

Risky Business

"I haven't laughed so much since
The Castle"

Sacha Molitorisz
THE SYDNEY MORNING HERALD



"terrific documentary, which is
almost a real-life sitcom ...
great viewing"

HERALD SUN



Financial statements

Profit and Loss Account	36
Balance Sheet	37
Statement of Cash Flows	38
Notes to and forming part of the Financial Statements	39
Directors' Declaration	55
Independent Audit Report	56
Directors' Report	57

RISKY BUSINESS follows the stories of four small businesses and the people who are risking everything to get their enterprises off the ground: (from top) a family fast-food business, a hot fashion design duo, an upmarket icecream cafe and a hip young cellular phone company.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2000

	NOTE	2000 \$	1999 \$
Operating Revenue	2	11,702,052	12,404,460
Operating profit/(loss) before abnormal items and income tax	2	179,841	(166,280)
Abnormal items before income tax	4	(439,423)	-
Operating loss after abnormal items but before income tax		(259,582)	(166,280)
Income tax attributable to operating loss	5	-	-
Operating loss after income tax		(259,582)	(166,280)
Accumulated losses at the beginning of the financial year		(4,089,660)	(3,923,380)
Accumulated losses at the end of the financial year		(4,349,242)	(4,089,660)

The profit and loss account should be read in conjunction with the notes to and forming part of the financial statements.

BALANCE SHEET AS AT 30 JUNE 2000

	NOTE	2000 \$	1999 \$
CURRENT ASSETS			
Cash		1,674,496	1,707,477
Receivables	6	4,115,947	3,908,405
Inventories	7	29,796	29,760
Other	8	14,817	9,666
Total current assets		5,835,056	5,655,308
NON-CURRENT ASSETS			
Property, plant and equipment	9	9,613,313	9,137,587
Total non-current assets		9,613,313	9,137,587
TOTAL ASSETS		15,448,369	14,792,895
CURRENT LIABILITIES			
Creditors and borrowings	10	1,598,000	1,648,710
Provisions	11	207,453	278,324
Other	12	2,567,287	2,548,613
Total current liabilities		4,372,740	4,475,647
NON-CURRENT LIABILITIES			
Provisions	11	58,286	40,323
Total non-current liabilities		58,286	40,323
TOTAL LIABILITIES		4,431,026	4,515,970
NET ASSETS		11,017,343	10,276,925
SHAREHOLDERS' EQUITY			
Share capital	13	14,994,428	13,994,428
Reserves	13	372,157	372,157
Accumulated losses		(4,349,242)	(4,089,660)
TOTAL SHAREHOLDERS' EQUITY		11,017,343	10,276,925

The balance sheet should be read in conjunction with the notes to and forming part of the financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2000

	NOTE	2000 \$	1999 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,654,276	13,420,053
Payments to suppliers and employees		(11,185,659)	(14,310,293)
		468,617	(890,240)
Interest received		246,318	270,325
Interest and costs of finance paid		-	(752)
Net cash flow from operating activities	15(b)	714,935	(620,667)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		1,300	4,088
Payment for plant and equipment		(796,139)	(224,933)
Net cash flow from investing activities		(794,839)	(220,845)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings		-	(16,200)
Equity injection for air conditioning		1,000,000	-
Net cash flow from financing activities		1,000,000	(16,200)
Net increase/(decrease) in cash held		920,096	(857,712)
Cash at the beginning of the financial year		3,823,517	4,681,229
Cash at the end of the financial year	15(a)	4,743,613	3,823,517

The statement of cash flows should be read in conjunction with the notes to and forming part of the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2000**1 Statement of significant accounting policies****(a) Basis of Preparation**

This general purpose financial report has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and the Corporations Law.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

(b) Change in Accounting Policies

The accounting policies adopted are consistent with those of the previous years.

(c) Income Tax

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit can be regarded as being virtually certain of realisation.

(d) 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.

(e) Leased Plant and Equipment

Leases are classified as finance leases under the criteria of accounting standard AASB1008 where substantially all of the risks of ownership are assumed by the company. Finance leases are capitalised; a lease asset and liability equal to the present value of the minimum lease payments, excluding executory costs, are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight-line basis against the income of the accounting periods which are expected to benefit from their use.

(f) Inventories

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

(g) Property, Plant and Equipment**(i) Acquisitions**

Items of property, plant and equipment costing greater than \$500 are recorded at cost except where stated. Items of property, plant and equipment costing less than \$500 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. The next valuation will take place in the financial year ending 30 June 2001.

