CREATABLE MEDIA LIMITED

ABN 71 099 247 408

FINANCIAL REPORT 30 JUNE 2005

CREATABLE MEDIA LIMITED AND CONTROLLED ENTITIES
ABN 71 099 247 408

FINANCIAL REPORT 30 JUNE 2005

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Your directors present this report on the consolidated entity of Creatable Media Limited and the entities it controlled for the year ended 30 June 2005.

DIRECTORS

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

L C Olsen (Chairman) (Appointed 21 April 2005)
G Bundy (Chairman) (Resigned 18 April 2005)
A J Armstrong (Deputy Chairman) (Appointed
4 November 2004, resigned 18 April 2005)
C J Wunsh (Resigned 27 April 2005)
C C Lazarus (Resigned 9 June 2005)
S Reynolds (Resigned 21 July 2005)
M G Krawitz (Resigned 30 April 2005)
S Walters (Appointed 21 April 2005)
A McBride (Appointed 21 July 2005)

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 consolidated entity during the financial year was the establishment and operation of an indoor advertising business.

CHANGES IN THE STATE OF AFFAIRS DURING THE FINANCIAL YEAR

The company's shares were listed on the Australian Stock Exchange on 9 September 2004.

OPERATING RESULTS

The loss after tax of the consolidated entity for the year amounted to $5,731,362 (2004: $2,830,587).

DIVIDENDS

No dividends have been paid or proposed during the year.

ENVIRONMENTAL ISSUES

The consolidated 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 consolidated entity will be referred to in the "Chief Executive Officer's Report" to be included in the 2005 Annual Report.

INFORMATION ON DIRECTORS

L C Olsen
Non-executive Chairman

Mr Olsen has extensive General Management and Operational experience, gained within some of the world's most respected retail, marketing and distribution companies in the world, including Asda, Dixons Group plc, Thorn EMI and the French hypermarket group, Carrefour S.A.

He has worked throughout Europe, North America and Asia-Pacific, with particular emphasis on establishing new businesses, formulating and executing M&A strategies, and re-engineering existing businesses.

Mr Olsen was previously a Director of UK-based HMV Group Ltd, the world's third-largest music retailer and established its Australian operations. He was also the founding CEO of Toys R Us Australasia, and President of Warner Bros Home Video Australia during which time he was Vice-Chairman of AVSDA and Chairman of the DVD Forum which oversaw the Australasian launch of the format.

Mr Olsen is currently Chairman of ASX-listed Destra Corporation Ltd, Chairman of Consolidated Franchise Group Ltd and AAV Regency Ltd. He is also a Director of New York based Musicpoint Inc.

Mr Olsen has not held any other directorships in listed companies in the last three years other than Destra Corporation Limited.

A McBride
Non-Executive Director

Mr. McBride's primary field of endeavour is in improving sales, marketing and management techniques for the Group.

Mr. McBride has had over thirty years experience in managing sales operations within media companies in Australia, New Zealand, UK and USA. This, coupled with the senior executive role of Managing Director for nine years running the Pacific Rim operations for the world's largest corporate trading company, has developed his extensive management skills.

Since 1974 Mr. McBride has worked for such diverse media organizations as Radio Hauraki, when the station "came ashore" after its pirate ship days in Auckland. There followed a move to the TV advertising world with a stint at regional television representing NSW and Tasmanian stations before switching to the TEN Network for nine years. Later returning to radio he joined 2SM Sydney for two years, before his eight years with 2MMM FM and the Triple M network in Sydney and associated stations.

In 1984 Mr. McBride was recruited to establish the Australian operations for the world's largest corporate trading company, Active International, establishing offices in Sydney, Melbourne, Auckland and Hong Kong. Completing deals all over Australia, New Zealand and South East Asia he quickly built the region to become one of the fastest growing world-wide offices for them. The company specialized in restoring under-performing assets to full value by trading assets with goods and services and currently numbers well over 80% of the world's largest companies as clients. Consequently he has a strong understanding of the issues faced by many companies in their day-to-day operations.

S Walters
Chief Executive Officer

Mr Walters joined Creatable Media Limited as CEO on 4 November 2004. Prior to joining Creatable Media he was Head of Financial Planning for Westpac/BT. He has also been CEO of Merrill Lynch HSBC, the online financial services joint venture between Merrill Lynch and HSBC. Prior to that he was Head of Private Stockbroking for Deutsche Bank in Australia, and had also worked for Deutsche Bank in London for 7 years. Mr Walters is a qualified Chartered Accountant and a graduate of the Queensland University of Technology. He sits on the Presidents Council of the Art Gallery of NSW and on the board of The Benevolent Society.

