

# ■ FINANCIAL REPORT

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# DIRECTORS' REPORT

The directors present their fifteenth annual report together with the financial report of Film Australia Limited for the year ended 30 June 2003 and the auditors' report thereon.

## DIRECTORS

The directors in office at the date of this report are Robert Fisher (Chair), Eve Mahlab (Deputy Chair), Sharon Connolly (Chief Executive Officer), Megan McMurchy, John Hirst and Sue Murray.

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 the provision of production facilities.

## RESULT

The company recorded a profit from ordinary activities before income tax of \$112,742 for the year, compared to a profit in the 2002 year of \$2,404,213.

## 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 became 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.

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 willful 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 16th day of September 2003.

Signed in accordance with a resolution of the directors:



Robert Fisher  
Director



Sharon Connolly  
Director

# STATEMENT OF FINANCIAL PERFORMANCE

for the Year Ended 30 June 2003

	Note	2003 \$	2002 \$
<b>REVENUE FROM ORDINARY ACTIVITIES</b>			
Revenue from sale of goods	2	1,930,665	3,355,480
Revenue from rendering of services	2	11,041,759	8,200,800
Other revenues from ordinary activities	2	297,288	361,548
Revaluation of land and buildings	3	-	3,109,680
<b>TOTAL REVENUE FROM ORDINARY ACTIVITIES</b>	2	<b>13,269,712</b>	<b>15,027,508</b>
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES</b>			
Cost of sales and provision of services		(5,454,018)	(6,906,782)
Employee expenses		(4,054,322)	(3,397,464)
Depreciation expenses	2 b	(333,320)	(402,523)
Other operating expenses		(3,315,310)	(1,916,526)
<b>OPERATING EXPENSES FROM ORDINARY ACTIVITIES</b>		<b>(13,156,970)</b>	<b>(12,623,295)</b>
Profit from ordinary activities before income tax		112,742	2,404,213
Income tax attributable to operating profit	5	-	-
<b>NET PROFIT</b>		<b>112,742</b>	<b>2,404,213</b>
<b>TRANSACTIONS INVOLVING CHANGES TO EQUITY</b>			
Increase in revaluation reserve	13	-	1,334,631
Fundamental error		-	2,511,395
Total revenue and valuation adjustments recognised directly in equity		-	3,846,026
<b>TOTAL CHANGES IN EQUITY</b>		<b>112,742</b>	<b>6,250,239</b>

The Statement of Financial Performance should be read in conjunction with the notes to the financial statements set out on pages 40 to 56.

# STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

	Note	2003 \$	2002 \$
<b>CURRENT ASSETS</b>			
Cash		214,500	1,171,612
Receivables	6	4,288,320	4,924,319
Inventories	7	47,733	39,506
Other	8	12,268	16,766
<b>Total current assets</b>		<b>4,562,821</b>	<b>6,152,203</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	13,964,040	14,006,525
<b>Total non-current assets</b>		<b>13,964,040</b>	<b>14,006,525</b>
<b>TOTAL ASSETS</b>		<b>18,526,861</b>	<b>20,158,728</b>
<b>CURRENT LIABILITIES</b>			
Creditors and borrowings	10	997,108	2,716,182
Provisions	11	401,208	371,087
Other	12	1,800	43,304
<b>Total current liabilities</b>		<b>1,400,116</b>	<b>3,130,573</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	11	50,598	64,750
<b>Total non-current liabilities</b>		<b>50,598</b>	<b>64,750</b>
<b>TOTAL LIABILITIES</b>		<b>1,450,714</b>	<b>3,195,323</b>
<b>NET ASSETS</b>		<b>17,076,147</b>	<b>16,963,405</b>
<b>SHAREHOLDERS' EQUITY</b>			
Contributed equity	13	14,994,428	14,994,428
Reserves	13	1,706,788	1,706,788
Retained earnings	14	374,931	262,189
<b>Total shareholders' equity</b>		<b>17,076,147</b>	<b>16,963,405</b>

The Statement of Financial Position should be read in conjunction with the notes to the financial statements set out on pages 40 to 56.

