creatable media

Annual Report 2004

Creatable Media Limited

ACN 099 247 408

Contents

Chief Executive Officer's Review

This was an exciting year for the Company and one in which we achieved many of the milestones we set ourselves at the outset of the business.

Most important was the Initial Public Offering with the Company's Prospectus closing fully subscribed having raised additional capital of $9 million, which will be used to continue further development and implementation of the business plans.

During the past year we continued to install our TAPs in shopping centres throughout Australia and New Zealand and more than 50 centres owned by Westfield, Lend Lease and AMP, amongst others, now have a Creatable Media presence.

In recent months we have been developing a plan to launch Creatable Media in the USA and early in October we executed a 10 year contract with Westfield Corporation Inc. to commence installation of TAPs into their shopping malls located throughout North America. This provides a fabulous opportunity to expand the business internationally and opportunities in other countries are also opening up for us.

As part of an ongoing process to enhance our presence within the Australian market the company extended its contract with Westfield Australia to install, operate and manage tabletop advertising panels (TAPs) by a further two years to July 2009.

On the operational front, Craig Wunsh has been managing the development of improved tables and has sourced tables from South East Asia with an advanced design and construction and at a lower cost than those we used at the outset of the business. Craig is responsible for research and development and is undertaking a review of tables using scrolling technology that will allow the company to further increase its revenue whilst not requiring additional TAP space.

Within the past six months the Creatable management team was strengthened when Greg Bundy joined the Board as Chairman and Adam Peruch took over the reins in the sales area. The enthusiasm and skills which Greg and Adam brought to the Company were apparent immediately. We are now moving ahead confidently in the area of corporate development under Greg's guidance and the management of our sales programme has been significantly advanced under Adam's management.

We have a small number of staff all of whom have contributed to our success so far through significant effort and dedication. I take this opportunity to thank them on behalf of the Board and our shareholders.

Finally, I wish to thank all shareholders for their continued support of the Company particularly those who invested at an early stage when the Company was no more than an idea. The capital contributed by those early investors, their words of encouragement and ongoing support are the main reason we reached the goal of being a listed Company.

I look forward to ongoing success as our product matures, becomes an integral part of the advertising industry and attracts an increasing share of the market.

Craig Lazarus
Chief Executive Officer
30th September 2004.

Directors' Report

Your directors present this report on Creatable Media Limited for the year ended 30 June 2004.

DIRECTORS

The names of the directors in office at any time during or since the end of the year are:

G Bundy (Chairman) (Appointed 17 May 2004)

C J Wunsh

C C Lazarus

S Reynolds

M G Krawitz (Appointed 24 March 2004)

N A Assef (Resigned 24 October 2003)

A B Davis (Resigned 30 April 2004)

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was the establishment and operation of an indoor advertising business.

CHANGES IN THE STATE OF AFFAIRS DURING THE FINANCIAL YEAR

During the year, the Company raised additional capital, the proceeds of which were utilised to launch additional tabletop advertising units in shopping centres throughout Australia. The Company also proceeded towards the floatation of its shares on the Australian Stock Exchange by way of an Initial Public Offer.

OPERATING RESULTS

The loss after tax of the entity for the year amounted to $2,830,587 (2003: $1,154,038).

DIVIDENDS

No dividends have been paid or proposed during the year.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The following significant events have occurred since the end of the financial year:

- the Company issued, to holders of shares issued at 25 cents, a total of 3,761,828 shares on a 3 for 7 basis, in consideration for placing all such shares into voluntary escrow from the date the shares were listed on the Australian Stock Exchange;
- 9,567,032 convertible notes were converted on a 7 for 6 basis to 11,161,540 shares;
- the remaining 8,282,968 convertible notes will be redeemed at face value of 17.5 cents each, on 1 October 2004;
- 45,000,000 shares were issued pursuant to an initial public offer, thereby raising $9,000,000;
- the Company's shares were listed on the Australian Stock Exchange on 9 September 2004; and
- on 13 September 2004, the Australian Patent Office raised five grounds for revocation of a competitor's application for an innovation patent for a tabletop advertising device.

ENVIRONMENTAL ISSUES

The entity operates within the advertising sector. During the year under review, the directors are not aware of any particular or significant environmental issues, which have been raised in relation to the entity's operations.

LIKELY DEVELOPMENTS

Likely future developments in the operation of the entity are referred to in the accompanying "Chief Executive Officer's Review".

INFORMATION ON DIRECTORS

G Bundy
Chairman
Non-Executive Director

Greg Bundy has 20 years' experience in investment banking, stockbroking and funds management. Until recently, he was Vice Chairman of Merrill Lynch Asia Pacific with responsibility for all capital market accounts from Korea to Australia and overseeing a revenue base of more than USD1.5billion per annum and more than 2,800 employees.

Greg joined Merrill Lynch in 1984 after graduating from Yale University. By 1988, he had become head of US equity trading and in 1992 he became Managing Director of International Equities. Greg brings a wealth of experience in many aspects of the Australian and US capital markets.

Greg is Chairman of Equity Capital Markets Limited.

Relevant interest in shares and options at the date of this report – 4,538,000 ordinary shares and no options.

Directors' Report

Continued

C C Lazarus
Chief Executive Officer
Executive Director

Craig Lazarus co-founded Creatable Media. He holds a Commerce degree from the University of New South Wales, and qualified as a Chartered Accountant in 1999. Previously, Craig was employed as a senior consultant in the Business Service division of an international accounting firm.

Craig has extensive management experience, involving retail marketing and new product development. He has also been involved in the implementation of information systems for listed companies. Prior to joining Creatable Media, Craig was Business Development Manager with Virgin Mobile.

Relevant interest in shares and options at the date of this report – 12,092,953 ordinary shares and 600,000 options.

C J Wunsh
Chief Operating Officer
Executive Director

Craig Wunsh co-founded Creatable Media. He holds an Arts degree from Macquarie University and in 1998 completed his Masters of Commerce degree at The University of Sydney.

Craig was previously a research analyst with www.consult Pty Limited.

In 2000 he joined Accenture Pty Limited as a Management Consultant, where he focussed on developing strategic plans and business analysis for a consortium of international companies.

Relevant interest in shares and options at the date of this report – 12,092,953 ordinary shares and 600,000 options.

M G Krawitz
Non-Executive Director

Martin Krawitz has more than 30 years' experience in private and listed companies. He has expertise in merchant banking, financial investments and structured investments and a broad knowledge of finance, venture capital and marketing.

Martin holds a Commerce degree and is a qualified Chartered Accountant.

Martin is a director of public companies Fox Invest Limited and Fox Capital Limited.

Relevant interest in shares and options at the date of this report – 4,236,692 ordinary shares and no options.

S Reynolds
Non-Executive Director

Siimon Reynolds is Creative Director and Chairman of advertising company Love Pty Limited, and a director of Photon Group Limited, a collection of 13 marketing companies.

Siimon has established and managed several award winning advertising agencies, including OMON, which twice won Agency of the Year, Andromeda, which won the Cannes Grand Prix, and VCD, which won Advertising Agency of the Year award in 1997. He has won Australian Agency of the Year 3 times and is the only Australian to have won Newspaper Ad of the Year, TV Commercial of the Year, and Magazine Ad of the Year.

