

# FINANCIAL REPORT

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# DIRECTORS' REPORT

The directors present their sixteenth annual report together with the financial report of Film Australia Limited for the year ended 30 June 2004 and the auditors' report thereon.

## DIRECTORS

The names of directors in office at any time during or since the end of the year are Robert Fisher (Chair), Eve Mahlab (Deputy Chair – retired 26 July 2004), Sharon Connolly (Chief Executive Officer – retired 30 June 2004), Daryl Karp (Chief Executive Officer – appointed 12 July 2004), Steven Skala (appointed 23 June 2004), Megan McMurchy, John Hirst and Sue Murray. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' remuneration is determined by the Remuneration Tribunal, as is the salary of the Chief Executive Officer.

## PRINCIPAL ACTIVITIES

The principal activities of the company during the course of the financial year were the production, marketing and distribution of film and video material and new media and the provision of production facilities.

## RESULT

The company recorded a profit from ordinary activities before income tax of \$257,295 for the year, compared to a profit in the 2003 year of \$112,742.

## REVIEW OF OPERATIONS

The company's activities for the year have been covered in the reports of the Chairman and the Chief Executive Officer.

## STATE OF AFFAIRS

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

## ENVIRONMENTAL REGULATION

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the company.

## DIVIDENDS

No dividends were paid or provided for during the year.

## EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item or event of a material nature likely, in the opinion of the directors, to affect significantly the operations of the company, the result of those operations, or the state of affairs of the company in subsequent financial years.

## DIRECTORS' BENEFITS

During the financial year no director of the company has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments due or receivable by directors shown in the accounts) by reason of a contract made by the company in which the director has a substantial financial interest, other than in respect of Megan McMurchy in her capacity as a producer.

During or since the financial year, the company has paid premiums in respect of a contract insuring the directors and officers of Film Australia Limited against a liability incurred in their role as directors and officers of the company, except where:

- (a) the liability arises out of conduct involving a wilful breach of duty; or
- (b) there has been a contravention of Sections 232 (5) or (6) of the Corporations Act 2001.

Dated at Lindfield this 26th day of August 2004.

Signed in accordance with a resolution of the directors:



Robert Fisher, Director



Daryl Karp, Director

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from sale of goods	2	1,901,632	1,930,665
Revenue from rendering of services	2	11,092,640	11,041,759
Other revenues from ordinary activities	2	214,012	297,288
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	2	<b>13,208,284</b>	<b>13,269,712</b>
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES</b>			
Cost of sales and provision of services		(5,269,733)	(5,454,018)
Employee expenses		(4,344,323)	(4,054,322)
Depreciation expenses	2 b	(370,445)	(333,320)
Other operating expenses		(2,966,488)	(3,315,310)
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>(12,950,989)</b>	<b>(13,156,970)</b>
Profit from ordinary activities before income tax		257,295	112,742
Income tax attributable to operating profit	4	-	-
<b>NET PROFIT</b>		<b>257,295</b>	<b>112,742</b>

The Statement of Financial Performance should be read in conjunction with the notes to the financial statements set out on pages 38 to 54.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

	Note	2004 \$	2003 \$
<b>CURRENT ASSETS</b>			
Cash		320,669	214,500
Receivables	5	5,057,633	4,288,320
Inventories	6	44,209	47,733
Other	7	16,779	12,268
<b>Total current assets</b>		<b>5,439,290</b>	<b>4,562,821</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	13,907,470	13,964,040
<b>Total non-current assets</b>		<b>13,907,470</b>	<b>13,964,040</b>
<b>TOTAL ASSETS</b>		<b>19,346,760</b>	<b>18,526,861</b>
<b>CURRENT LIABILITIES</b>			
Creditors and borrowings	9	1,384,545	997,108
Provisions	10	518,556	401,208
Other	11	17,376	1,800
<b>Total current liabilities</b>		<b>1,920,477</b>	<b>1,400,116</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	92,841	50,598
<b>Total non-current liabilities</b>		<b>92,841</b>	<b>50,598</b>
<b>TOTAL LIABILITIES</b>		<b>2,013,318</b>	<b>1,450,714</b>
<b>NET ASSETS</b>		<b>17,333,442</b>	<b>17,076,147</b>
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity	12	14,994,428	14,994,428
Reserves	12	1,706,788	1,706,788
Retained earnings	13	632,226	374,931
<b>Total shareholders' equity</b>		<b>17,333,442</b>	<b>17,076,147</b>

The Statement of Financial Position should be read in conjunction with the notes to the financial statements set out on pages 38 to 54.