N Geddes
Company Secretary

Mr Geddes is the principal of Australian Company Secretaries, a company secretarial practice, that he formed in 1993. Mr Geddes is a member of the National Council of Chartered Secretaries Australia and Chairman of the NSW Branch of that Institute. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia.

Qualifications: Chartered Institute of Company Secretaries in Australia (Fellow)

Chartered Accountant (Fellow of both the Australian and English Institutes of Chartered Accountants).

Significant events after balance date

On 27 June 2005, the Directors of Creatable Media accepted the offer of Hawkesbridge Limited ("Hawkesbridge") and HET No. 1 Pty Limited ("HET") to invest a total of $2,654,412 in equal proportions by way of secured convertible notes issued by Creatable Media, subject to various conditions including Shareholder approval. Shareholder approval was obtained at a meeting held on 1 September 2005.

The key elements to the transaction were:

- on 15 July 2005, Hawkesbridge and HET loaned $500,000 to the Company;
- on 27 July 2005, Hawkesbridge and HET loaned a further $500,000 to the Company;
- both loans and interest on loans were repaid in September 2005 by the issue of 1,011,780 secured convertible notes in equal proportions with a face value of $1 each.
- on 15 July 2005, the Company issued Hawkesbridge and HET 1,667,468 shares in equal proportions at 2 cents each being a finance arrangement fee.
- a further 6,332,532 shares were issued in September 2005 to Hawkesbridge and HET in equal proportions at 2 cents each being a finance arrangement fee.
- in September 2005, Hawkesbridge and HET subscribed in equal proportions for an additional 1,000,000 convertible notes in respect of a further advance of $1,000,000.
- a further subscription for $654,412 by issue of 654,412 notes in equal proportions is due on 1 October 2005.
- Hawkesbridge and HET have a right (but not an obligation) to subscribe for up to an additional 500,000 notes at any time up to 13 July 2009.

The convertible notes bear simple interest at 10% per annum, payable on the earlier of redemption or conversion of the notes.

The notes are convertible to shares at the election of the Note Holder at any time up to 13 July 2009 at the lower price of 2 cents per share and a 10% discount to the volume weighted average price of the Company's shares for the 30 day period immediately prior to conversion. Notes not converted must be redeemed by the Company, with outstanding interest, by 13 July 2009.

The funds raised pursuant to the above will be used to roll out tabletops in the USA, pay key money to US landlords and for working capital.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration
B Details of remuneration
C Service agreements
D Share based compensation
E Analysis of movements in shareholding

A 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.

B Details of remuneration

Details of the remuneration of each director of Creatable Media Limited and each of the 5 executives of the company and the consolidated entity who received the highest remuneration for the year ended 30 June 2005 are set out in the following tables.

Directors of Creatable Media Limited (audited)

2005	Primary		Post Employment		Equity	Other	
	Salary & Fees	Bonus	Super-annuation	Other	Options	Benefits	Total
	$	$	$	$	$	$	$
C J Wunsh *	147,945	-	10,470	-	-	-	158,415
C C Lazarus *	177,533	-	10,807	-	-	144,079	332,419
A J Armstrong *	22,500	-	-	-	-	-	22,500
G Bundy *	56,250	-	-	-	-	-	56,250
S Reynolds	40,000	-	-	-	-	-	40,000
M G Krawitz *	33,333	-	-	-	-	-	33,333
L C Olsen	22,420	-	2,018	-	-	-	24,438
S Walters **	48,898	-	2,266	-	-	-	51,164
	548,879	-	25,561	-		144,079	718,519

2004	Primary		Post Employment		Equity	Other	
	Salary & Fees	Bonus	Super-annuation	Other	Options	Benefits	Total
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 of Creatable Media Limited (audited)

2005	Primary		Post Employment		Equity		
	Salary & Fees	Bonus	Super-annuation	Other	Options	Other Benefits	Total
H Woolcott *	140,000	-	-	-	-	-	140,000
A Peruch *	153,726	-	9,954	-	3,000	100,579	267,259
B Zelinger	64,633	-	5,817	-	-	-	70,450
S Walters	117,769	-	5,457	-	-	-	123,226
C J Wunsh	32,055	-	2,269	-	-	-	34,324
	508,183	-	23,497	-	3,000	100,579	635,259

2004	Primary		Post Employment		Equity		
	Salary & Fees	Bonus	Super-annuation	Other	Options	Other Benefits	Total
H Woolcott	211,737	-	-	-	-	-	211,737
A Peruch	47,380	-	4,264	-	-	-	51,644
	259,117	-	4,264	-	-	-	263,381

* Resigned during the year

** Since appointment as Director on 21 April 2005

There are no other executives of the consolidated entity.