# STATEMENT OF CASH FLOWS

for the Year Ended 30 June 2003

	Note	2003 \$	2002 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		13,169,531	11,293,589
Payments to suppliers and employees		(14,745,283)	(11,836,610)
		(1,575,752)	(543,021)
Interest received		297,288	357,698
<b>Net cash flow from operating activities</b>	15 b	(1,278,464)	(185,323)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of non-current assets		-	3,850
Payment for plant and equipment		(371,942)	(304,537)
<b>Net cash used in investing activities</b>		(371,942)	(300,687)
Net increase/(decrease) in cash held		(1,650,406)	(486,010)
Cash at the beginning of the financial year		5,286,796	5,772,806
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	15 a	3,636,390	5,286,796

The Statement of Cash Flows should be read in conjunction with the notes to the financial statements set out on pages 40 to 56.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the Year Ended 30 June 2003

## 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 Reclassification of financial information

Some line items and sub-totals reported in the previous financial year have been reclassified as a result of the application on 1 July 2002 of the revised standards AASB 1018 Statement of Financial Performance, AASB 1034 Financial Report Presentation and Disclosures and the new AASB 1040 Statement of Financial Position. Where necessary comparative figures have been adjusted to conform with changes in presentation in the current financial year.

### c Changes in operations

The company acts as a disbursement agent for both itself and third party investors in production titles. Separate trust accounts are maintained to receive returns and to pay expenses and disburse funds to investors in accordance with each production and investment agreement. These accounts have been removed from the balance sheet in the current year, and are now accounted for as trust accounts and are disclosed at Note 23 to the accounts. There was no impact on the opening retained profit at 1 July 2002 or the net profit for the current year to 30 June 2003.

### d 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 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 23.

#### (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.

**e 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.

**f 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.

**g 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.

**h 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.

**i 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.

**j Property, plant and equipment**

**(i) Acquisitions**

Items of property, plant and equipment costing greater than \$1,000 (2002 \$500) 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 (2002 \$500) are expensed in the period in which they are acquired. The change from \$500 to \$1,000 has resulted in an increase in the amount charged to the Statement of Financial Performance for the current year to 30 June 2003 of \$16, 959. 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:

	2003	2002
Buildings on freehold land	50 years	50 years
Plant and equipment	3 to 10 years	3 to 10 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.

**k Employee entitlements**

**(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.

**l 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.

**m Maintenance and repairs**

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

**n 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.

**o 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.

**p Payables – Note 10**

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	2003 \$	2002 \$
<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>		1,930,665	3,355,480
<b>Services revenue</b>			
National Interest Program		7,085,000	6,914,000
Community Services Funding		2,724,000	-
Other services revenue		1,232,759	1,286,800
		11,041,759	8,200,800
<b>Other revenue</b>			
Interest received from other corporations		297,288	357,698
Proceeds from sale of non-current assets		-	3,850
		297,288	361,548
Revaluation of land and buildings	3	-	3,109,680
Operating revenue from ordinary activities		13,269,712	15,027,508
<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	123,027
Plant and equipment		220,720	279,496
		333,320	402,523
Raw materials written off		-	8,408
Superannuation contributions		344,234	205,089
Amounts set aside to provisions for:			
(i) Employee entitlements			
Long service leave		38,491	27,984
Annual leave		238,269	180,087
Award increase		-	67,614
		276,760	275,685
(ii) Doubtful trade debts		(182,240)	(33,670)
(iii) Provision for stock obsolescence		(35,000)	(18,408)
Operating lease rental expense:			
Minimum lease payments		81,447	98,598
Net (gain)/loss on disposal of property, plant and equipment		81,110	(1,499)