Relevant interest in shares and options at the date of this report – 3,500,000 ordinary shares and no options.

DIRECTORS' AND SENIOR EXECUTIVES EMOLUMENTS

Remuneration levels are determined with reference to the person's duties and responsibilities, taking into account current market levels and the person's performance.

Details of each element of the emoluments of each director of Creatable Media Limited and each of the officers of the company receiving the highest emoluments are set out in the following tables :

	Salary & fees	Super-annuation	Total
Directors	**$**	**$**	**$**
C J Wunsh	131,414	11,827	143,241
C C Lazarus	135,542	7,399	142,941
N A Assef *	13,248	-	13,248
A B Davis *	33,591	-	33,591
S Reynolds	20,003	-	20,003
M G Krawitz	8,350	-	8,350
G Bundy	18,750	-	18,750
	360,898	19,226	380,124
Executives			
H Woolcott	211,737	-	211,737
A Peruch	47,380	4,264	51,644
	259,117	4,264	263,381

* Resigned during the year

Directors' Report

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Share options granted to directors and the most highly remunerated officers

Options over unissued ordinary shares of Creatable Media Limited granted since the end of the financial year to any of the directors or the most highly remunerated officers of the company as part of their remuneration were as follows :

Directors	Options Granted
C J Wunsh, Executive Director	600,000
CC Lazarus, Executive Director	600,000
Executives	
H Woolcott, Chief Financial Officer	500,000
A Peruch, National Sales Manager	500,000

The options were granted under the Creatable Media Limited Executive Share Option Plan on 9 September 2004.

Shares under option

Unissued ordinary shares of Creatable Media Limited under option at the date of this report are as follows:

Date options granted	Expiry date	Issue Price	Number under option
9 September 2004	9 September 2009	25 cents	733,333
9 September 2004	9 September 2009	30 cents	733,333
9 September 2004	9 September 2009	35 cents	733,334
			2,200,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

MEETING OF DIRECTORS

During the financial year, attendance at meetings were:

	Directors Meetings Number Eligible to Attend	Number Attended
G Bundy	3	3
C J Wunsh	11	7
C C Lazarus	11	10
S Reynolds	11	8
M G Krawitz	5	3
N A Assef	3	2
A B Davis	8	8

INDEMNIFYING OFFICERS OR AUDITOR

The Company has paid premiums to insure all of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company, other than conduct involving a wilful breach of duty in relation to the company. The contracts of insurance prohibit the disclosure of the nature of the liabilities covered and the amount of the premiums paid. The Corporations Act 2001 does not require disclosure of the information in those circumstances.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Signed in accordance with a resolution of the directors for and on behalf of the directors by:

Gregory S. Bundy

Chairman

Director

Dated the 29th day of September 2004.

Statement of Corporate Governance

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

Name	Position	Date of Appointment
Mr Gregory Bundy	Chairman,	17th May 2004
Mr Craig Lazarus	Managing director & CEO	11th January 2002
Mr Craig Wunsh	Executive director & COO	11th January 2002
Mr Martin Krawitz	Nonexecutive director	24th March 2004
Mr Siimon Reynolds	Nonexecutive director	1st April 2003

This statement outlines the corporate governance policies and practices of Creatable Media, in the context of the best practice recommendations that have been set by the ASX Corporate Governance Council (ASX Guidelines). Since the listing of the Company on 9 September 2004, the Board has continually considered and reviewed the corporate governance practices and policies of the Company.

The table below sets down each of the recommendations made in the ASX Guidelines and indicates where the relevant disclosure can be found in this report. Where Creatable Media has not followed any of the recommendations, the recommendation and the reasons for not following it have been identified. Additionally, not all of the Recommendations were in place for the full financial year. The reasons for this were:

- The Board did not meet the requirement for having a majority of non-executive independent directors until the independent chairman Mr. Greg Bundy was appointed on 17th May 2004;
- The Audit and Compliance Committee and Remuneration Committee were not formed until 7th June 2004 when the Board committed to the lodgement of the Company's prospectus, which occurred on 24th June 2004 and the listing of the Company on ASX, which occurred on 9th September 2004.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 2.1 Independent Directors	1.2
Recommendation 2.2 Independent Chairman	1.2
Recommendation 2.3 Role of the Chairman and CEO	1.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Reporting on Principle 2	1.2 and the Directors' Report
Recommendation 3.1 Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2 Company Security Trading Policy	1.4.7
Recommendation 3.3 Reporting on Principle 3	1.1 and 1.4.7
Recommendation 4.1 CEO and CFO sign-offs on financial statements	1.4.9
Recommendation 4.2 Establishment of Audit Committee	2.1
Recommendation 4.3 Structure of Audit Committee	2.1.2
Recommendation 4.4 Audit Committee Charter	2.1
Recommendation 4.5 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.6
Recommendation 6.2 Attendance of Auditor at General Meetings	1.4.6
Recommendation 7.1 Policies on Risk Oversight and Management	2.1.4
Recommendation 7.2 Statement of CEO and CFO in relation to systems	1.4.9
Recommendation 7.3 Reporting on Principle 7	2.1.3
Recommendation 8.1 Evaluation of Board, Directors and Key Executives	1.4.8
Recommendation 9.1 Remuneration Policies	2.2.4
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5 Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1 Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board has the responsibility of ensuring Creatable Media is properly managed so as to provide and enhance shareholders' interests in a manner that is consistent with Creatable Media's responsibility to meet its obligations to all parties with which it

Statement of Corporate Governance

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interacts. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles. **(A copy of the Code of Conduct is available on the Creatable Media website.)**

1.2 Composition of the Board

The names of the directors of the company in office at the date of this report are set out in the Directors' report on pages 2-3 of this report. The constitution of the Company provides that the number of directors must not be less than 3 and not more than 12. There are currently 5 directors. There are 2 executive directors and 3 nonexecutive directors. The three non-executive directors can be characterised as independent for the purposes of the definition that appears in the ASX Guidelines. The Chairman is a non-executive and independent director and the roles of Chairman and CEO are not exercised by the same individual.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

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1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

(A copy of the Company's continuous disclosure policy is available on the Company's website).

1.4.5 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company will be reported in writing to each Board meeting. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.6 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, the Company's website, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.7 Securities Trading Policy

Creatable Media has adopted certain guidelines intended to establish best-practice procedures in relation to dealings in Securities by Directors, management and employees of the Company.

In addition to the restriction that persons may not deal in Securities whilst in possession of material, price-sensitive information, Directors and senior management may generally not deal in Securities for a period of one month preceding, or five business days following, an annual general meeting of the Company or the announcement of half-yearly or yearly results of the Company between the end of the financial half or full year until the release of the financial information relating to that period. Directors and employees of the Company are prohibited from dealing in the Company's shares at any time whilst in possession of price sensitive information.