C *Service agreements*

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 (resigned 9 June 2005)

- 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 (resigned as a director 27 April 2005)

- 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 (resigned 31 January 2005)

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

A Peruch, National Sales Manager (resigned 31 March 2005)

- 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 ½% 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.

S Walters, Chief Executive Officer

- Terms of Agreement: commenced 4 November 2004. The company may terminate the employment for any reason by giving 3 months notice in writing
- Base remuneration of $250,000 per annum
- Bonus of $100,000 payable on the company recording a positive net profit after tax for two consecutive quarters

B Zelinger, Chief Financial Officer

- Term of Agreement: commenced 4 January 2005. The company may terminate the employment for any reason by giving 3 months notice in writing
- Base remuneration of $119,266 per annum

D Share based compensation

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**	**Issued during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at end of year**	**Vested and exercisable**
Directors						
G Bundy	-		-	-	-	-
A J Armstrong	-		-	-	-	-
L C Olsen	-		-	-	-	-
C J Wunsh	600,000		-	-	600,000	-
C C Lazarus	600,000		-	-	600,000	-
S Reynolds	-		-	-	-	-
M G Krawitz	-		-	-	-	-
S Walters	-		-	-	-	-

Name	**Balance at start of year**	**Issued during the year**	**Exercised during the year**	**Lapsed during the year**	**Balance at end of year**	**Vested and exercisable**
Executives						
H Woolcott	500,000	-	-	-	500,000	-
A Peruch	-	500,000	-	-	500,000	-

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 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 granted a total of 1,000,000 Options to the following Directors, former Directors and Executives:

A Peruch	500,000
M Lang	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 has been 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.

Shares under option

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
24 June 2004	9 September 2009	25 cents	366,667
24 June 2004	9 September 2009	30 cents	366,667
24 June 2004	9 September 2009	35 cents	366,666
1 April 2005	9 September 2009	20 cents	500,000
1 April 2005	9 September 2009	25 cents	166,667
1 April 2005	9 September 2009	30 cents	166,667
1 April 2005	9 September 2009	35 cents	166,666
			2,100,000

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

Shares issued on the exercise of options

No ordinary shares were issued during the year ended 30 June 2005 on the exercise of options.

E Analysis of movements in shareholdings

The number of shares in which directors and specified executives of the company held a relevant interest on 30 June 2005, are set out in the following tables. As the company was listed on 9 September 2004, no comparison with the previous year is available.

		No. of shares
(i)	Directors	
	L C Olsen	200,000
	S Reynolds	3,550,000
	S Walters	800,000
		4,550,000
(ii)	Specified Executives	
	C J Wunsh	11,999,953
	B Zelinger	-
		11,999,953

MEETING OF DIRECTORS

During the financial year, attendance at meetings were:

	Directors Meetings		Audit Committee Meetings	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
G Bundy	11	9	2	2
C J Wunsh	12	10	-	-
C C Lazarus	14	12	-	-
S Reynolds	16	10	2	2
M G Krawitz	12	10	2	2
A J Armstrong	7	7	-	-
L C Olsen	5	5	-	-
S Walters	5	5	-	-

INDEMNIFYING OFFICERS OR AUDITOR

The parent entity 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 willful 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.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements.

	Consolidated 2005 $	Consolidated 2004 $
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related firms:		
Assurance Services		
1. Audit services		
Audit and review of financial reports under the *Corporations Act 2001*	38,311	27,000
Total remuneration for audit services	38,311	27,000
2. Other assurance services – non audit		
Due diligence services	-	120,000
Total remuneration for other assurance services	-	120,000
Total remuneration for assurance services	38,311	147,000
Taxation services		
Tax compliance services, including preparation of company income tax returns	1,600	6,160
Total remuneration for taxation services	1,600	6,160

AUDITORS INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

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

Chairman Director

Dated the 26th day of September 2005.