	Note	2003 \$	2002 \$
<b>3 INDIVIDUALLY SIGNIFICANT EXPENSES/REVENUE INCLUDED IN PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>			
Revaluation of land and buildings			
The revaluation increment, as a result of the independent valuation in 2002, has been recognised in accordance with accounting standard AASB 1041 Revaluation of Non-Current Assets.			
Total revaluation increment		-	4,444,312
Balance of revaluation increment credited directly to the asset revaluation reserve	13	-	(1,334,632)
Amount of the revaluation increment equal to the revaluation decrement recognised as an expense in respect of the same class of assets in the year ended 30 June 1993		-	3,109,680
		-	3,109,680
<b>4 AUDITORS' REMUNERATION</b>			
Amounts received or due and receivable for audit services by:			
External auditors - auditing accounts		50,000	50,000
- other services		-	-
		50,000	50,000
<b>5 TAXATION</b>			
<b>a Income tax expense</b>			
Prima facie income tax expense calculated at 30% (2002 30%) on the profit from ordinary activities		33,823	721,264
Prima facie tax on fundamental error		-	753,419
Increase in income tax expense due to:			
Depreciation of buildings		33,780	36,908
Other non-deductible items		10,811	7,190
Decrease in income tax expense due to:			
Revaluation of land and buildings		-	(932,904)
Income tax expense on the profit from ordinary activities		78,414	585,876
Recovery of tax losses not previously brought to account		(78,414)	(585,876)
Future income tax benefit not brought to account		-	-
Income tax expense attributable to profit from ordinary activities		-	-

	Note	2003 \$	2002 \$
<b>b Deferred tax and future income tax benefits</b>			
(i) Deferred tax assets			
Future income tax benefit comprises the estimated future benefit at the applicable rate of 30% (2002 30%) on the following items:			
Provisions and accrued employee entitlements not currently deductible		115,354	114,509
Other provisions and sundry items		94,139	405,961
		<u>209,493</u>	<u>520,470</u>
(ii) Future income tax benefit not taken to account			
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 reasonable doubt:			
Tax losses carried forward		102,468	66,013
Timing differences		209,493	520,470
		<u>311,961</u>	<u>586,483</u>
<b>6 RECEIVABLES</b>			
Current			
Short term deposits, maturing within 2 months and paying interest at a weighted average interest rate of 4.7% (2002 4.5%)		3,421,890	4,115,185
Trade debtors		723,874	989,450
Less: Provision for doubtful trade debtors		(28,733)	(210,973)
		<u>695,141</u>	<u>778,477</u>
Other debtors		171,289	30,657
		<u>4,288,320</u>	<u>4,924,319</u>

	Note	2003 \$	2002 \$
Australian dollar equivalents of amounts receivable in foreign currencies not effectively contracted for exchange losses:			
United States Dollars		116,189	91,940
Canadian Dollars		2,570	-
English Pounds		-	8,173
Euro		-	7,579
		<u>118,759</u>	<u>107,692</u>
<b>7 INVENTORIES</b>			
Current			
Finished goods at cost		47,733	74,506
Less: Provision for stock obsolescence		-	(35,000)
		<u>47,733</u>	<u>39,506</u>
<b>8 OTHER ASSETS</b>			
Current			
Accrued income		9,936	15,511
Prepayments		2,332	1,255
		<u>12,268</u>	<u>16,766</u>
<b>9 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	9 c	5,630,000	5,630,000
Less: Accumulated depreciation		(112,600)	-
		<u>5,517,400</u>	<u>5,630,000</u>
Plant, furniture and equipment – at cost		1,766,872	3,394,859
Less: Accumulated depreciation		(1,241,285)	(3,066,176)
		<u>525,587</u>	<u>328,683</u>
Computer equipment – at cost		302,770	1,346,558
Less: Accumulated depreciation		(181,717)	(1,098,716)
		<u>121,053</u>	<u>247,842</u>
Total property, plant and equipment – net book value		<u>13,964,040</u>	<u>14,006,525</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.

