DECEMBER 1999

## 25. EARNINGS PER SHARE

	1999	1998
(a) Basic earnings per share (cents per share)	(12.8)	(0.9)
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	33,442,589	20,290,260
(c) Diluted earnings per share has not been disclosed due to the company making a loss in the year, the effect of the potential ordinary shares is not dilutive.		
(d) There have been no conversions, calls, subscription or issues after 31 December 1999.		

## 26. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Skansen Holdings Limited, directly or indirectly, from the entity or any related party:

The number of directors Skansen Holdings Limited whose income (including superannuation contributions) falls within the following bands is:

	1999	1998
\$0 – \$9,999	2	2
\$10,000 – \$19,999	1	1
\$20,000 – \$29,999	2	1
\$30,000 – \$39,999	-	1
\$60,000 – \$69,999	1	-
\$150,000 – \$159,999	1	1
\$170,000 – \$179,999	-	1
\$220,000 – \$229,999	1	-

In the opinion of directors, remuneration paid to directors is considered reasonable.

CONSOLIDATED		SKANSEN HOLDINGS LTD	
31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
\$	\$	\$	\$
505,560	414,712		
		505,560	414,712

31 DECEMBER 1999

		CONSOLIDATED		SKANSEN HOLDINGS LTD	
		12 Months Ended	12 Months Ended	12 Months Ended	12 Months Ended
		31 Dec 1999	31 Dec 1998	31 Dec 1999	31 Dec 1998
		\$	\$	\$	\$
<b>27. REMUNERATION OF EXECUTIVES</b>					
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise:					
		519,162	899,895		
Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any related party, whether as an executive officer or otherwise:					
				519,162	899,895
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:					
		Consolidated entity		Skansen Holdings Limited	
		1999	1998	1999	1998
\$100,000 –	\$109,999	-	2	-	2
\$110,000 –	\$119,999	-	1	-	1
\$120,000 –	\$129,999	-	2	-	2
\$140,000 –	\$149,999	1	-	1	-
\$150,000 –	\$159,999	1	1	1	1
\$170,000 –	\$179,999	-	1	-	1
\$220,000 –	\$229,999	1	-	1	-
In the opinion of directors, remuneration paid to executives is considered reasonable.					
<b>28. AUDITORS' REMUNERATION</b>					
Amounts received or due and receivable by the auditors of Skansen Holdings Limited for:					
-	an audit or review of the financial report of the entity and any other entity in the consolidated entity	118,000	49,000	75,000	49,000
-	other services in relation to the entity and any other entity in the consolidated entity	-	22,000	-	22,000
		118,000	71,000	75,000	71,000

## NOTES continued

31 DECEMBER 1999

## 29. RELATED PARTY DISCLOSURES

(a) The directors of Skansen Holdings Limited during the financial year were:

J Laurie (appointed 7 June 1999)  
 M White (appointed 23 December 1999)  
 R Hartley  
 J J Martineau (appointed 7 June 1999, resigned 23 December 1999)  
 G Snow (resigned 28 May 1999)  
 A A Gilding (resigned 9 February 1999)  
 A D Wahlhaus (resigned 7 June 1999)  
 J Abernethy (resigned 28 May 1999)

(b) The following related party transactions occurred during the financial year.  
All were on normal commercial terms and conditions unless stated otherwise:(i) *Transactions with related parties in wholly-owned group*

1. Sales made under normal commercial terms and conditions were made within the group.
2. Loans made by Skansen Holdings Limited to controlled entities (wholly-owned) repayable on demand.
3. Accounts payable balances existed at 31 December 1999 between Skansen Holdings Limited & controlled entities arising from expenses paid by one entity on behalf of another rather than trading.

(ii) *Transactions with director-related entities*

In respect of companies of which Mr R Hartley is a director, the following transactions occurred:

1. Rentals totaling \$250,938 (1998: \$78,701 representing 4 months) were paid or payable to Hartley Group Pty Ltd for the lease of premises at 3-5 Dividend Street, Mansfield, Queensland.
2. At 31 December 1999 a sundry debtors balance of \$178,798 (1998: \$18,722) was payable to MRA Entertainment Pty Ltd from Retail Express Pty Ltd (formerly MRA Group Pty Ltd).
3. Sales of \$9,063 (1998: \$nil) were made to Hartrade Pty Ltd and this balance remains outstanding at the balance date.
4. Skansen Holdings is holding funds of \$85,245 (1998: Nil) on behalf of the Hartley Group Pty Ltd.