Horwath

Horwath Sydney Partnership
ABN 30 856 062 171
Chartered Accountants
1 Market Street Sydney NSW 2000
GPO Box 1455 Sydney NSW 2001
DX 13004 Sydney Market Street
E-mail: sydney@horwath.com.au
Telephone (02) 9372 0777
Facsimile (02) 9372 0606

The Board of Directors
Creatable Media Limited
Suite 21, 16-21 Bay Street
Double Bay NSW 2028

AUDITOR'S INDEPENDENCE DECLARATION

This declaration is made in connection with our audit of the financial report of Creatable Media Limited for the year ended 30 June 2005 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit;
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

Yours faithfully
HORWATH
SYDNEY PARTNERSHIP

ALFRED A NEHAMA
Partner

26th September 2005

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

Name	Position	Date of Appointment
Mr Louis Carl Olsen	Non-executive director and Chairman	21 April 2005
Mr Scott Walters	Managing director	21 April 2005
Mr Alan McBride	Non-executive director	21 July 2005

Other directors that served during the financial year were:

Mr Gregory Bundy	Chairman	17 May 2004 Resigned 18 April 2005
Mr Craig Lazarus	Managing director & CEO	11 January 2002 Resigned 9 June 2005
Mr Craig Wunsh	Executive director & COO	11 January 2002 Resigned 27 April 2005
Mr Martin Krawitz	Non-executive director	24 March 2004 Resigned 30 April 2005
Mr Simon Reynolds	Non-executive director	1 April 2003 Resigned 21 July 2005

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 and Group on 9 September 2004, the Board has reviewed the corporate governance practices and policies of the Company and Group. This most recent review has been in the context of the Company's and Group's financial position as a small public company listed on ASX. A decision was taken to reduce the size of the Board in line with the operational requirements of the Company and Group and as such it is no longer possible to meet those ASX Corporate Governance Guidelines as enumerated below that relate to Board Committees, and monitoring and measuring Board performance.

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.

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 and 2.2.5
Recommendation 9.2 Establishment of Remuneration Committee	2.2
Recommendation 9.3 Executive and Non-Executive Director Remuneration	2.2.4 and 2.2.5
Recommendation 9.4 Equity-Based Executive Remuneration	2.2.4
Recommendation 9.5 Reporting on Principle 9	2.2.2
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 enhance shareholders' interests in a manner that is consistent with Creatable Media's responsibility to meet its obligations to all parties with which it interacts. It is the role of senior management to manage the Company and Group 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 and Group 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 and Group 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 and Group.

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 page 1 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 3 directors, of which one is an executive director and two non-executive directors. The two non-executive directors can be regarded 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. The table at the commencement of this Report indicates when the Directors were appointed and resigned. Effectively the Audit and Remuneration Committees continued to function until April 2005 when the Board changes took place.

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 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 Group 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 and 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 strategies.

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.

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 and will be reported in writing at 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 such a 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.

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. Last year it was stated in this report that "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". Furthermore it was stated that "The Board had delegated the responsibility for designing a system of performance appraisal to the Remuneration Committee" and that the system would be disclosed when approved by the Board. Design of this system did not take place and has been placed on the Board's agenda for 2006.

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 2005;

(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;

(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 2005 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 2005;

(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 2005, 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

Given the small size of the Board it is considered unrealistic and impractical to appoint Board Committees from a three person board.

Consequently when the persons that were Directors at the time of IPO resigned and a new Board was appointed, consideration was given to the appointment of Board Committees and the above decision was reached. The decision will be reviewed when the Board is expanded. In the interim the duties of the Audit,Remuneration and Nomination Committee have been assumed by the Board.

2.1 Audit Committee (when re-constituted)

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 and monitors the independence of the external auditor.

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

Not applicable

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 (when re-constituted)

The Remuneration Committee was formed by resolution of the Board on 7 June 2004 and was effectively disbanded in April 2005 when the Board was reduced in size.

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

Not applicable.

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 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 page 6.

2.2.5 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 traveling 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 non-executive directors paid during the year is detailed in the Directors Report at page 5.

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 when the Company expands. Due to the relative size of Creatable Media, 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 were 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 its 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 2005 CREATABLE MEDIA LIMITED

	Notes	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Revenue from ordinary activities	2	2,194,342	2,036,793	1,597,356
Expenses from ordinary activities excluding borrowing costs	3	(7,818,533)	(7,666,412)	(4,080,068)
Borrowing costs		(107,171)	(107,171)	(347,875)
Loss from ordinary activities before income tax expense	4	(5,731,362)	(5,736,790)	(2,830,587)
Income tax expense	5	-	-	-
Loss from ordinary activities after income tax	19	(5,731,362)	(5,736,790)	(2,830,587)
Total changes in equity other than those resulting from transactions with owners as owners	20	(5,731,362)	(5,736,790)	(2,830,587)
		Cents		
Basic earnings per share *	29	(5.17)		
Diluted earnings per share *	29	(5.17)		

* see note 1 (j)

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 2005 CREATABLE MEDIA LIMITED