1.4.8 Performance Review/Evaluation

The ASX Guidelines require the disclosure of the process for performance evaluation of the Board, individual directors and key executives. The current Board was constituted on 17 May 2004 shortly prior to the listing of the Company on ASX and as a result, no formal appraisal has been undertaken at this time. **[The Board has delegated the responsibility for designing a system of performance appraisal to the Remuneration Committee. The performance system will be disclosed once it has been adopted by the Board.]**

1.4.9 Attestations by CEO and CFO

The Chief Executive Officer and the Chief Financial Officer have stated, in writing, to the Board that:

a) With regard to the integrity of the financial report of Creatable Media Limited for the year ended 30 June 2004;

i) The financial statements and associated notes comply in all material respects with the Accounting Standards as required by Section 296 of the Corporations Act 2001;

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ii) The financial statements and associated notes give a true and fair view, in all material respects, of the financial position as at 30 June 2004 and performance of the Company and consolidated entity for the year then ended as required by Section 297 of the Corporations Act 2001; and

iii) In their opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

b) With regard to the financial records and systems of risk management and internal compliance and control of Creatable Media Limited for the year ended 30 June 2004;

i) The financial records of the company have been properly maintained in accordance with Section 286 of the Corporations Act 2001;

ii) The statements made in (a) above regarding the integrity of the financial statements are founded on a sound system of risk management and internal compliance and control.

iii) The risk management and internal compliance and control systems of the Company and consolidated entity relating to financial reporting are operating effectively in all material respects.

iv) Subsequent to 30 June 2004, no changes or other matters have arisen that would have a material effect on the operation of risk management and internal compliance and control systems of the company and consolidated entity.

2. Board Committees

2.1 Audit Committee

2.1.1 Role

The Audit Committee monitors and reviews the effectiveness of the Company's controls in the areas of operational and balance sheet risk, legal and regulatory compliance and financial reporting. The committee discharges these responsibilities by:

- overseeing the adequacy of the controls established by senior management to identify and manage areas of potential risk and to safeguard the assets of Creatable Media;
- overseeing Creatable Media's relationship with the external auditor and the external audit function generally; and
- evaluating the processes in place to ensure that accounting records are properly maintained in accordance with statutory requirements and financial information provided to investors and the Board is accurate and reliable.

The committee has also adopted a policy on the provision of non-audit services and the rotation of external audit personnel.

Members of management and the external auditors attend meetings of the committee by invitation. The committee may also have access to financial and legal advisors, in accordance with the Board's general policy.

(A copy of the audit committee's charter is available on the company's website.)

2.1.2 Composition

The Audit Committee consists of three members. The current members of the Audit Committee are Messrs Krawitz (Chairman), Bundy and Reynolds.

All members can read and understand financial statements and are otherwise financially literate. The details of the member's qualifications can be found in their Director Profiles on pp. 2-3.

The Audit committee intends to meet with the external auditor at least twice a year. The first of which being in November 2004.

2.1.3 Responsibilities

The Audit Committee reviews the audited annual and half-yearly financial statements and other reports which accompany published financial statements before submission to the Board and recommends their approval.

The Audit Committee also recommends to the Board the appointment of the external auditor and the internal auditor and each year, reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk management

Oversight of the risk management system

The board oversees the establishment and annual review of the company's risk management system. Management has established and implemented the Risk Management System for assessing, monitoring and managing operational, financial reporting and compliance risks for the Company. The CEO and CFO have declared, in writing to the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

The Audit Committee reports to the board annually on the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

2.2 Remuneration Committee

The Remuneration Committee was formed by resolution of the Board on 7 June 2004.

2.2.1 Role

The Remuneration Committee reviews and makes recommendations to the board on remuneration packages and policies including but not limited to succession planning, recruitment and the appointment of the Chief Executive Officer, senior executives and directors themselves and overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of the Company.

The objectives of the committee include:

- review, assess and make recommendations to the Board on the desirable competencies of the Board;
- assess the performance of the members of the Board;
- oversee the selection and appointment practices for non-executive directors and senior management of Creatable Media;
- develop succession plans for the Board and oversee the development of succession planning in relation to senior management and;
- assist the Board in determining appropriate remuneration policies.

2.2.2 Composition

Messrs Reynolds (Chairman), Bundy and Krawitz are the current members of the Remuneration Committee all of whom are Independent Directors. The Remuneration Committee intends to hold two meetings throughout the year.

2.2.3 Responsibilities

The responsibilities of the Remuneration Committee include setting policies for senior executives' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, making recommendations to the Board on any proposed changes to the Board and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving these goals.

2.2.4 Remuneration Policy

The Senior Executive Remuneration Policy will be tabled to the Board in October 2004 and the Non-Executive Director Remuneration Policy was approved by resolution of the Board on 7 June 2004.

2.2.4.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in the option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

Details of the amount of remuneration, including both monetary and non-monetary components, for the two highest paid (Non-Director) Executives during the year is detailed in the Directors Report at pages 3-4.

2.2.4.2 Non-Executive Director Remuneration Policy

The Constitution provides that the non-executive Directors are each entitled to be paid such remuneration from the Company as the Directors decide for their services as a Director, but the total amount provided to all non-executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by the Company in a general meeting. This amount is currently fixed as $250,000. The remuneration of non-executive Directors must not include a commission on, or a percentage of, profits or operating revenue. Directors may also be reimbursed for travelling and other expenses incurred in attending to the Company's affairs. Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra services or makes exertions for the benefit of the Company.

Non-Executive Directors are entitled to statutory superannuation.

Details of the amount of remuneration, including both monetary and non-monetary components, for each of the directors paid during the year is detailed in the Directors Report at pages 3-4.

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2.3 Other Committees

The Board has not established a formal nomination committee at this time, but will revisit this question on an ongoing basis as the Company continues to grow. Due to the relative size of Creatable Media and its recent listing on ASX, the Board does not believe that it is necessary or appropriate for a nomination committee to be established at this time. In addition, a number of the responsibilities identified by the ASX Guidelines as being within the ambit of a nomination committee have been delegated to the Remuneration Committee.

3. Company Code Of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 22 October 2004. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages it employees to strive to do the same.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

The Board, management and all employees of the Company are committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code.

Statement of Financial Performance

For the year ended 30 June 2004

	Notes	2004 $	2003 $
Revenue from ordinary activities	2	1,597,356	474,627
Expenses from ordinary activities			
excluding borrowing costs	3	(4,080,068)	(1,628,665)
Borrowing costs		(347,875)	-
Loss from ordinary activities before income tax expense	4	(2,830,587)	(1,154,038)
Income tax expense	5	-	-
Loss from ordinary activities after income tax	19	(2,830,587)	(1,154,038)
Total changes in equity other than those resulting from transactions with owners as owners	20	(2,830,587)	(1,154,038)

The accompanying notes form part of and are to be read in conjunction with this financial statement.