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		12,857,200	13,169,531
Payments to suppliers and employees		(11,954,095)	(14,745,283)
		903,105	(1,575,572)
Interest received		212,457	297,288
<b>Net cash flow from/(used in) operating activities</b>	14 b	<b>1,115,562</b>	<b>(1,278,464)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current assets		1,555	-
Payment for plant and equipment		(320,512)	(371,942)
<b>Net cash used in investing activities</b>		<b>(318,957)</b>	<b>(371,942)</b>
Net increase/(decrease) in cash held		796,605	(1,650,406)
Cash at the beginning of the financial year		3,636,390	5,286,796
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	14 a	<b>4,432,995</b>	<b>3,636,390</b>

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements set out on pages 38 to 54.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted in the preparation of this report, are:

### a Basis of preparation

The report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of assets.

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

### b Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax payable.

#### (i) Sale of goods

Revenue from the sale of goods is recognised when control of the goods passes to the customer.

#### (ii) Rendering of services

Revenue from rendering services is recognised when the stage of completion can be reliably measured.

#### (iii) National Interest Program and Community Service Obligations contract

The company recognises income from this contract in the Statement of Financial Performance in the period in which it is received, providing that the minimum conditions for the discharge of contractual obligations have been fulfilled.

#### (iv) Licence fees and royalties

The company adopts the accruals basis in accounting for licence fees and a cash basis of accounting for royalty income. Revenue from distribution activities is shown net of disbursements, which are executed through the Disbursements Trust Account. See Note 22.

#### (v) Interest revenue

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

#### (vi) Sale of non-current assets

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

#### (vii) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

### c Economic dependency

A significant proportion of the company's business is reliant upon productions produced for the National Interest Program and community services provided under contract with the Commonwealth Government.

**d Income tax**

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the Statement of Financial Position as a future income tax benefit or a provision for deferred income tax.

Future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt, or if relating to tax losses unless realisation is virtually certain.

**e Foreign currency**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are either translated to Australian currency at rates of exchange current at that date, or translated to Australian currency at rates of exchange applicable to forward cover contracts taken out against specific transactions. This treatment does not have a significant impact on the company's figures.

Resulting exchange differences are brought to account in determining the profit or loss for the year.

**f Leased plant and equipment**

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits. Film Australia Limited has no finance leases.

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

**g Inventories**

Inventories are carried at the lower of cost or net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling patterns.

**h Property, plant and equipment**

**(i) Acquisitions**

Items of property, plant and equipment costing greater than \$1,000 are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. Items of property, plant and equipment costing less than \$1,000 are expensed in the period in which they are acquired. Items of property, plant and equipment are depreciated as outlined below.

**(ii) Revaluations**

Land and buildings are independently valued every three years on a depreciated replacement cost basis of valuation. A valuation of land and buildings was carried out by an independent valuer during 2002.

An assessment of potential capital gains tax liability is made whenever an asset is revalued above its original cost. This assessment is taken into account in determining the revaluation amount.

**(iii) Disposal**

The gain or loss on disposal of property, plant and equipment is calculated as the difference between the carrying amount of the asset at the time of retirement and the proceeds received, and is included in the results in the year of disposal.

**(iv) Depreciation and amortisation**

Depreciation/amortisation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment, excluding freehold land, over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Assets are depreciated or amortised from the date of acquisition, with exception of the buildings on freehold land which have been depreciated from the date of the directors' valuation in 2002.

Depreciation/amortisation rates applying to each class of depreciable asset are as follows:

	2004	2003
Buildings on freehold land	50 years	50 years
Plant and equipment	3 to 10 years	3 to 10 years
Leasehold improvements	4 years	-

**(v) Recoverable amounts**

The carrying amounts of 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.