	Note	2003 \$	2002 \$
<b>b Valuation of land</b>			
The most recent valuation of freehold land is independent	1 j (ii)	7,800,000	7,800,000
<b>c Valuation of buildings</b>			
The most recent valuation of buildings is independent	1 j (ii)	5,630,000	5,630,000
<b>d Reconciliation of property, plant and equipment for the year ended 30 June 2003</b>			

	Land	Buildings	Plant, Furniture & Equipment	Computer Equipment
Carrying amount at 1 July 2002	7,800,000	5,630,000	328,683	247,842
Additions	-	-	371,942	-
Disposals	-	-	(13,075)	(68,034)
Depreciation expense	-	(112,600)	(161,965)	(58,755)
Other movements	-	-	-	-
Carrying amount at 30 June 2003	7,800,000	5,517,400	525,587	121,053

## 10 CREDITORS AND BORROWINGS

### Current

Trade creditors	997,108	2,716,182
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## 11 EMPLOYEE ENTITLEMENTS

### Current

Annual leave	217,599	184,763
Long service leave	101,011	48,368
Award increase	-	67,614
Salaries payable	82,598	70,342
	401,208	371,087

### Non-current

Long service leave	50,598	64,750
Aggregate employee entitlement liability	451,806	435,837

### Number of employees

Number of employees at year end	48	42
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The values of employee entitlements have been calculated on current salaries at the end of the financial year.

	Note	2003 \$	2002 \$
<b>12 OTHER CURRENT LIABILITIES</b>			
Prepaid sales		-	29,536
Other payments received in advance		1,800	13,768
		<u>1,800</u>	<u>43,304</u>
<b>13 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	372,157
Revaluation of land and buildings in 2002	3	-	1,334,631
Asset revaluation reserve balance at the end of the financial year		<u>1,706,788</u>	<u>1,706,788</u>
Total reserves at the end of the year		<u>1,706,788</u>	<u>1,706,788</u>
<b>14 RETAINED EARNINGS/(ACCUMULATED LOSSES)</b>			
<b>Statement of retained earnings/(accumulated losses)</b>			
Retained earnings/(accumulated losses) at the beginning of the year		262,189	(4,653,419)
Effect of the implementation of AASB 1004		-	2,511,395
Restated retained earnings/(accumulated losses) at the beginning of the year		262,189	(2,142,024)
Net profit		112,742	2,404,213
Retained earnings at the end of the year		<u>374,931</u>	<u>262,189</u>

	Note	2003 \$	2002 \$
<b>15 NOTES TO THE STATEMENT OF CASH FLOWS</b>			
<b>a Reconciliation of cash</b>			
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		214,500	1,171,611
Short term deposits	6	3,421,890	4,115,185
As per Statement of Cash Flows		3,636,390	5,286,796
<b>b Reconciliation of operating profit after income tax to net cash provided by operating activities</b>			
Operating profit after tax		112,742	2,404,213
Add/(Less) non cash items			
Depreciation		333,320	402,523
Increase/(Decrease) in provision for doubtful debts		(182,240)	(33,670)
Increase/(Decrease) in provision for obsolete stock		(35,000)	(18,408)
Increase/(Decrease) in employee entitlements		15,969	95,044
Revaluation of land and buildings		-	(3,109,680)
Recognition of National Interest Program income from prior years		-	2,511,395
(Profit)/Loss on sale of plant and equipment		81,110	(1,499)
Net cash provided by operating activities before change in assets and liabilities		325,901	2,249,918
Changes in assets and liabilities			
(Increase)/Decrease in receivables		124,944	(268,776)
(Increase)/Decrease in inventories		26,773	7,776
(Increase)/Decrease in other assets		4,497	8,199
Increase/(Decrease) in trade creditors and other liabilities		(1,719,075)	542,940
Increase/(Decrease) in current liabilities – other		(41,504)	(2,725,380)
Net cash flow from operating activities		(1,278,464)	(185,323)

## 16 DETAILS OF DIRECTORS

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

Robert Fisher – Chair  
Eve Mahlab – Deputy Chair  
Sharon Connolly – Chief Executive Officer  
Megan McMurchy  
John Hirst  
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 60. 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 21 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.