Statement of Financial Position

As at 30 June 2004

	Notes	2004 $	2003 $
CURRENT ASSETS			
Cash assets	10	1,064,557	382,890
Receivables	11	386,761	245,381
Other	12	1,382,798	502,403
TOTAL CURRENT ASSETS		2,834,116	1,130,674
NON-CURRENT ASSETS			
Property, plant and equipment	13	1,001,238	521,173
Intangibles	14	29,142	-
Other	12	580,528	-
TOTAL NON-CURRENT ASSETS		1,610,908	521,173
TOTAL ASSETS		4,445,024	1,651,847
CURRENT LIABILITIES			
Payables	15	976,603	215,726
Interest bearing liabilities	16	3,123,750	-
Other	17	72,500	-
TOTAL CURRENT LIABILITIES		4,172,853	215,726
NON-CURRENT LIABILITIES			
Interest bearing liabilities	16	-	649,937
TOTAL NON CURRENT LIABILITIES		-	649,937
TOTAL LIABILITIES		4,172,853	865,663
NET ASSETS		272,171	786,184
EQUITY			
Contributed equity	18	4,385,581	2,069,007
Accumulated losses	19	(4,113,410)	(1,282,823)
TOTAL EQUITY	20	272,171	786,184

The accompanying notes form part of and are to be read in conjunction with this financial statement.

Statement of Cash Flows

For the year ended 30 June 2004

	Notes	2004 $	2003 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		1,430,070	329,977
Payments to suppliers and employees		(4,494,785)	(1,556,837)
Interest received		42,283	-
Interest paid		(347,875)	-
Net cash used in operating activities	9(a)	(3,370,307)	(1,226,860)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(709,271)	(817,099)
Payment to acquire intangible assets		(29,142)	-
Net cash used in investing activities		(738,413)	(817,099)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issues		2,316,574	2,014,007
Proceeds from borrowings		2,473,813	345,856
Net cash flow from financing activities		4,790,387	2,359,863
Net increase in cash held		681,667	315,904
Cash at beginning of the year		382,890	66,986
Cash at end of year	10	1,064,557	382,890

The accompanying notes form part of and are to be read in conjunction with this financial statement.

Notes to the Financial Statements

1. STATEMENT OF ACCOUNTING POLICIES

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001. The financial report has been prepared on the accrual basis, based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair value of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the significant accounting policies adopted by the entity in the preparation of the financial report.

(a) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense shown in the statement of financial performance is based on the profit from ordinary activities before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of profit from ordinary activities before income tax and taxable income, are brought to account as either provision for deferred income tax or an asset, described as future income tax benefit, at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits in relation to timing differences are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of these benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Property, Plant and Equipment

Property, plant and equipment are carried in the financial statements at cost, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The depreciable amount of all fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Depreciation is calculated on a straight line basis.

The depreciation rates used for each class of depreciable assets are:

	Class of fixed asset	Depreciation Rates
	2004	2003
Plant and equipment	33%	33%
Leasehold improvements	25%	25%
Tabletop advertising units	25%	25%

(c) Leasehold Improvements

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the entity, whichever is the shorter.

(d) Employee Benefits

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

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognized in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognized when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognized in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future

Notes to the Financial Statements

Continued

1. STATEMENT OF ACCOUNTING POLICIES – continued

payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Bonus plans

A liability for employee benefits in the form of bonus plans is recognized in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(e) Cash

For the purposes of the statement of cash flows, cash includes, cash on hand and at call deposits with banks or financial institutions, and investments in money market instruments maturing within less than 3 months from the date of acquisition and net of bank overdrafts.

(f) Revenue Recognition

Revenue from the sale of table top advertising space is recognised at the time the service is delivered. Revenue received or due but not yet earned is recorded as unearned income.

All revenue is stated net of the amount of Goods and Services Tax.

(g) Deferred Expenses

Access fees paid to Shopping Centre operators at the commencement of the license agreement are carried forward and amortised over the period of the license agreement.

(h) Foreign currency transactions and balances

Foreign currency transactions during the financial year are converted to Australian currency at the rates of exchange applicable at the date of the transaction. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(i) Earnings per Share

Earnings per share have not been disclosed as the Company's shares were not listed at balance date, and the Company's share structure changed significantly since then.

(j) Going Concern

As at 30 June 2004, the company had net assets of $272,171. However, it had a working capital deficit of $1,338,737, and incurred operating losses during the year of $2,830,587 and negative net operating cash flows of $3,370,307.

Notwithstanding the above, the company's financial statements have been prepared on a going concern basis following the successful capital raising and the conversion of a portion of the convertible notes in September 2004, as described in Note 25.

(k) Change of name

The Company changed its name from Creatable Media Pty Limited on 6 February 2004

	2004 $	2003 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities:		
Sales	1,555,073	474,627
Revenue from outside the operating activities:		
Interest from other corporations	42,283	-
Revenue from ordinary activities	1,597,356	474,627

Notes to the Financial Statements

Continued

	2004 $	2003 $
3. EXPENSES FROM ORDINARY ACTIVITIES		
Shopping centre rentals	1,324,966	483,485
Commission paid	99,572	-
Installation and maintenance of tabletop units	160,856	60,466
Advert production expenses	135,635	13,612
Employee benefits expense	1,024,483	248,393
Fundraising costs	86,099	30,000
Depreciation and amortisation expenses	222,792	95,316
Advertising	165,574	71,793
Additional writedown of tabletop units	-	266,366
Consultancy fees	152,777	93,576
Insurance	44,786	13,681
Professional fees	130,051	65,125
Travel expenses	97,998	36,127
Office rental	65,906	34,670
Other expenses	368,573	116,055
	4,080,068	1,628,665
4. LOSS FROM ORDINARY ACTIVITIES		
Loss from ordinary activities has been determined after:		
(i) Charging as expense		
Amortisation of leasehold improvements	924	-
Depreciation – property, plant and equipment	221,868	95,316
Additional writedown of tabletop units	-	266,366
Movements in provisions:		
Employee entitlements	46,974	-
Rental expenses on operating lease charges		
- office rental	65,906	34,670
- shopping centre rentals	1,324,966	483,486
Loss on disposal of fixed assets	6,414	-
(ii) Crediting as income		
Interest from other corporations	42,283	-
5. INCOME TAX EXPENSE		
The prima facie tax benefit from the operating loss from ordinary activities is reconciled to the income tax benefit as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(849,176)	(346,211)
Tax benefit attributable to the losses not recognised as a future income tax benefit	849,176	346,211
Income tax benefit attributable to operating loss	-	-
Future income tax benefits relating to the tax losses not brought to account, the benefit of which will only be realised if the conditions for deductibility set out in note 1(a) occur:	1,499,000	384,000

6. DIVIDENDS

No dividends were paid or proposed during the year.

Notes to the Financial Statements

Continued

7. REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND EXECUTIVES

Principles used to determine the nature and amount of remuneration

The Board reviews and approves the remuneration packages of all directors and specified executives on an annual basis. Remuneration packages are reviewed and determined with due regard to current market rates and are benchmarked against comparable industry salaries. The overall objective is to ensure maximum shareholder benefit from the retention of a quality Board and Executive Team. To assist in achieving this objective, the Board links the nature and amount of the Executives and Directors emoluments to the company's financial and operational performance.

Directors

The following persons were directors of Creatable Media Limited during the financial year:

Chairman – non-executive

G Bundy (Appointed 17 May 2004)

Executive directors

C C Lazarus

C J Wunsh

Non-executive directors

S Reynolds

M G Krawitz (Appointed 24 March 2004)

N A Assef (Resigned 24 October 2003)

A B Davis (Resigned 30 April 2004)

Executives

The following persons were the 2 executives with the greatest authority for strategic direction and management of the entity:

H Woolcott – Chief Financial Officer

A Peruch – National Sales Manager

There were no further executives of the Company.