**i Employee benefits**

**(i) Wages, salaries and annual leave**

Liabilities for wages, salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

**(ii) Long service leave**

A liability for long service leave is recognised after five years service, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**(iii) Sick leave**

Film Australia Limited employees only take sick leave to which they are entitled in the current year. There is therefore no requirement to provide any additional sick leave entitlement.

**j Superannuation funds**

The company contributes to employee superannuation funds. Contributions are charged against income as they are made. Company contributions include nine per cent Superannuation Guarantee Levy.

**k Maintenance and repairs**

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

**l Cash**

For purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**m Receivables**

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Trade debtors are carried at amounts due and are to be settled within the terms of the sales contract.

**n Payables – Note 9**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 30 days.

	Note	2004 \$	2003 \$
<b>2 OPERATING PROFIT</b>			
<b>a Profit from ordinary activities before income tax expense has been arrived at after including:</b>			
<b>Operating Revenue</b>			
<b>Sales revenue</b>		1,901,632	1,930,665
<b>Services revenue</b>			
National Interest Program		7,204,000	7,085,000
Community Services Funding		2,789,000	2,724,000
Other services revenue		1,099,640	1,232,759
		<u>11,092,640</u>	<u>11,041,759</u>
<b>Other revenue</b>			
Interest received from other corporations		212,457	297,288
Proceeds from sale of non-current assets		1,555	-
		<u>214,012</u>	<u>297,288</u>
Operating revenue from ordinary activities		<u>13,208,284</u>	<u>13,269,712</u>
<b>b Profit from ordinary activities before income tax expense has been arrived at after charging (crediting) the following items:</b>			
<b>Operating Expenses</b>			
Depreciation			
Building		112,600	112,600
Plant and equipment		255,368	220,720
		<u>367,968</u>	<u>333,320</u>
Amortisation			
Leasehold improvements		2,477	-
Superannuation contributions		386,455	344,234
Amounts set aside to provisions for:			
(i) Employee benefits			
Long service leave		54,207	38,491
Annual leave		272,408	238,269
		<u>326,615</u>	<u>276,760</u>
(ii) Doubtful trade debts		58,767	(182,240)
(iii) Provision for stock obsolescence		10,000	(35,000)
Operating lease rental expense:			
Minimum lease payments		103,428	81,447
Net (gain)/loss on disposal of property, plant and equipment		<u>5,083</u>	<u>81,110</u>

	Note	2004 \$	2003 \$
<b>3 AUDITORS' REMUNERATION</b>			
Amounts received or due and receivable for audit services by:			
External auditors – auditing accounts		50,000	50,000
– other services		-	-
		<u>50,000</u>	<u>50,000</u>
<b>4 TAXATION</b>			
<b>a Income tax expense</b>			
Prima facie income tax expense calculated at 30% (2003 30%) on the profit from ordinary activities		77,189	33,823
Increase in income tax expense due to:			
Depreciation of buildings		33,780	33,780
Other non deductible items		4,500	10,811
		<u>115,469</u>	<u>78,414</u>
Income tax expense on the profit from ordinary activities		115,469	78,414
Recovery of tax losses not previously brought to account		<u>(115,469)</u>	<u>(78,414)</u>
		-	-
Income tax expense attributable to profit from ordinary activities		-	-
<b>b Deferred tax and future income tax benefits</b>			
<b>(i) Deferred tax assets</b>			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2003 30%) on the following items:			
Provisions and accrued employee benefits not currently deductible		144,252	115,354
Other provisions and sundry items		99,648	94,139
		<u>243,900</u>	<u>209,493</u>
<b>(ii) Future income tax benefit not taken to account</b>			
The potential future income tax benefit in the company, arising from tax losses and timing differences, has not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:			
Tax losses carried forward (includes losses of prior years confirmed in the current year of \$619,057)		606,056	102,468
Timing differences		243,901	209,493
		<u>849,957</u>	<u>311,961</u>