**Eve Mahlab** AO, LLB, LLD (hon) Monash

Age 66. Joined the Board in 1998 and was appointed Deputy Chair. A prominent business woman and formerly a non-executive director of several corporate and community boards, including the Westpac Banking Corporation and the Walter and Eliza Hall Institute of Medical Research. A trustee of the Victor Smorgon Charitable Trust.

Member of the Finance and Audit Committee.

**Sharon Connolly** BA (Hons) (LaTrobe University)

Age 47. Joined the Board in July 1997, when appointed Chief Executive Officer of Film Australia. Executive Producer with the company from 1993, she was previously an independent filmmaker and has held various positions with the ABC and Film Victoria. A founding director of Yarra Bank Films, she has served on the Board of Film Victoria, on the Council of the Screen Producers Association of Australia and as Deputy Chair of the Australian Documentary Conference.

Member of the Finance and Audit Committee.

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

Age 54. 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. Was series producer for SBS Independent's *Hybrid Life* and *Fat Cow Motel*, which screened on ABC-TV and Austar during 2003. Currently producing the documentary series *Fine Line* for SBS Independent.

**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.

**Sue Murray**

Age 54. 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 20 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.

**c Directors' remuneration**

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

			2003	2002
	\$	\$	Number	Number
10,000	-	19,999	1	3
20,000	-	29,999	3	1
40,000	-	49,999	1	1
160,000	-	169,999	-	1
170,000	-	179,999	1	-
			2003	2002
			\$	\$

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

323,999

296,882

Amounts paid to superannuation funds

30,027

26,574

**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	6
Sharon Connolly – Chief Executive Officer	9	9
Megan McMurchy	9	9
John Hirst	9	9
Sue Murray	9	8

**e Loans to directors**

There are no loans to directors.

**f Directors' shareholdings**

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

## 17 EXECUTIVES' REMUNERATION

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

			2003	2002
	\$	\$	Number	Number
100,000	-	109,999	3	3
110,000	-	119,999	2	-
120,000	-	129,999	-	1
130,000	-	139,999	1	-
			2003	2002
			\$	\$

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

	678,143	448,503
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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 Managing Director's remuneration is included in Note 16.

## 18 RELATED PARTIES

### Directors

Details of directors' remuneration, superannuation and retirement payments are set out in Note 16.

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.

## 19 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:

	2003	2002
	\$	\$
Within one year	3,407,079	2,781,065
One year or later and no later than five years	462,224	263,406
Later than five years	-	-
	3,869,303	3,044,471

### Non-cancellable operating lease expense commitments

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

Within one year	99,630	83,334
One year or later and no later than five years	126,375	34,509
Later than five years	-	-
	226,005	117,843

## 20 POST BALANCE DATE EVENT

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

## 21 CONTINGENT LIABILITIES

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

## 22 SEGMENT INFORMATION

The principal activities of Film Australia Limited are the production, marketing and distribution of film and video material. Geographically, revenue is derived from:

	2003	2002
	\$	\$
Australia	12,676,224	13,445,567
International	593,488	1,581,941

## 23 DISBURSEMENT TRUST

The company provides assistance to producers and investors of various production titles, most of which are documentaries, by handling the receipt and disbursal 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.