Directors and Executives Remuneration

2004	**Salary & fees**	**Superannuation**	**Total**
	$	**$**	**$**
Directors			
C J Wunsh	131,414	11,827	143,241
C C Lazarus	135,542	7,399	142,941
N A Assef *	13,248	-	13,248
A B Davis *	33,591	-	33,591
S Reynolds	20,003	-	20,003
M G Krawitz	8,350	-	8,350
G Bundy	18,750	-	18,750
	360,898	19,226	380,124
2003			
Total	170,275	6,858	177,133

Notes to the Financial Statements

Continued

7. REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND EXECUTIVES – continued

2004	**Salary & fees**	**Superannuation**	**Total**
	$	**$**	**$**
Executives			
H Woolcott	211,737	-	211,737
A Peruch	47,380	4,264	51,644
	259,117	4,264	263,381
2003			
Total	-	-	-

* resigned in the year

Service agreements and bonus schemes.

Creatable Media Limited has entered into agreements for the provision of services by each of the following directors and executives, with effect from 1 July 2004. The key terms of each of these agreements are as follows:

C C Lazarus, Chief Executive Officer

- Term of agreement : commenced 9 September 2004 (date of listing on the Australian Stock Exchange) for a period of 4 years. The Company may terminate the employment for any reason by giving 12 months notice in writing.
- Base remuneration of $180,000 per annum
- One-off bonus of $30,000 payable on the company recording a positive net profit after tax for a period of 3 months in the financial year 2005.

C J Wunsh, Chief Operating Officer

- Term of agreement : commenced 9 September 2004 (date of listing on the Australian Stock Exchange) for a period of 4 years. The Company may terminate the employment for any reason by giving 12 months notice in writing.
- Base remuneration of $180,000 per annum
- One-off bonus of $30,000 payable on the company recording a positive net profit after tax for a period of 3 months in the financial year 2005.

H Woolcott, Chief Financial Officer

- Term of agreement: expires 31 January 2005
- Base remuneration of $240,000 per annum

A Peruch, National Sales Manager

- Term of agreement : commenced 9 September 2004 (date of listing on the Australian Stock Exchange) for a period of 12 months unless terminated earlier in accordance with the agreement.
- Base remuneration of $183,486 per annum, plus commission of 0% of Company Net Quarterly Sales Revenue on revenue less than the Company budget and 1% of Company Net Quarterly Sales Revenue which exceeds the Company budget.

Share based compensation – options

As at 30 June 2004, no options affecting remuneration had been granted.

Notes to the Financial Statements

Continued

7. REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND EXECUTIVES – continued

Option holdings

The number of options held during the financial year by each director of Creatable Media Limited and each of the specified executives of the entity, including their personally related entities are set out below.

Name	Balance at start of year	Exercised during the year	Lapsed during the year	Balance at end of year	Vested and exercisable
Directors					
C J Wunsh	1,350,000	(1,350,000)	-	-	-
C C Lazarus	1,350,000	(1,350,000)	-	-	-
A B Davis *	600,000	(600,000)	-	-	-
N A Assef *	600,000	-	(600,000)	-	-

* resigned during the year

Shareholdings

The number of shares held during the financial year by each director of Creatable Media Limited and each of the specified executives of the entity, including their personally related entities are set out below

Name	Balance at start of year	Exercise of options	Other changes	Balance at end of year
Directors				
C J Wunsh	5,954,262	1,350,000	(1,455,000)	5,849,262
C C Lazarus	5,954,262	1,350,000	(1,455,000)	5,849,262
S Reynolds	3,500,000	-	-	3,500,000
M G Krawitz	3,060,000	-	100,000	3,160,000
G Bundy	-	-	2,500,000	2,500,000
A B Davis	12,190,000	600,000	(840,000)	11,950,000
N A Assef	1,315,844	-	-	1,315,844
Executives				
H Woolcott	-	-	-	-
A Peruch	-	-	-	-

* after share split 2:1

Convertible Notes

The value of convertible notes held by directors and specified executives and their personally related entities as at 30 June 2004 are set out below

Name	$
Directors	
M G Krawitz	364,508

Notes to the Financial Statements

Continued

7. REMUNERATION AND RETIREMENT BENEFITS OF DIRECTORS AND EXECUTIVES – continued

Executive and Employee Share Option Plans

The Directors have approved the implementation of 3 employee incentive schemes described below to assist in the recruitment, reward, retention and motivation of employees of Creatable Media Limited:

- the Executive Share Option Plan for certain Creatable Media Limited executives
- the Employee Tax Exempt Share Plan to allow employees to acquire up to $1,000 worth of shares in any tax year free of tax in accordance with current taxation legislation; and
- the Employee Tax Deferred Share Plan to allow employees and Non-Executive Directors to acquire shares in Creatable Media Limited on a salary sacrifice (or Director's fee sacrifice) basis.

Details of each of these plans is set out below.

Executive Share Option Plan (ESOP)

The Board (via the Nomination and Remuneration Committee) may determine who is entitled to participate in the ESOP and set the exercise price, any performance hurdles and vesting conditions to apply to a particular grant of Options.

Creatable Media has determined to grant a total of 2,200,000 Options to the following Directors and Executives:

C C Lazarus	600,000
C J Wunsh	600,000
H Woolcott	500,000
A Peruch	500,000

Significant terms of these Options are summarised below:

- one third of Options will vest 2 years after the date of quotation of the shares on the ASX and will have an exercise price of $0.25
- one third of Options will vest 3 years after the date of quotation of the shares on the ASX and will have an exercise price of $0.30
- one third of Options will vest 4 years after the date of quotation of the shares on the ASX and will have an exercise price of $0.35

The exercise of options is subject to the Company's Security Trading Guidelines. On the exercise of Options, the company will issue shares to the executive rather than acquiring the shares on market. All Options will lapse on the earlier of 5 years after the date of quotation and the date on which the employee ceases to be an employee of Creatable Media Limited.

Employee Tax Exempt Share Plan (Exempt Plan)

Under the terms of the Exempt Plan, full-time or part-time employees may acquire up to $1,000 worth of shares in any financial year free of tax in accordance with current taxation legislation. Shares must be held in the Plan for a minimum of 3 years (or earlier cessation of employment) and will be subject to disposal restrictions enforced via the application of a holding lock for that period or until a later date when release is requested by the participant.

Employee Tax Deferred Share Plan (Deferral Plan)

The Deferral Plan is a share purchase plan pursuant to which offers may be made to eligible employees (including Directors) to acquire shares. The Deferral Plan enables participating employees to defer tax on the value of the shares in accordance with current taxation legislation.

The price of shares to be allocated under the Plan will be the market value of the shares at the time of acquisition. Although there is no limitation on the value of shares on which tax can be deferred in any year under the current taxation law, the Board will specify the amount of salary which can be sacrificed.

The Board does not currently intend to make general employee offers under the Deferral Plan in the short term although it is being put in place to allow the Non-Executive Directors the opportunity to participate in this Plan and to acquire shares by way of fee sacrifice.