	Note	2004 \$	2003 \$
<b>5 RECEIVABLES</b>			
Current			
Short term deposits, maturing within 2 months and paying interest at a weighted average interest rate of 5.11% (2003 4.7%)		4,112,326	3,421,890
Trade debtors		861,290	723,874
Less: Provision for doubtful trade debtors		(87,500)	(28,733)
		773,790	695,141
Other debtors		171,517	171,289
		5,057,633	4,288,320
Australian dollar equivalents of amounts receivable in foreign currencies not effectively contracted for exchange losses:			
United States Dollars		67,594	116,189
Canadian Dollars		820	2,570
Euro		23,794	-
Swiss Francs		5,144	-
		97,352	118,759
<b>6 INVENTORIES</b>			
Current			
Finished goods at cost		54,209	47,733
Less: Provision for stock obsolescence		(10,000)	-
		44,209	47,733
<b>7 OTHER ASSETS</b>			
Current			
Accrued income		10,408	9,936
Prepayments		6,371	2,332
		16,779	12,268

	Note	2004 \$	2003 \$
<b>8 PROPERTY, PLANT AND EQUIPMENT</b>			
<b>a Total property, plant and equipment</b>			
Freehold land - at valuation June 2002		7,800,000	7,800,000
Buildings - at valuation June 2002	8 c	5,630,000	5,630,000
Less: Accumulated depreciation		(225,200)	(112,600)
		<u>5,404,800</u>	<u>5,517,400</u>
Plant, furniture and equipment - at cost		1,873,404	1,766,872
Less: Accumulated depreciation		(1,399,124)	(1,241,285)
		<u>474,280</u>	<u>525,587</u>
Computer equipment - at cost		474,749	302,770
Less: Accumulated depreciation		(265,187)	(181,717)
		<u>209,562</u>	<u>121,053</u>
Leasehold improvements		21,305	-
Less: Accumulated amortisation		(2,477)	-
		<u>18,828</u>	<u>-</u>
Total property, plant and equipment - net book value		<u>13,907,470</u>	<u>13,964,040</u>
Land and buildings have been revalued by an independent valuer as at June 2002 on the basis of the existing use of the land and buildings at an open market valuation. This valuation has been incorporated into the accounts.			
<b>b Valuation of land</b>			
The most recent valuation of freehold land is independent	1 h (ii)	7,800,000	7,800,000
<b>c Valuation of buildings</b>			
The most recent valuation of buildings is independent	1 h (ii)	5,630,000	5,630,000
<b>d Reconciliation of property, plant and equipment for the year ended 30 June 2004</b>			

	Land	Buildings	Plant, Furniture & Equipment	Computer Equipment	Leasehold Improvements
Carrying amount at 1 July 2003	7,800,000	5,517,400	525,587	121,053	-
Additions	-	-	114,462	184,745	21,305
Disposals	-	-	(166)	1,293	-
Depreciation expense	-	(112,600)	(165,603)	(97,529)	-
Amortisation expense	-	-	-	-	(2,477)
Carrying amount at 30 June 2004	7,800,000	5,404,800	474,280	209,562	18,828

	Note	2004 \$	2003 \$
<b>9 CREDITORS AND BORROWINGS</b>			
Current			
Trade creditors		1,384,545	997,108
<b>10 EMPLOYEE BENEFITS</b>			
Current			
Annual leave		265,088	217,599
Long service leave		111,341	101,011
Salaries payable		142,127	82,598
		518,556	401,208
Non-current			
Long service leave		92,841	50,598
Aggregate employee benefit liability		611,397	451,806
The values of employee benefits have been calculated on current salaries at the end of the financial year			
<b>Number of employees</b>			
Number of employees at year end		53	48
<b>11 OTHER CURRENT LIABILITIES</b>			
Prepaid sales		481	-
Other payments received in advance		16,895	1,800
		17,376	1,800
<b>12 CONTRIBUTED EQUITY AND RESERVES</b>			
Issued and paid-up capital			
12,803,570 ordinary shares		14,994,428	14,994,428
Asset revaluation reserve balance at the beginning of the year			
		1,706,788	1,706,788
Asset revaluation reserve balance at the end of the financial year			
		1,706,788	1,706,788
Total reserves at the end of the year			
		1,706,788	1,706,788
<b>13 RETAINED EARNINGS</b>			
<b>Statement of retained earnings</b>			
Retained earnings at the beginning of the year		374,931	262,189
Net profit		257,295	112,742
Retained earnings at the end of the year		632,226	374,931