(c) Skansen Holdings Limited is the ultimate parent entity.

(d) Equity instruments of directors

(i) Interests in the equity instruments of entities in the consolidated entity held by directors of the reporting entity and their director-related entities at balance date, being the number of instruments held:

	Ordinary Shares Fully Paid	
	1999	1998
J Laurie	102,800	-
R. Hartley	16,036,791	15,359,676

None of the directors held an interest in preference shares or options over ordinary shares.

During the year the directors acquired 475,588 ordinary shares. They transferred 470,588 ordinary shares to director related entities. Director related entities acquired 1,032,268 ordinary shares and transferred 255,353 ordinary shares between director related entities. The directors have released control or significant influence over an entity which holds 2000 ordinary shares.

## 30. SEGMENT INFORMATION

## (a) Industry Segment

The consolidated entity operates in the wholesale and retail distribution industry.

## (b) Geographical Segment

The consolidated entity operates predominantly within Australia.

## 31. FINANCIAL INSTRUMENTS

## 31(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Balance Sheet	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>			
Receivables – trade	7	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Credit sales are normally on 30 day terms. Trade debtors are not charged interest.
Other debtors	7	Other debtors are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable.	Other debtors are on various terms and are not charged interest.
Loan Skansen Employees Share Trust	10	The loan to the trust is carried at the nominal amount due. The amount represents monies loaned to the trust and amounts paid on behalf of the trust.	There is no due date for settlement of the amount. Interest is not charged on the loan.
<i>(ii) Financial liabilities</i>			
Bank overdrafts	16	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's base lending rate plus a margin. A set-off facility is in place. Details of the security over the bank overdrafts is set out in note 16(b).
Refinanced letters of credit	16	Refinanced letters of credit are carried at the principal amount. When denominated in a foreign currency they are restated using the spot rate at the balance sheet date.	Interest is charged at the bank's standard rates. Details of the security over the refinanced letters of credit is set out in note 16(b).
Bills of exchange	16	Bills of exchange are carried at the principal amount.	Bills of exchange have an average maturity of 44 days with effective interest rates of 4.95% to 5.93%. Details of the security over the bills of exchange is set out in note 16(b).
Trade creditors and accruals	15	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.
Finance lease liability	16, 18	The lease liability is accounted for in accordance with AASB 1008.	As at balance date, the consolidated entity had finance leases with an average lease term of 3.7 years. The average discount rate implicit in the leases is 8.9%, (1998: 11.87). The security over finance leases is disclosed in notes 16(a) and 18(a).
Dividends payable	17	Ordinary dividends payable are recognised when declared by the company. Preference dividends payable are recognised as a charge against equity as they accrue.	An ordinary dividend has not been paid or declared during the year (1998: Nil). Non-cumulative dividends are payable on the preference shares twice yearly at a rate of 11% p.a. The extent to which the dividends are franked, details of the franking account balance at balance date and franking credits available for subsequent financial years are disclosed in note 6.