	2003
Note	\$
<b>Film Australia Disbursement Trust</b>	
<b>statement of receipts and payments</b>	
<b>for the year ended 30 June 2003</b>	
Balance 1 July	1,205,559
Add: Receipts	888,243
Funds available for disbursement	2,093,802
Less: Payments	789,339
Balance 30 June	1,304,463

### **Film Australia Disbursement Trust** **statement of assets and liabilities** **as at 30 June 2003**

#### **Assets**

Cash at bank	1,304,463
<b>Total assets</b>	<b>1,304,463</b>

#### **Liabilities**

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

## 24 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	6	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	6 6, 8	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	10	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	12	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

Financial Instrument	Note	Floating Interest Rate		Fixed Interest Rate 1 year or less		Non-interest Bearing		Total		Weighted Average Effective Interest Rate	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 %	2002 %
<b>Financial Assets</b> (Recognised)											
Cash at Bank & on Hand		-	-	-	-	186	1,172	186	1,172	n/a	n/a
Deposits at Call		29	2	-	-	-	-	29	2	2.72	3.75
Short Term Deposits	6	-	-	3,422	4,115	-	-	3,422	4,115	4.71	4.5
Trade Debtors	6	-	-	-	-	696	778	696	778	n/a	n/a
Other Debtors	6, 8	-	-	-	-	184	47	184	47	n/a	n/a
<b>Total Financial Assets</b>		<b>29</b>	<b>2</b>	<b>3,422</b>	<b>4,115</b>	<b>1,066</b>	<b>1,997</b>	<b>4,517</b>	<b>6,114</b>		
<b>Total Assets</b>								<b>18,528</b>	<b>20,159</b>		
<b>Financial Liabilities</b> (Recognised)											
Trade Creditors	10	-	-	-	-	997	2,716	997	2,716	n/a	n/a
Other Liabilities	12	-	-	-	-	2	43	2	43	n/a	n/a
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999</b>	<b>2,759</b>	<b>999</b>	<b>2,759</b>		
<b>Total Liabilities</b>								<b>1,451</b>	<b>3,195</b>		

## Net fair values of financial assets and liabilities

	Note	2003		2002	
		Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
<b>Financial Assets</b>					
Cash at Bank & on Hand		186	186	1,172	1,172
Deposits at Call		29	29	2	2
Short Term Deposits	6	3,422	3,422	4,115	4,115
Trade Debtors	6	696	696	778	778
Other Debtors	6, 8	184	184	47	47
<b>Total Financial Assets</b>		<b>4,517</b>	<b>4,517</b>	<b>6,114</b>	<b>6,114</b>
<b>Financial Liabilities (Recognised)</b>					
Trade Creditors	10	997	997	2,716	2,716
Other Liabilities	12	2	2	43	43
<b>Total Financial Liabilities (Recognised)</b>		<b>999</b>	<b>999</b>	<b>2,759</b>	<b>2,759</b>

### 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.

### c 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 Assets and Liabilities.

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

# 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 2003 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 the resolution of the directors:



Robert Fisher  
Director

16 September 2003



Sharon Connolly  
Director

16 September 2003

# INDEPENDENT AUDIT REPORT



To the members of Film Australia Limited

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

This audit report relates to the financial report of Film Australia Limited for the year ended 30 June 2003 included on Film Australia's web site. The company's directors are responsible for the integrity of information of Film Australia'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 report.

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 report to confirm the information included in the audited financial report presented on this website.

## SCOPE

I have audited the financial report of Film Australia Limited for the year ended 30 June 2003.

The financial report comprises:

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

The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance whether the financial report is free of material misstatement. Audit 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 and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

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

## AUDIT OPINION

In my opinion, the financial report of Film Australia Limited is 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 2003 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 that reads 'Mashelle Parrett'.

Mashelle Parrett  
Executive Director

For the Auditor-General

Canberra  
17 September 2003



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## ■ HUMAN CONTRACTIONS

Academy Award winning animator Bruce Petty takes us on an anarchic journey through the inner mechanics of the “contraptions” that shape our lives.

- 1 Animation still titled “Spares” from *Medicine* episode.
- 2 Animation still from *Sex* episode.
- 3 Animation still by Bruce Petty and his son, editor Sam Petty, from *Finance* episode.

“Petty’s work challenges the notion that institutions...should be treated as though traditions built up during many years have made them perfect.”

**Mike Steketee**  
Weekend Australian

“one of Australia’s foremost political cartoonists”

Central Coast Herald



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