A valuation of land and buildings was carried out by an independent valuer during 1997. This valuation, together with advice received from the valuer in 1999, was used as the basis for the directors' valuation in 1999. This valuation has not been recognised in the financial statements.

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 1996.

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

	2000	1999
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.

(h) Provisions**(i) Doubtful Debts**

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

(ii) Employee Entitlements**(1) 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.

(2) 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.

(3) Sick Leave

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

(i) Superannuation Funds

The company contributes to employee superannuation funds. Contributions are charged against income as they are made. See also Note 18.

(j) National Interest Program and Departmental Contracts

The company recognises income from these contracts in the profit and loss account in the period in which the income is utilised for the production of film and video material.

(k) 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 as gross and disbursements relating to such revenue are shown as a cost of sale.

(l) Maintenance and Repairs

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

(m) 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.

(n) Comparative Figures

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

	2000 \$	1999 \$
2 Operating profit		
(a) Operating Revenue and Expenses		
Operating loss has been arrived at after including:		
Operating Revenue		
Sales revenue:		
– National Interest Program	6,826,188	7,003,394
– Other sales revenue	4,628,246	5,126,653
	11,454,434	12,130,047
Other revenue:		
– Interest received from other corporations	246,318	270,325
– Proceeds from sale of non-current assets	1,300	4,088
	11,702,052	12,404,460
Operating Expenses		
– Interest paid or due and payable to other persons	–	752
– Depreciation of property, plant and equipment	319,090	482,976
– Bad debts written off	45,123	1,061
– Superannuation contributions	159,422	145,563
Amounts set aside to provisions for:		
(i) Employee entitlements		
– Long service leave	50,831	36,758
– Annual leave	186,705	149,363
(ii) Doubtful trade debts		
	94,093	33,310
(iii) Provision for inventory obsolescence		
	–	21,698
(iv) Provision for doubtful advances		
	115,150	–
(v) Provision for loss on investment		
	–	100,000
(b) Sales of Non-Current Assets		
Profit/(Loss) on sales of property, plant and equipment	(23)	2,911

	2000 \$	1999 \$
3 Auditors' remuneration		
Amounts received or due and receivable for audit services by:		
– External auditors – auditing accounts	49,500	31,000
– other services	–	29,000
	49,500	60,000

4 Abnormal items

The operating loss after income tax is arrived at after charging the following abnormal items:

– Provision for write off of investment	439,423	–
---	---------	---

The above write off is as a result of uncertainty of future revenues from this investment.

5 Taxation

The aggregate amount attributable to the financial year differs from the amount of prima facie tax payable on the operating profit.

The differences have been reconciled as follows:

Prima facie income tax payable/(benefit) calculated at 36% of operating profit/(loss)	(93,450)	(59,861)
Decrease in income tax payable/(benefit) due to permanent differences:		
– Building depreciation	44,160	44,130
– Sundry items including entertainment	8,650	8,696
	(40,640)	(7,035)
Future income tax (payable)/benefits not brought to account	40,640	7,035
Income tax (benefit)/expense	–	–
Potential future income tax benefit attributable to:		
– Tax losses	397,065	356,425
– Timing differences	609,098	421,966
	1,006,163	778,391

In accordance with the policy set out at Note 1, potential future income tax benefits have not been brought to account.

Realisation will depend on:

- The ability of the company to derive future assessable income of a nature and sufficient amount to enable the benefit to be realised.
- The ability of the company to continue to comply with conditions of deductibility imposed by the law.
- An expectation that the law will not change in a manner which would adversely affect the company's ability to realise the benefit.

	NOTE	2000 \$	1999 \$
6 Receivables			
Current			
Short term deposits		3,069,117	2,116,040
Trade debtors		1,046,731	1,201,640
Less: provision for doubtful trade debtors		(115,322)	(103,310)
		931,409	1,098,330
Investment in film projects		826,423	826,423
Less: provision for doubtful recovery of investment		(826,423)	(387,000)
		-	439,423
Distribution advances for film projects		140,150	143,128
Less: provision for doubtful advances		(140,150)	(25,000)
		-	118,128
Other debtors		115,421	136,484
		4,115,947	3,908,405
Australian dollar equivalents of amounts receivable in foreign currencies not effectively hedged:			
United States Dollars		196,519	152,740
English Pounds		129,173	-
German Deutsche Marks		19,678	-
7 Inventories			
Current			
- Raw materials at cost		21,698	21,698
- Less: provision for stock obsolescence		(21,698)	(21,698)
		-	-
- Finished goods at cost		74,796	74,760
- Less: provision for stock obsolescence		(45,000)	(45,000)
		29,796	29,760
		29,796	29,760