Notes to the Financial Statements

Continued

	2004 $	2003 $
8. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
- auditing or reviewing the financial reports of the company	18,000	13,000
- other services		
- in relation to Initial Public Offer	120,000	-
- taxation services	6,160	-
- other	9,000	1,061
	153,160	14,061

	2004 $	2003 $
9. CASH FLOW INFORMATION		
(a) Reconciliation of Cash Flow from Operations		
Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax		
Loss from ordinary activities after income tax	(2,830,587)	(1,154,038)
Non cash flows in loss from ordinary activities:		
- depreciation and amortisation of property, plant and equipment	222,792	95,316
- writedown of tabletop units	-	266,366
- loss on disposal of fixed assets	6,414	-
Changes in assets and liabilities		
Increase in receivables	(125,003)	(144,650)
Increase in other assets	(1,477,297)	(502,403)
Increase in trade creditors and accruals	833,374	212,549
Net cash used in operating activities	(3,370,307)	(1,226,860)

Notes to the Financial Statements

Continued

	2004 $	2003 $
10. CASH ASSETS		
Cash at bank	1,064,557	382,890
	1,064,557	382,890
11. RECEIVABLES		
CURRENT		
Trade debtors	269,655	144,650
Other debtors	117,106	100,731
	386,761	245,381
12. OTHER ASSETS		
CURRENT		
Prepaid rentals *	-	459,000
Deferred expenses – IPO costs **	1,215,729	-
Security deposits	-	36,687
Prepayments and other deferred expenditure	167,069	6,716
	1,382,798	502,403
* Prepaid rentals at 30 June 2003 were converted to security deposits during 2004.		
** As a result of the share issue described in Note 26, the IPO costs have been transferred to Contributed Equity since the year end		
NON-CURRENT		
Deferred expenses – Shopping centre access fees	126,461	-
Security deposits pursuant to shopping centre licence agreements	454,067	-
	580,528	-

Notes to the Financial Statements

Continued

	2004 $	2003 $
13. PROPERTY, PLANT AND EQUIPMENT		
Tabletop advertising units		
At recoverable amount	1,105,203	504,814
Accumulated depreciation	(201,638)	-
	903,565	504,814
Office equipment		
At cost	85,031	16,359
Accumulated depreciation	(14,567)	-
70,464	16,359	
Proprietary software		
At cost	16,407	-
Accumulated depreciation	(4,047)	-
	12,360	-
Motor vehicle		
At cost	13,636	-
Accumulated amortisation	(1,616)	-
	12,020	-
Leasehold improvements		
At cost	3,753	-
Accumulated amortisation	(924)	-
	2,829	-
Total property, plant and equipment	1,001,238	521,173

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year:

	Proprietary software $	Motor vehicle $	Leasehold improvements $	Tabletop units $	Office equipment $	Total $
Balance at beginning of financial year	-	-	-	504,814	16,359	521,173
Additions	16,407	13,636	3,753	600,389	75,086	709,271
Disposals	-	-	-	-	(6,414)	(6,414)
Depreciation expense	(4,047)	(1,616)	(924)	(201,638)	(14,567)	(222,792)
Carrying amount at end of financial year	12,360	12,020	2,829	903,565	70,464	1,001,238

Notes to the Financial Statements

Continued

	2004 $	2003 $
14. INTANGIBLES		
Trademarks	29,142	-
15. PAYABLES		
CURRENT		
Trade creditors	585,531	122,076
Other creditors and accruals	391,072	93,650
	976,603	215,726
16. INTEREST BEARING LIABILITIES		
CURRENT		
Unsecured convertible notes	3,123,750	-
	3,123,750	-
NON-CURRENT		
Unsecured convertible notes	-	649,937

The convertible notes bear interest at 14.5% per annum, payable quarterly in arrears.

Since the end of the financial year, 9,567,032 convertible notes were converted on a 7 for 6 basis to 11,161,540 shares, and the remaining 8,282,968 convertible notes will be redeemed at face value of 17.5 cents each on 1 October 2004.

	2004 $	2003 $
17 OTHER LIABILITIES		
CURRENT		
Unearned income	72,500	-

Notes to the Financial Statements

Continued

18 CONTRIBUTED EQUITY

	2004	2003	2004	2003
(a) Share capital	No.	No.	$	$
Ordinary shares, fully paid	62,357,600	25,030,000	4,385,581	2,069,007

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price (cents)	$'000
30 June 2002	Balance	340,000		55,000
	Issue of shares	100,000		100,000
	Share split 20:1	8,360,000		-
	Conversion of shareholder loans	3,115,000		220,000
	Issue of shares	13,115,000		1,744,980
	Expenses of share issues	-		(50,973)
30 June 2003	Balance	25,030,000		2,069,007
	Share split 2:1.	25,030,000		-
Nov – Dec 2003	Exercise of options	3,400,000	5	170,000
Dec 2003	Issue of shares	120,000	10	12,000
Jan – May 2004	Issue of shares	8,777,600	25	2,194,400
	Expenses of share issues			(59,826)
30 June 2004	Balance	62,357,600		4,385,581

(c) Movements in ordinary share capital since 30 June 2004 as a result of the subsequent events described in Note 25.

30 June 2004	Balance	62,357,600	-	4,385,581
9 September 2004	Issue to holders of 25 cent shares on 3 for 7 basis	3,761,828	-	-
9 September 2004	Issue on conversion of Convertible Notes	11,161,540	15	1,674,231
9 September 2004	Issue pursuant to IPO	45,000,000	20	9,000,000
Cost of the issue to 30 June 2004 (Note 12)				(1,215,729)
		122,280,968		13,844,083

Notes to the Financial Statements

Continued

	2004 $	2003 $
19. ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(1,282,823)	(128,785)
Net loss attributable to members of the Company	(2,830,587)	(1,154,038)
Accumulated losses at the end of the financial year	(4,113,410)	(1,282,823)

	2004 $	2003 $
20. EQUITY		
Total equity at the beginning of the financial year	786,184	(73,785)
Total changes in equity recognised in the statement of financial performance	(2,830,587)	(1,154,038)
Transactions with owners – issue of shares net of transaction costs	2,316,574	2,014,007
Total equity at the end of the financial year	272,171	786,184

Notes to the Financial Statements

Continued

21. FINANCIAL INSTRUMENTS

(a) Credit Risk Exposures

The credit risk on financial assets of the entity which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the entity intends to hold fixed rate assets and liabilities to maturity.