## NOTES continued

Recognised Financial Instruments	Balance Sheet	Accounting Policies	Terms and Conditions									
<i>(iii) Equity</i>												
Converting preference shares	20	Converting preference share capital is recognised at the fair value of the consideration received by the company.	Preference shares will convert on 30 November 2000 (1,923,077 shares) and 21 October 2003 (769,231 shares) to between 1 and 3.25 ordinary shares each, unless they convert earlier under the circumstances prescribed in the Articles of Association.									
Ordinary shares	20	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares issued at balance date are set out in note 20.									
<i>(iv) Derivatives</i>												
Forward exchange contracts		<p>The consolidated entity enters into various types of foreign exchange and hedging contracts. The objective is to match the contract with anticipated future cash flows from purchases in foreign currencies and to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations.</p> <p>The consolidated entity enters into forward exchange contracts where it agrees to buy specified amounts of foreign currencies in the future at a predetermined rate. The forward exchange contracts are usually for no longer than 6 months. Exchange gains or losses on forward exchange contracts are charged to the profit and loss except those relating to hedges of specific commitments which are deferred and included in the measurement of the purchase.</p> <p>The company also enters into other foreign currency hedging contracts which protect the company against adverse currency fluctuations.</p>	<p>At 31 December 1999 the company was committed to purchase United States dollars under the following contracts</p> <table border="1"> <thead> <tr> <th>Amount</th> <th>Date</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>\$1,000,000</td> <td>31/1/00</td> <td>0.6305</td> </tr> <tr> <td>\$ 16,139</td> <td>31/1/00</td> <td>0.6555</td> </tr> </tbody> </table> <p>The products in place at balance date allow the company to purchase a total of 2.5m United States dollars under varying types of contract, all of which provide for a floor rate of US\$0.62 but allow the entity to take advantage of an appreciation of the Australian dollar subject to certain conditions.</p>	Amount	Date	Rate	\$1,000,000	31/1/00	0.6305	\$ 16,139	31/1/00	0.6555
Amount	Date	Rate										
\$1,000,000	31/1/00	0.6305										
\$ 16,139	31/1/00	0.6555										
Letters of credit		The consolidated entity enters into letters of credit with some of its suppliers where it agrees to pay for goods upon the presentation of shipping documents to its bank. These are entered into to provide additional security over specific purchases.	At balance date the consolidated entity had \$US491,671 of open letters of credit.									

**31(b) Net fair values**

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, approximates the carrying amounts as disclosed in the Balance Sheet. The carrying amounts of cash assets and liabilities approximates fair value because of their short-term to maturity.

**31(c) Credit risk exposures**

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet.

Trade receivables: The company minimises concentrations of credit risk in relation to trade debtors by undertaking transactions with a large number of customers within the industry. The majority of customers are in Australia. Credit risk is managed by having payment terms of normally 30 days and performing trade reference checks of all proposed new customers.

31 DECEMBER 1999

## 31. FINANCIAL INSTRUMENTS (cont'd)

## 31(d) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:				Non-interest bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		More than 5 years					
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 %	1998 %
<b>(i) Financial assets</b>												
Cash	3,077	2,253	-	-	-	-	-	-	3,077	2,253	4.2%	4.2%
Receivables - trade	-	-	-	-	-	-	-	9,169	9,169	12,097	N/A	N/A
Other debtors	-	-	-	-	-	-	-	195	195	243	N/A	N/A
Loans to Employee Share Trust	-	-	-	-	-	-	-	16	16	311	N/A	N/A
Total financial assets	3,077	2,253	-	-	-	-	-	9,380	12,651	14,904		
<b>(ii) Financial liabilities</b>												
Bank bills	-	-	4,750	4,200	-	-	-	-	4,750	4,200	5.2%	5.2%
Refinanced letters of credit	-	-	1,195	975	-	-	-	-	1,195	-	7.8%	-
Trade creditors and accruals	-	-	-	-	-	-	-	5,872	7,164	8,139	N/A	N/A
Finance lease liability	-	-	223	117	519	89	-	-	742	206	8.9%	11.8%
Dividends payable	-	-	-	-	-	-	-	17	17	17	N/A	N/A
Forward exchange contracts	-	-	1,611	3,701	-	-	-	-	-	-	-	-
Total financial liabilities	-	-	7,779	8,993	519	89	-	5,889	7,181	12,576	-	-

N/A - not applicable for non-interest bearing financial instruments.

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Skansen Holdings Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Law, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 1999 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



J Laurie  
Chairman

Sydney, 9 March 2000

## INDEPENDENT AUDIT REPORT

## INDEPENDENT AUDIT REPORT

To the members of Skansen Holdings Limited

## Scope

We have audited the financial report of Skansen Holdings Limited for the financial year ended 31 December 1999, as set out on pages 5 to 27, including the Directors' Declaration. The financial report includes the financial statements of Skansen Holdings Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

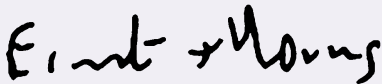
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial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

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

## Audit Opinion

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

- (a) the Corporations Law including:
  - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 1999 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



ERNST & YOUNG



P M Glenny  
Partner  
Brisbane

Date: March 2000

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited not shown elsewhere in this report is as follows:

a) Statement of shareholdings

The information is made up to 29 February 2000.