	NOTE	2000 \$	1999 \$
8 Other assets			
Current			
- Accrued income		8,985	9,666
- Prepayments		5,832	-
		14,817	9,666
9 Property, plant and equipment			
(a) Total Property, Plant and Equipment			
Freehold land - at directors' valuation		3,400,000	3,400,000
Buildings - at directors' valuation	9(c)	5,600,000	5,600,000
Additions at cost		14,722	14,722
Disposals at cost		-	-
Less: accumulated depreciation		(489,912)	(367,245)
		5,124,810	5,247,477
Plant and equipment - at cost		3,567,974	2,900,743
Less: accumulated depreciation		(2,695,951)	(2,582,679)
		872,023	318,064
Office furniture and equipment - at cost		431,727	373,130
Less: accumulated depreciation		(299,833)	(275,569)
		131,894	97,561
Computer equipment - at cost		1,098,800	1,134,290
Less: accumulated depreciation		(1,014,214)	(1,059,805)
		84,586	74,485
Total property, plant and equipment - net book value		9,613,313	9,137,587

	NOTE	2000 \$	1999 \$
9 Property, plant and equipment (continued)			
(b) Valuation of Land			
The most recent valuation of freehold land is:			
Directors' valuation – 1999	1(g)(ii)	3,740,000	3,740,000
The directors' valuation carried out in 1999 has not been recognised in the financial statements.			
(c) Valuation of Buildings			
The most recent valuation of buildings is:			
Directors' valuation – 1999	1(g)(ii)	5,193,000	5,193,000
The directors' valuation carried out in 1999 has not been recognised in the financial statements.			
10 Creditors and borrowings			
Current			
– Trade creditors		1,598,000	1,648,710
11 Provisions			
Current			
– Annual leave		149,048	168,295
– Long service leave		58,405	69,652
– Award increase		–	40,377
		207,453	278,324
Non-current			
– Long service leave		58,286	40,323
Aggregate employee entitlement liability		265,739	318,647
12 Other current liabilities			
National Interest Program advance		2,310,203	2,291,292
Prepaid sales		132,592	132,829
Other payments received in advance		124,492	124,492
		2,567,287	2,548,613

	2000 \$	1999 \$
13 Share capital and reserves		
Issued and paid-up capital 12,803,570 ordinary shares	14,994,428	13,994,428
Includes 1,000,000 ordinary shares at \$1.00 each issued during the year		
Asset revaluation reserve balance at the beginning of the year	372,157	372,157
Asset revaluation reserve balance at the end of the financial year	372,157	372,157
Total reserves at the end of the year	372,157	372,157
14 Total lease commitments		
(a) Lease Payments	99,784	81,288
(b) Non-Cancellable Operating Lease Commitments		
– Payable no later than one year	76,476	75,844
– Payable later than one, not later than two years	64,423	38,638
– Payable later than two, not later than five years	49,729	72,936
	190,628	187,418

15 Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

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 balance sheets as follows:

	NOTE	2000 \$	1999 \$
Cash on hand		1,674,496	1,707,477
Short term deposits	6	3,069,117	2,116,040
As per Statement of Cash Flows		4,743,613	3,823,517

(b) Reconciliation of Operating Loss after Income Tax to Net Cash Provided by Operating Activities

Operating profit/(loss) after tax	(259,582)	(166,280)
Non-cash flows in operating loss		
– Depreciation	319,090	482,976
– Increase in provision for doubtful debts	12,012	33,310
– Increase in provision for recovery of investment	439,423	100,000
– Increase/(Decrease) in provision for obsolete stock	–	21,698
– Increase/(Decrease) in provision for doubtful advances	115,150	–
– Increase/(Decrease) in employee entitlements	(52,908)	228,632
– (Profit)/Loss on sale of plant and equipment	23	(2,911)
Net cash provided by operating activities before change in assets and liabilities	573,208	697,425
Changes in assets and liabilities		
– (Increase)/Decrease in receivables	178,950	979,412
– (Increase)/Decrease in inventories	(36)	14,563
– (Increase)/Decrease in other assets	(5,151)	22,606
– Increase/(Decrease) in trade creditors and other liabilities	(50,710)	(1,922,987)
– Increase/(Decrease) in provisions	–	(463,976)
– Increase in current liabilities – other	18,674	52,290
Net cash flow from operating activities	714,935	(620,667)

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
 Ronald Brent
 Megan McMurchy
 John Hirst