		Fixed Interest maturing in			
	Floating interest $	**1 yr or less $**	**over 1 yr to 5 yrs $**	**Non interest bearing $**	**Total $**
2004					
Financial Assets					
Cash Assets	1,080,575	-	-	-	1,080,575
Receivables	-	-	-	269,655	269,655
Other -	67,000	-	-	67,000	
1,080,575	67,000	-	269,655	1,417,230	
Weighted average interest rate	4.5%	5%	-	-	
Financial liabilities					
Trade and other creditors	-	-	-	(976,603)	(976,603)
Interest bearing liabilities	-	(3,139,768)	-	-	(3,139,768)
	-	(3,139,768)	-	(976,603)	(4,116,371)
Weighted average interest rate	-	14.5%	-	-	
Net financial assets (liabilities)	1,080,575	(3,072,768)	-	(706,948)	(2,699,141)
2003					
Financial assets					
Cash assets	382,890	-	-	-	382,890
Receivables	-	-	-	245,381	245,381
Other -	-	-	-	-	
	382,890	-	-	245,381	628,271
Weighted average interest rate	4%	-	-	-	
Financial liabilities					
Trade and other creditors	-	-	-	(215,726)	(215,726)
Interest bearing liabilities	-	-	(649,937)	-	(649,937)
- -	(649,937)	(215,726)	(865,663)		
Weighted average interest rate	-	-	14.5%	-	
Net financial assets (liabilities)	382,890	-	(649,937)	29,655	(237,392)

Notes to the Financial Statements

Continued

	2004 $	2003 $
21. FINANCIAL INSTRUMENTS – continued		
Reconciliation of net financial assets to net assets:		
Net financial assets/(liabilities) as above	(2,699,141)	(237,392)
Non financial assets and liabilities		
- plant and equipment	1,001,238	521,173
- prepayments and deferred expenditure	2,042,574	502,403
- other liabilities – unearned income	(72,500)	-
Net assets per statement of financial position	272,171	786,184

Net Fair Value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the entity approximates their carrying value.

	2004 $	2003 $
22. EMPLOYEE BENEFITS		
Employee benefits and related on-costs liabilities:		
Included in other creditors		
– current	46,974	-
Aggregate employee benefits and related on-costs liabilities	46,974	-
Employee numbers:		
Average number of employees during the financial year	9	3

	2004 $	2003 $
23. CAPITAL AND LEASING COMMITMENTS		
(a) *Property rental commitments payable*		
Property rental commitments payable but not capitalised in the financial statements.		
Payable		
- not later than 1 year	2,058,794	1,231,071
- later than 1 year but not later than 5 years	5,042,187	7,782,152
- later than 5 years	49,333	-
Total lease commitment	7,150,314	9,013,223

The property rental commitments are in respect of all shopping centre licence agreements entered into at 30 June 2004. Contingent rental payments which may arise in the event that revenue exceeds pre-determined levels are not included above.

Notes to the Financial Statements

Continued

24 SEGMENT INFORMATION

The company operates in a single business and geographic segment, namely the attentive media sector in Australia.

25 SUBSEQUENT EVENTS

The following significant events have occurred since the end of the financial year:

- the Company issued, to holders of shares issued at 25 cents, a total of 3,761,828 shares on a 3 for 7 basis, in consideration for placing all such shares into voluntary escrow from the date the shares were listed in the Australian Stock Exchange;
- 9,567,032 convertible notes were converted on a 7 for 6 basis to 11,161,540 shares;
- 8,282,968 convertible notes will be redeemed at face value of 17.5 cents each on 1 October 2004;
- 45,000,000 shares were issued pursuant to an initial public offer, thereby raising $9,000,000;
- the Company's shares were listed in the Australian Stock Exchange on 9 September 2004; and
- on 13 September 2004, the Australian Patent Office raised five grounds for revocation of a competitor's application for an innovation patent for a tabletop advertising device.

	2004 $	2003 $
26 RELATED PARTY TRANSACTIONS		
Transactions between related parties are on commercial terms and conditions no more favourable to other parties unless otherwise stated.		
(a) Transactions with related entities		
Aggregated amounts included in the determination of loss from ordinary activities before income tax that resulted from transactions with each related entity:		
Brokerage fees for placement of shares paid to Pacific Storm Pty Limited a company controlled by Mr N A Assef.	-	50,973
Brokerage fees for placement of shares paid to Turner Leasing and Financial Services Pty Limited, a company controlled by Mr M G Krawitz.	24,730	-
Brokerage fees for placement of convertible notes paid and payable to Interactive Corporate Development Pty Limited, a company controlled by Mr A B Davis.	-	30,000
Consulting fees paid to Interactive Corporate Development Pty Limited, a company controlled by Mr A B Davis.	8,500	-
Fees paid to Love Creative Solutions Pty Limited, a company controlled by Mr S Reynolds, for public relations and marketing services.	25,757	
Trade creditors includes the following amounts payable to related entities:		
- Greg Bundy	20,635	
- Love Creative Solutions Pty Limited	5,104	
- Moon Corporation Pty Limited	5,501	

Notes to the Financial Statements

Continued

27 INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) has adopted AEIFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued AASB equivalents to International Financial Reporting Standards and Urgent Issues Group Abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian Equivalents to International Financial Reporting Standards (AEIFRS). The adoption of AEIFRS will be first reflected in the entity's financial statements for the half-year ending 31 December 2005 and year ending 30 June 2006.

The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. The Company's Chief Financial Officer will oversee and manage the company's transition AEIFRS including the training of staff and system/internal control changes necessary to gather all the required financial information.

Major changes to date that will be required to the entity's existing accounting policies include the following:

Recoverable amounts of non-current assets

Presently the expected cash flows used in determining the recoverable amounts of non-current assets are not discounted to their present values. The new AASB 136 "Impairment of Assets" requires that future cash flows used in determining recoverable amount be discounted to present value. The new standard will apply to most current and non-current assts. At present it is restricted to non-current assets. This change may impact the carrying values of certain assets, including property, plant and equipment and trademarks.

Equity-based compensation benefits

Under the new Australian AASB 2 "Share-Based Payment", equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, which conforms to existing Australian accounting standards, under which no expense is recognised for equity-based compensation.

Implications of tax-effecting tax losses carried forward

Under the new Australian AASB 112 "Income Taxes", the "virtual certainty" test which currently exists in assessing the ability of a company to recognise a future tax benefit in respect of tax losses is replaced by a "probability" test.

This may result in a change to the current accounting policy under which no future tax benefits or timing differences are recognised by Creatable Media Limited.

Directors' Declaration

The directors of Creatable Media Limited declare that:

1. the financial statements and notes, as set out on pages 11 to 30:
   (a) comply with Accounting Standards and the Corporations Act 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2004 and performance for the financial year ended on that date of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with the resolution of the Board of Directors.

Chairman

Director

Dated the 29th day of September 2004.

Independent Audit Report

HORWATH SYDNEY PARTNERSHIP
Chartered Accountants
A member of Horwath International
1 Market Street Sydney NSW 2000
GPO Box 1455 Sydney NSW 1041

Independent audit report to members of Creatable Media Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Creatable Media 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 report 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 report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is 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.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Creatable Media 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 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 financial reporting requirements in Australia.

Dated the 29th day of September 2004.

HORWATH
SYDNEY PARTNERSHIP
Chartered Accountants

ALFRED NEHAMA
Partner

Shareholder Information

Shareholdings

The shareholding information set out below applied at 18 October 2004.

(a) There is only one class of equity security, being ordinary shares.