Name of Shareholder	20 Largest Shareholders Ordinary Shares No. of Shares	Preference Shares of 20 Largest Shareholders No. of Shares
Hartley Group Pty Ltd	15,311,912	-
National Nominees Limited	2,975,300	-
Dampier Investment Group Pty Ltd	2,538,021	-
ANZ Nominees Limited	1,119,269	-
Deancorp Pty Ltd	951,674	-
ASC Limited	926,000	-
Mrs H Hartley	649,838	-
Mr K P Galloway	518,325	-
National Nominees Limited	364,500	162,400
Capital Property Finance Pty Ltd	332,000	-
Mitchelstown Holdings Ltd	321,000	89,000
Cogitator Pty Ltd	200,000	-
Journeys World Wide Pty Ltd	189,000	-
Mr J W Laurie & Mr R J Hartley (as Trustees of the Skansen Employee Share Trust)	154,000	-
Credit Suisse Trust Limited	150,000	-
Mr D McLennan & Mrs P McLennan	150,000	-
Mr A Cattarin & Mrs M Cattarin	149,312	-
Ms J Martineau	117,647	-
Gild Holdings Pty Ltd	117,500	-
Mr A J Law	105,000	-
Loftus Pooled Development Fund Ltd	-	1,517,008
Saltbush Nominees	-	587,300
Eastprime Pty Ltd	-	155,000
Kinrap Nominees Pty Ltd	-	153,933
Ristolle Pty Ltd	-	20,667
Mr G Foster	-	7,000
	27,340,298	2,692,308
Proportion Held by 20 Largest Holders	82.4%	100%
Number of Shareholders Holding Less than a Marketable Parcel	53	
Shareholder Spread Ordinary Shares	No. of Holders	No. of Shares
1 - 1,000	21	16,932
1,001 - 5,000	64	226,092
5,001 - 10,000	73	628,425
10,001 - 100,000	121	4,790,537
100,001 - Over	23	27,513,206
	302	33,175,192

b) Voting Rights

Ordinary shares - carry one vote per share without restriction.

11% non cumulative converting preference shares - carry one vote per share but the right to vote is restricted to matters that affect such shareholders.

# CORPORATE GOVERNANCE STATEMENT

## 31 December 1999

The board of directors of Skansen Holdings Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Skansen Holdings Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board.

### Composition of the Board

The composition of the board is determined in accordance with the following principles and guidelines:

- the board should comprise at least three directors and should maintain a majority of non-executive directors;
- the chairperson must be a non-executive director;
- the board should comprise directors with an appropriate range of qualifications and expertise; and
- the board shall meet at least bi-monthly and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The directors in office at the date of this statement are:

J Laurie – Chairperson, Non-executive Director  
R. Hartley – Non-executive Director  
M White – Non-executive Director

### Remuneration Committee

The board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The board has established a remuneration committee, comprising two non-executive directors. Members of the remuneration committee during the year were:

J Laurie (appointed 7 June 1999)  
M White (appointed 23 December 1999)  
J Martineau (appointed 7 June 1999; resigned 23 December 1999)  
G. Snow (resigned 28 May 1999)  
J. Abernethy (resigned 28 May 1999)

### Audit Committee

The board has established an audit committee which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the consolidated entity to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. Two members of the audit committee are non-executive directors. The members of the audit committee during the year were:

J Laurie (appointed 7 June 1999)  
R Hartley (appointed 14 June 1999)  
G. Snow (resigned 28 May 1999)  
J. Abernethy (resigned 28 May 1999)  
A. Wahlhaus (resigned 7 June 1999)

The audit committee is also responsible for:

- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory audit or review.

**CORPORATE GOVERNANCE STATEMENT continued****Board Responsibilities**

As the board acts on behalf of and is accountable to the shareholders, the board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the consolidated entity is delegated by the board to the chief executive officer and the executive team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the chief executive and the executive team.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- o board approval of a strategic plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- o the strategic plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- o implementation of operating plans and budgets by management and board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes; and
- o procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

**Company Secretary**

Neil Burton

**Registered Office**

5 Dividend Street  
Mansfield  
Queensland 4122

(07) 3349 3249

**Share Registry**

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