(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 57. 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 23 years working in the chartered accountancy profession, and the last 17 years working in the film and television industry. Worked for eight years with McElroy and McElroy Pty as general manager and finance director and production controller. *Chair of the Finance and Audit Committee.*

Eve Mahlab AO, LLB, LLD (hc)

Age 63. Joined the Board in 1998 and was appointed Deputy Chair. A prominent businesswoman and 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) (La Trobe University)

Aged 44. Joined the Board in July 1997, when appointed Chief Executive Officer of Film Australia. Executive producer with the company from 1993, was previously an independent filmmaker and has held various positions with the ABC and Film Victoria. A founding director of Melbourne company Yarra Bank Films. Has served on the Board of Film Victoria, 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.*

Ronald Brent B Econ, LLB (ANU)

Age 45. Joined the Board in 1998. Director of ScreenSound Australia (formerly the National Film and Sound Archive) and Deputy Chair of the Centre for Australian Cultural Studies. In previous roles, has been director and chair of the Sound Heritage Association of Australia, convener of the Cultural Statistics Group of the Cultural Minister's Council and a member of the Visions of Australia committee. Worked in international economics and international relations with the Department of Primary Industry and headed the legal unit of the department responsible for environment and arts issues. Has also been responsible for film industry support policy advice in the Commonwealth Government.

Megan McMurchy BA (University of Queensland)

Age 51. 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 at Film Australia on the *New Horizons* series and *Mystique of the Pearl* and then as an executive producer (1997–98). Acted as series producer for SBS Independent during 1999–2000 on the 12-part television series *Hybrid Life*.

John Hirst BA, PhD (University of Adelaide)

Age 58. 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* (1998). Appeared in Film Australia's *Federation* series and is the author of a new history of federation, *The Sentimental Nation*. *Chair of the Commonwealth Government's Civics Education Group.*

16 Details of directors (continued)

(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:

	2000 Number	1999 Number
\$0 – \$9,999	–	6
\$10,000 – \$19,999	2	2
\$20,000 – \$29,999	1	2
\$30,000 – \$39,999	1	–
\$120,000 – \$129,999	–	1
\$130,000 – \$139,999	1	–
	2000 \$	1999 \$

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

231,216 218,179

Amounts paid to superannuation funds

20,935 21,129

(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	7	7
Eve Mahlab – Deputy Chair	7	4
Sharon Connolly – Chief Executive Officer	7	7
Ronald Brent	7	5
Megan McMurchy	7	6
John Hirst	7	6

(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 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.

Other Transactions

One director, Megan McMurchy, has occasional professional dealings with Film Australia Limited in her capacity as a producer. Such professional services 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:

	2000 \$	1999 \$
Producers' fees	850	35,990

18 Commitments

(a) Superannuation Commitments

The company contributes to two different types of employee superannuation funds.

The company contributes to the Westpac Masterplan superannuation fund, matching contributions to the fund made by employees. Employees are entitled to contribute to the Westpac Masterplan upon commencement of full time employment with Film Australia Limited. Contributions are based on various percentages of their gross salary.

Company contributions include seven per cent Superannuation Guarantee Levy.

Seven per cent Superannuation Guarantee Levy is paid to freelance and casual employees. Superannuation Trust Fund of Australia (STA) and JUST Super (previously Joint Entertainment Superannuation Trust (JEST)) are the two funds into which contributions are paid.

(b) Capital Expenditure Commitments

	2000 \$	1999 \$
The estimated maximum amount of commitments contracted but not provided for and payable:		
– Not later than one year	200,000	–

The estimated maximum amount of commitments contracted but not provided for and payable:

– Not later than one year 200,000 –

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 was not involved in any actions that would result in a liability to the company.

21 Economic dependency

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

22 Segment information

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

	2000 \$	1999 \$
Geographically, revenue is derived from:		
Australia	10,065,870	9,984,952
International	1,636,182	2,419,508