	Note	2004 \$	2003 \$
<b>14 NOTES TO THE STATEMENT OF CASH FLOWS</b>			
<b>a Reconciliation of cash</b>			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash on hand and at bank		320,669	214,500
Short term deposits	5	4,112,326	3,421,890
As per Statement of Cash Flows		4,432,995	3,636,390
<b>b Reconciliation of operating profit after income tax to net cash provided by operating activities</b>			
Operating profit after tax		257,295	112,742
Add/(Less) non cash items			
Depreciation		370,445	333,320
Increase/(Decrease) in provision for doubtful debts		58,767	(182,240)
Increase/(Decrease) in provision for obsolete stock		10,000	(35,000)
Increase/(Decrease) in employee benefits		159,591	15,969
(Profit)/Loss on sale of plant and equipment		5,083	81,110
Net cash provided by operating activities before change in assets and liabilities		861,181	325,901
Changes in assets and liabilities			
(Increase)/Decrease in receivables		(137,644)	124,944
(Increase)/Decrease in inventories		(6,476)	26,773
(Increase)/Decrease in other assets		(4,511)	4,497
Increase/(Decrease) in trade creditors and other liabilities		387,436	(1,719,075)
Increase/(Decrease) in current liabilities-other		15,576	(41,504)
Net cash flow from/(used in) operating activities		1,115,562	(1,278,464)

## 15 DETAILS OF DIRECTORS

### a The directors of Film Australia Limited during the year were:

Robert Fisher – Chair	Steven Skala (Appointed 23 June 2004)
Eve Mahlab – Deputy Chair (Retired 26 July 2004)	Megan McMurchy
Sharon Connolly – Chief Executive Officer (Retired 30 June 2004)	John Hirst
Daryl Karp – Chief Executive Officer (Appointed 12 July 2004)	Sue Murray

### b Board

The names of the directors of Film Australia Limited in office at the date of this report and details of their qualifications, experience and special responsibilities where applicable are:

#### **Robert Fisher** Dip Accountancy (RMIT), FCA

Age 61. Joined the Board in 1998 and was appointed Chairman in March 1999. Chief Executive of the First Australian Completion Bond Company Pty Ltd. Has spent 24 years working in the chartered accountancy profession, and the last 22 years working in the film and television industry. Worked for eight years with McElroy and McElroy Pty. Ltd. as general manager and finance director and production controller.

Chair of the Finance and Audit Committee

#### **Daryl Karp** BFA (Tel Aviv University)

Age 45. Joined Film Australia as Chief Executive Officer in July 2004. Previously Head of Factual Programs at ABC Television, where she held various positions including Head and Executive Producer of the Documentaries & Features and Science & Features Departments. As an independent filmmaker, she produced programs for ABC and SBS and worked as a consultant to PBS's Oregon Public Broadcasting in the United States. A founding member and director of the World Congress of Science Producers, she also served on the Board of the Australian Korea Foundation.

Member of the Finance and Audit Committee (Appointed 12 July 2004)

#### **Steven Skala** BA LLB (Hons) (Qld) BCL (Oxon)

Age 48. Joined the Board in June 2004. A senior partner and head of corporate and commercial practice of Arnold Bloch Leibler. A businessman and director of numerous corporate and community boards including the Australian Ballet and the Centre for Independent Studies. He is Deputy Chair of the Walter and Eliza Hall Institute of Medical Research, Chair of the Australian Centre for Contemporary Art, a trustee of the Sir Zelman Cowen Cancer Foundation and a member of the International Council of the Museum of Modern Art (New York).

#### **Megan McMurchy** BA (University of Queensland)

Age 55. Joined the Board in May 1999. Produced the feature films *Talk* and *Breathing Under Water*, and a number of short films and documentaries including the award-winning *Sadness*, *For All the World to See* and *For Love or Money*. Worked as a contract producer for Film Australia on the *New Horizons* series and *Mystique of the Pearl* and then as an executive producer from 1997 to 1998. Recent projects include producing the documentary series *Fine Line* and working as series producer on the multiplatform drama series *Fat Cow Motel* and 13-part series *Hybrid Life*. In 2003–2004, she was one of the producers of the Film Australia National Interest Program, *Mr Patterns*.