(b) Distribution of shareholder numbers:

Ranges	Investors	Securities
1 – 1000	1	1,000
1001 – 5000	27	115,617
5001 – 10000	124	1,209,053
10001 – 100000	467	20,263,881
100001 and over	146	100,691,417
Total	765	122,280,968

(c) The number of shareholdings held in less than marketable parcels 2858 securities is 5

(d) The substantial shareholders in Creatable Media Limited are:

Substantial Shareholder	Number of Ordinary Shares
Craig Squared Pty Ltd	11,999,953
CM Private Equity Pty Limited	11,950,000

Shareholder Information

Continued

(e) Twenty largest shareholders:

Shareholder	Number Ordinary Shares	% Held of Issued Ordinary Capital
Craig Squared Pty Ltd	11,999,953	9.81
CM Private Equity Pty Limited	11,950,000	9.77
Hawkesbridge Limited (Hawkesbridge Enterprise Trust A/C)	5,037,254	4.12
Greg Bundy	3,980,000	3.25
Moon Corporation Pty Ltd	3,500,000	2.86
Tabletop Media Pty Ltd	3,430,531	2.81
TBIG Creatable Pty Ltd	2,781,667	2.27
AFV Management Pty Ltd	2,700,000	2.21
Stemic Properties Pty Ltd	2,476,170	2.02
Dufus Pty Ltd	1,878,084	1.54
Gabbint Pty Ltd	1,878,084	1.54
Pyrotherm Pty Ltd	1,857,126	1.52
PTG Holdings Pty Limited	1,500,000	1.23
Mark Benjamin Lang	1,338,084	1.09
ANZ Nominees Limited	1,307,880	1.07
Arton No 001 Pty Limited	1,250,000	1.02
Quotidian No 2 Pty Limited	1,250,000	1.02
Robert St Julian	1,238,084	1.01
National Nominees Limited	1,200,000	.98
Helen Mary Porter	1,142,857	.93
	63,695,774	52.09

(f) Unquoted securities:

No. of Securities	Class of Security
95,001,948	Ordinary Shares
2,200,000	Options over ordinary shares

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Corporate Directory

Company Details

Creatable Media Limited
ACN 099 247 408

Registered Office
C/- Australian Company Secretaries Pty Ltd
Level 5, 255 George Street
Sydney NSW 2000
Telephone: (02) 9252 1933
Facsimile: (02) 9252 2487

Principal place of business
Suite 21, 16-20 Bay Street
Double Bay NSW 2028
Telephone: (02) 9363 9955
Facsimile: (02) 9363 9911

www.creatablemedia.com.au

Board of Directors

Greg Bundy
Chairman and Non-Executive Director

Craig Lazarus
Chief Executive Officer and Executive Director

Craig Wunsh
Chief Operating Officer and Executive Director

Siimon Reynolds
Non-Executive Director

Martin Krawitz
Non-Executive Director

Company Secretary

Nick Geddes
C/- Australian Company Secretaries Pty Ltd
Level 5, 255 George Street
Sydney NSW 2000
Telephone: (02) 9252 1933
Facsimile: (02) 9252 2487

Auditor

Horwath Sydney Partnership
1 Market Street
Sydney NSW 2000
Telephone: (02) 9272 0777
Facsimile: (02) 9372 0606

Solicitors

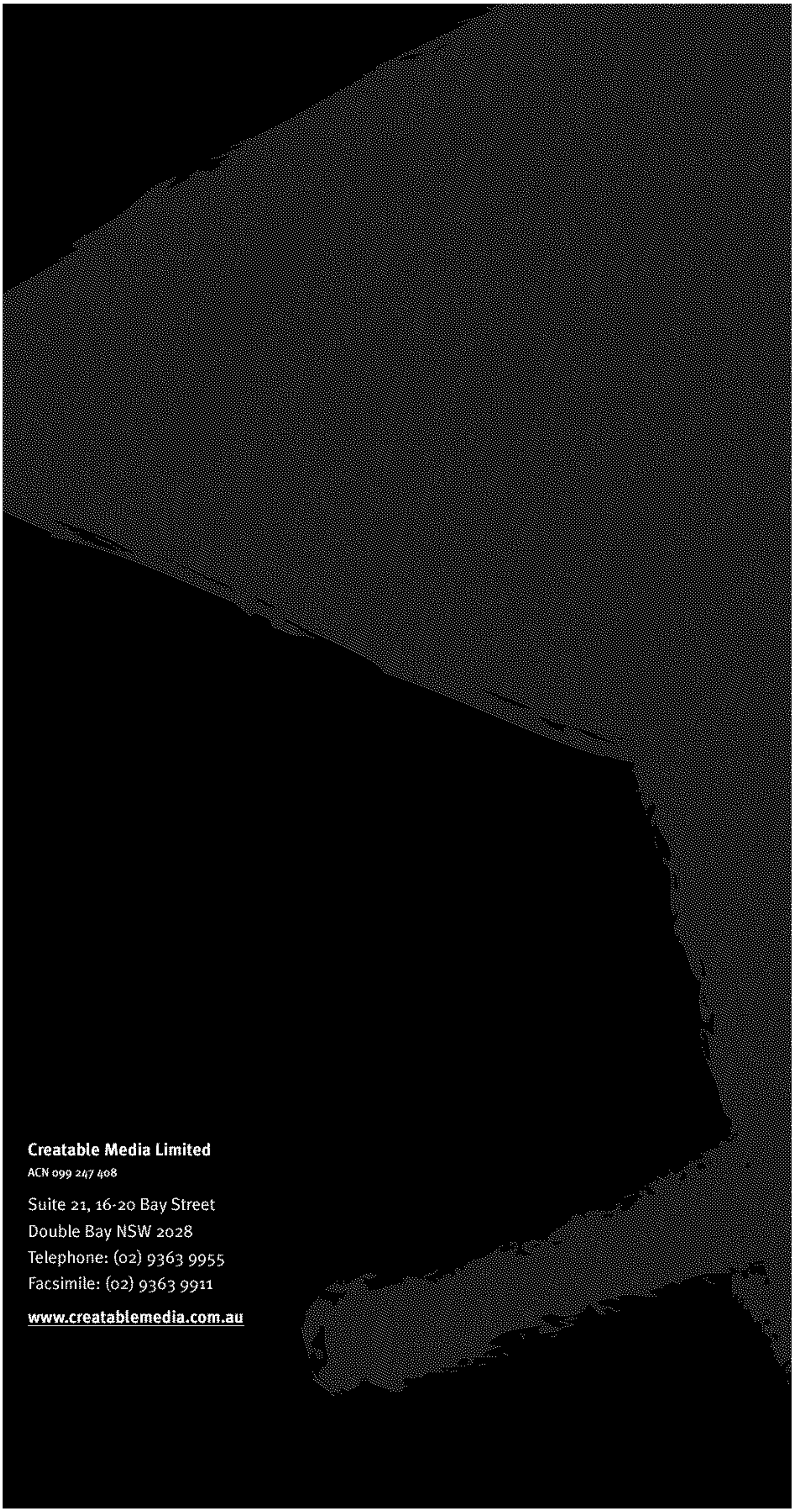
Minter Ellison Lawyers
Level 19, ABN AMRO Tower
88 Phillip Street
Sydney NSW 2000
Telephone: (02) 9921 8888
Facsimile: (02) 9921 8123

Share Registry

ASX Perpetual Registrars Limited
Level 8, 580 George Street
Sydney NSW 2000
Telephone: (02) 9252 1933

Bank

Australia and New Zealand
Banking Group Limited



creatable media

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