23 Financial instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Method	Nature of Underlying Instrument
FINANCIAL ASSETS			
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.
Distribution Advances	6	The advances are recognised as the amounts advanced. Provision is made for bad or doubtful advances when collections of the advance or part thereof is judged to be less rather than more likely.	The advances are made unsecured and with varying terms and conditions relating to repayment. The majority of the amounts disclosed should be repaid within 12 months. The advances do not incur interest.
FINANCIAL LIABILITIES			
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	
		2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 %	1999 %
FINANCIAL ASSETS (Recognised)											
Cash at Bank & on Hand						1,182	1,331	1,182	1,331	n/a	n/a
Deposits at Call		492	376					492	376	4.7	3.5
Short Term Deposits	6			3,069	2,116			3,069	2,116	5.4	4.9
Trade Debtors	6					931	1,098	931	1,098	n/a	n/a
Other Debtors	6, 8					124	586	124	586	n/a	n/a
Distribution Advances	6						118		118	n/a	n/a
Total Assets		492	376	3,069	2,116	2,237	3,133	5,798	5,625		
FINANCIAL LIABILITIES (Recognised)											
Trade Creditors	10					1,598	1,649	1,598	1,649	n/a	n/a
Other Liabilities	12					2,567	2,549	2,567	2,549	n/a	n/a
Total Liabilities		-	-	-	-	4,165	4,198	4,165	4,198		

23 Financial instruments (continued)

Net Fair Values of Financial Assets and Liabilities

Note	2000		1999	
	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000	Total Carrying Amount \$'000	Aggregate Net Fair Value \$'000
FINANCIAL ASSETS				
Cash at Bank & on Hand	1,182	1,182	1,331	1,331
Deposits at Call	492	492	376	376
Short Term Deposits	6	3,069	2,116	2,116
Trade Debtors	6	931	1,098	1,098
Other Debtors	6,8	124	586	586
Distribution Advances	6	-	118	118
Total Financial Assets	5,798	5,798	5,625	5,625
FINANCIAL LIABILITIES (Recognised)				
Trade Creditors	10	1,598	1,649	1,649
Other Liabilities	12	2,567	2,549	2,549
Total Financial Liabilities (Recognised)	4,165	4,165	4,198	4,198

Financial Assets

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

Financial Liabilities

The net fair value of all financial liabilities is approximated by their carrying value. None of the classes of financial liabilities is 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

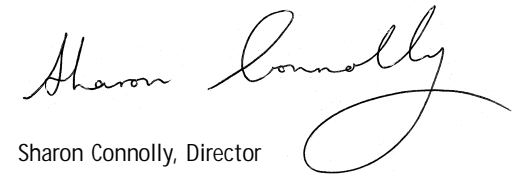
The directors' declare that:

- (a) the financial statements and associated notes comply with the Accounting Standards and Urgent Issues Group Consensus Views;
- (b) the financial statements and notes give a true and fair view of the financial position as at 30 June 2000 and performance of the company and economic entity for the year then ended;
- (c) in the directors' opinion:
 - (i) there are reasonable grounds to believe that the company will be able to pay its debts when they fall due and payable; and
 - (ii) the financial statements and notes are in accordance with the Corporations Law.

Made in accordance with the resolution of the directors:



Robert Fisher, Director



Sharon Connolly, Director

INDEPENDENT AUDIT REPORT

To the members of Film Australia Limited

Scope

I have audited the financial report of Film Australia Limited for the year ended 30 June 2000.

The financial report comprises:

- Profit and Loss Account;
- Balance Sheet;
- Statement of Cash Flows;
- Notes to and forming part of the Financial Report; and
- Directors' Declaration.

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 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, other mandatory professional reporting requirements and statutory requirements in Australia 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.

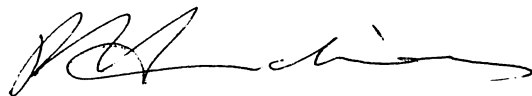
The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of Film Australia Limited is in accordance with:

- (a) the Corporations Law, including:
- (i) giving a true and fair view of the company's financial position as at 30 June 2000 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Australian National Audit Office



Paul Hinchey
Senior Director

For the Auditor-General

Sydney
28 August 2000

DIRECTORS' REPORT

The directors present their twelfth annual report together with the accounts of Film Australia Limited for the year ended 30 June 2000 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), Ronald Brent, Megan McMurchy and John Hirst.

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.

RESULT

The company recorded an operating profit before abnormal items and income tax of \$179,841 for the year, compared to a loss in the 1999 year of \$166,280. After taking into account abnormal items, the company recorded a loss of \$259,582 (1999 \$166,280).

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.

DIVIDENDS

No dividends were paid or provided during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

Film Australia has lodged an objection to the proposed installation of a telecommunications tower on the Lindfield site. The objection has been referred to the Telecommunications Industry Ombudsman. If the decision is found against Film Australia, a material decrease in the revenue of the company may result. There has not arisen in the interval between the end of the financial year and the date of this report any other 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 Law.

Dated at Lindfield this 28th day of August 2000.

Signed in accordance with a resolution of the directors:



Robert Fisher, Director



Sharon Connolly, Director