#### **John Hirst** BA, PhD (University of Adelaide)

Age 62. Joined the Board in May 1999. An historian at La Trobe University and author of several books including *Convict Society and its Enemies* (1983) and *Strange Birth of Colonial Democracy* (1988). Appeared in Film Australia's *Federation* series and is the author of a history of federation, *The Sentimental Nation* (2000). Chair of the Commonwealth Government's Civics Education Group and on the Board of the National Museum of Australia.

#### **Sue Murray**

Age 55. Joined the Board in September 2001. Executive Director of production company Fandango Australia since February 2002. Has worked in the film and television industry for over 25 years. Previously a freelance consultant and acquisitions consultant for US distributor Fine Line Features, she held various positions at the Australian Film Commission including Director of Marketing from 1987 to 1998.

Member of the Finance and Audit Committee (Appointed 16 June 2004)

c **Directors' remuneration**

The number of directors, including the Chief Executive Officer, who received, or in respect of whom income is due and receivable from the company, within the following bands, is:

	2004 Number	2003 Number
\$10,000 - \$19,999	1	1
\$20,000 - \$29,999	3	3
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	1	-
	2004 \$	2003 \$

Total income received, or due and receivable, by the directors of Film Australia Limited from the company in connection with the management of the company

347,566

323,999

Amounts paid to superannuation funds

23,306

30,027

d **Attendance at Board meetings**

Details of attendance at Board meetings by each person who was a director of Film Australia Limited during the financial year are as follows :

	Number of meetings held while a director	Number of meetings attended
Robert Fisher – Chair	9	9
Eve Mahlab – Deputy Chair	9	8
Sharon Connolly – Chief Executive Officer	9	9
Megan McMurchy	9	8
John Hirst	9	8
Sue Murray	9	9
Steven Skala	-	-

e **Loans to directors**

There are no loans to directors.

f **Directors' shareholdings**

The directors do not hold any shares in Film Australia Limited.

## 16 EXECUTIVES' REMUNERATION

The number of executive officers of the company whose remuneration from the company falls within the following bands is:

	2004	2003
	Number	Number
\$100,000 - \$109,999	-	3
\$110,000 - \$119,999	4	2
\$120,000 - \$129,999	2	-
\$130,000 - \$139,999	-	1
	2004	2003
	\$	\$

Total income received, or due and receivable, by executive officers of Film Australia Limited from the company whose income is \$100,000 or more

714,568	678,143
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Executive officers are those officers involved in the strategic direction, general management or control of business at a division level. The Chief Executive Officer's remuneration is included in Note 15.

## 17 RELATED PARTIES

### Directors

Details of directors' remuneration, superannuation and retirement payments are set out in Note 15.

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

### Other transactions

One director, Megan McMurchy, has occasional professional dealings with Film Australia Limited in her capacity as a producer. Such professional services payments are on normal commercial terms and conditions.

Aggregate amounts of each of the above types of transactions with directors and their director-related entities were as follows:

	2004	2003
	\$	\$
Producers' fees	15,000	-

## 18 COMMITMENTS

### National Interest Program forward production commitments

The company has contracted for productions under the National Interest Program.

Contracted but not provided for and payable:

	2004	2003
	\$	\$
Within one year	1,709,845	3,407,079
One year or later and no later than five years	-	462,224
	<u>1,709,845</u>	<u>3,869,303</u>

### Non-cancellable operating lease expense commitments

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

Within one year	95,069	99,630
One year or later and no later than five years	114,515	126,375
	<u>209,584</u>	<u>226,005</u>

## 19 POST BALANCE DATE EVENT

There have been no significant events of a material nature since the end of the financial year.

## 20 CONTINGENT LIABILITIES

At year end, Film Australia Limited was not involved in any actions that would result in a liability to the company.

## 21 SEGMENT INFORMATION

The principal activities of Film Australia Limited are the production, marketing and distribution of film and video material and new media.

Geographically, revenue is derived from:

	2004	2003
	\$	\$
Australia	12,978,316	12,676,224
International	229,968	593,488

	2004	2003
	\$	\$

## 22 DISBURSEMENT TRUST

The company provides assistance to producers and investors of various production titles, most of which are documentaries, by handling the receipt and disbursement of returns. The funds received for this purpose are held in trust in separate bank accounts. The accounting records of the Disbursement Trust are maintained on a cash receipts and payments basis.

The financial statements of the Disbursement Trust are set out below.

### Film Australia Disbursement Trust statement of receipts and payments for the year ended 30 June 2004

Balance 1 July	1,304,463	1,205,559
Add: Receipts	343,094	888,243
Funds available for disbursement	1,647,557	2,093,802
Less: Payments	1,264,946	789,339
Balance 30 June	382,611	1,304,463

### Film Australia Disbursement Trust statement of assets and liabilities as at 30 June 2004

#### Assets

Cash at bank	382,611	1,304,463
Total assets	382,611	1,304,463

#### Liabilities

Amounts held pending disbursement	382,611	1,287,628
Other unclaimed disbursements and unidentified receipts	-	16,835
<b>Total liabilities</b>	<b>382,611</b>	<b>1,304,463</b>

## 23 FINANCIAL INSTRUMENTS

### a Terms, conditions and accounting policies

Financial Instrument	Note	Accounting Policies and Method	Nature of Underlying Instrument
<b>Financial Assets</b> Deposits at Call Short Term Deposits	5	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	Temporary surplus funds are placed on deposit with the company's banker. Interest is earned on a daily balance at the prevailing daily rate for money on call and is paid at month end. Interest on short term deposits is paid at the end of the term and is based on a negotiated rate.
Trade Debtors Other Debtors	5 5, 7	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Provisions are made when collection of the debt is judged to be less rather than more likely.	Credit terms vary due to the nature of the company's business. The terms relating to the majority of the instruments are based on individual contracts.
<b>Financial Liabilities</b> Trade Creditors	9	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	Settlement is usually made within 30 days.
Other Liabilities	11	The liabilities are recognised at their nominal amounts, being the amounts at which the liabilities will be settled.	The liability is comprised of prepaid sales and other fees received in advance. Settlement of the liabilities vary but are expected to be made within 12 months.

b **Interest rate risk**

	Note	Floating Interest rate		Fixed Interest Rate 1 year or less		Non-interest Bearing		Total		Weighted Average Effective Interest Rate	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 %	2003 %
<b>Financial Assets</b>											
(Recognised)											
Cash at Bank & on Hand		-	-	-	-	318	186	318	186	n/a	n/a
Deposits at Call		3	29	-	-	-	-	3	29	4.85	2.72
Short Term Deposits	5	-	-	4,112	3,422	-	-	4,112	3,422	5.11	4.71
Trade Debtors	5	-	-	-	-	861	696	861	696	n/a	n/a
Other Debtors	5, 7	-	-	-	-	188	184	188	184	n/a	n/a
<b>Total Financial Assets</b>		<b>3</b>	<b>29</b>	<b>4,112</b>	<b>3,422</b>	<b>1,367</b>	<b>1,066</b>	<b>5,482</b>	<b>4,517</b>		
<b>Total Assets</b>								<b>19,347</b>	<b>18,528</b>		
<b>Financial Liabilities</b>											
(Recognised)											
Trade Creditors	9	-	-	-	-	1,385	997	1,385	997	n/a	n/a
Other Liabilities	11	-	-	-	-	17	2	17	2	n/a	n/a
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,402</b>	<b>999</b>	<b>1,402</b>	<b>999</b>		
<b>Total Liabilities</b>								<b>2,013</b>	<b>1,451</b>		

c **Net fair values of financial assets and liabilities**

**Financial assets**

The net fair value of all financial assets approximate their carrying amounts. None of the classes of financial assets are readily traded on organised markets in standardised form.

**Financial liabilities**

The net fair value of all financial liabilities are approximated by their carrying value. None of the classes of financial liabilities are readily traded on organised markets in standardised form.

d **Credit risk exposures**

The company's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

The company has no significant exposures to any concentrations of credit risk.

## **24 IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS**

Film Australia Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards (AASB) to Australian equivalents of International Financial Reporting Standards (AEIFRS). The company has allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate key areas that will be impacted by the transition to AEIFRS. As a result of these procedures Film Australia has graded impact areas as either high, medium or low and has established dedicated project teams to address each of the areas in order of priority as represented by the gradings. An AEIFRS steering committee has been established to oversee the progress of the project teams and make necessary decisions. As Film Australia has a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AEIFRS as at 1 July 2004. This will form the basis of accounting for AEIFRS in the future, and is required when Film Australia prepares its first fully AEIFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policies will change and may impact on the financial report of Film Australia. At this stage the company has not been able to reliably quantify the impacts on the financial report.

### **Income taxes**

Under the Australian equivalent to IAS 12 Income Taxes, the company will be required to use the balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adopting this standard.

### **Revenue Recognition**

#### **National Interest Program and Community Service Obligations Contract**

The Pending Accounting Standard AASB 120 Accounting for Government Grants and Disclosure of Government Assistance requires government grants to be recognised as income over the periods necessary to match them with related costs. Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to operating activities of the entity. Under the existing AASB, Film Australia recognises income from this contract in the Statement of Financial Performance in the period in which it is received, providing that the minimum conditions for the discharge of contractual obligations have been fulfilled. Reliable estimation of the future financial effect of this change in accounting policy has not yet been measured.

# DIRECTORS' DECLARATION

The directors declare that:

- a the financial statements and associated notes comply with the Accounting Standards and Corporations Act 2001;
- b the financial statements and notes give a true and fair view of the financial position as at 30 June 2004 and of the performance of the company and the cash flows for the year then ended;
- c in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due and payable.

Made in accordance with a resolution of the directors:



**Robert Fisher**  
Director  
26 August 2004



**Daryl Karp**  
Director  
26 August 2004

# INDEPENDENT AUDIT REPORT



To the members of Film Australia Limited

## MATTERS RELATING TO THE ELECTRONIC PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS

This audit report relates to the financial statements of Film Australia Limited for the year ended 30 June 2004 included on Film Australia Limited's web site. The Board of Film Australia Limited is responsible for the integrity of Film Australia Limited's web site.

The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from the audited financial statements.

If the users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

## SCOPE

The financial statements comprise:

- Directors' Declaration;
- Statements of Financial Performance, Financial Position and Cash Flows; and
- Notes to and forming part of the financial statements

of Film Australia Limited for the year ended 30 June 2004.

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

## AUDIT APPROACH

I have conducted an independent audit of the financial statements in order to express an opinion on them to you. My audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing and Assurance Standards, in order to provide reasonable assurance as to whether the financial statements are free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive, rather than conclusive, evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

While the effectiveness of management's internal controls over financial reporting was considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance of internal controls.

I performed procedures to assess whether, in all material respects, the financial statements present fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with my understanding of the Company's financial position, and of its performance as represented by the Statements of Financial Performance and Cash Flows.

The audit opinion is formed on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial statements; and
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by management.

## INDEPENDENCE

In conducting the audit, I followed the independence requirements of the Australian National Audit Office, which incorporate Australian professional ethical pronouncements.

## AUDIT OPINION

In my opinion, the financial statements of Film Australia Limited are in accordance with:

- a the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b other mandatory professional reporting requirements in Australia.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'P Hinchey'.

P Hinchey  
Senior Director  
For the Auditor-General  
Sydney, 26 August 2004



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## WELCOME TO WOOMERA

A film about ordinary people in a small town caught up in big events.

- 1 As Australia's only purpose-built defence village, Woomera's initial fame was for its rocket range.
- 2 Retired Colonel Mike Hess of the United States Airforce at the Americans' Nurrungar base.
- 3 More recently, Woomera was known for its controversial immigration reception and processing centre.  
*Photo by Shannon Owen.*
- 4 Murray Tschirpigg at his petrol station, which could no longer afford to stay in business.  
*Photo by Shannon Owen.*