	Notes	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
CURRENT ASSETS				
Cash assets	8	416,521	343,538	1,064,557
Receivables	9	391,192	293,601	386,761
Other	10	114,628	62,032	1,382,798
TOTAL CURRENT ASSETS		922,341	699,171	2,834,116
NON-CURRENT ASSETS				
Property, plant and equipment	12	682,197	344,299	1,001,238
Intangibles	13	-	-	29,142
Other	10	2,228,514	2,726,964	580,528
TOTAL NON-CURRENT ASSETS		2,910,711	3,071,263	1,610,908
TOTAL ASSETS		**3,833,052**	**3,770,434**	**4,445,024**
CURRENT LIABILITIES				
Payables	14	594,326	531,708	976,603
Interest bearing liabilities	15	10,188	10,188	3,123,750
Other	16	-	-	72,500
TOTAL CURRENT LIABILITIES		604,514	541,896	4,172,853
NON-CURRENT LIABILITIES				
Interest bearing liabilities	15	31,617	31,617	-
TOTAL NON-CURRENT LIABILITIES		31,617	31,617	-
TOTAL LIABILITIES		**636,131**	**573,513**	**4,172,853**
NET ASSETS		**3,196,921**	**3,196,921**	**272,171**
EQUITY				
Contributed equity	17	13,047,121	13,047,121	4,385,581
Reserves	18	(5,428)	-	-
Accumulated losses	19	(9,844,772)	(9,850,200)	(4,113,410)
TOTAL EQUITY	20	**3,196,921**	**3,196,921**	**272,171**

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 2005 CREATABLE MEDIA LIMITED

	Notes	Consolidated Entity 2005 $	Parent 2005 $	Entity 2004 $
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers		1,962,403	1,908,312	1,430,070
Payments to suppliers and employees		(6,983,393)	(6,560,783)	(4,494,785)
Interest received		194,488	194,483	42,283
Interest paid		(216,587)	(216,587)	(347,875)
Net cash used in operating activities	7(a)	(5,043,089)	(4,674,575)	(3,370,307)
CASH FLOW FROM INVESTING ACTIVITIES				
Payment for property, plant and equipment		(603,518)	(603,518)	(709,271)
Payment for other non-current assets		(1,733,297)	(666,085)	-
Loans to other group companies		-	(1,525,162)	-
Payment to acquire intangible assets		-	-	(29,142)
Net cash used in investing activities		(2,336,815)	(2,794,765)	(738,413)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from share issues		8,203,038	8,203,038	2,316,574
Proceeds from borrowings		-	-	2,473,813
Repayment of borrowings		(1,454,717)	(1,454,717)	-
Net cash flow from financing activities		6,748,321	6,748,321	4,790,387
Net (decrease)/increase in cash held		(631,583)	(721,019)	681,667
Cash at beginning of the year		1,064,557	1,064,557	382,890
Effect of exchange rate on cash holdings		(16,453)	-	-
Cash at end of year	8	416,521	343,538	1,064,557

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

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 consolidated entity in the preparation of the financial report.

(a) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Creatable Media Limited and all of its controlled entities.

A controlled entity is any entity controlled by Creatable Media Limited. Control exists where Creatable Media Limited has the capacity to dominate the decision making in relation to the financial and operating policies of another entity, so that the other entity operates with Creatable Media Limited, to achieve the objectives of Creatable Media Limited. A list of controlled entities is contained in Note 11 to the financial statements.

All inter-entity balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the consolidated entity during the year, its operating results have been included from the date control was obtained or up to the date control ceased.

(b) Income Tax

The consolidated entity 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.

(c) 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 2005	2004
Plant and equipment	33%	33%
Leasehold improvements	25%	25%
Tabletop advertising units	25%	25%

(d) 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.

(e) 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 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) Earnings per Share

Comparative earnings per share have not been disclosed as the Company's shares were not listed at 30 June 2004, and the Company's share structure changed significantly since then.

(k) Going Concern

As at 30 June 2005, Creatable Media and its controlled entities had a surplus of capital and reserves of $3,196,921, and a working capital surplus of $317,827. However, the group has experienced operating losses during the year ended 30 June 2005 amounting to $5,731,362 and negative operating cash flows of $5,043,089. Accordingly, the continuing viability of the group to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the group obtaining sufficient additional funding, rationalising its operations and achieving sufficient cash flows from its operations to enable its obligations to be met.

If the group is unable to achieve satisfactory outcomes with respect to the above then it may be unable to continue as a going concern, and in that circumstance it may not be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of recorded liabilities that might be necessary should the group not continue as a going concern.

Notwithstanding the above, the financial report has been prepared on a going concern basis as a result of the following factors:

- subsequent to 30 June 2005, the group has raised $2,654,412 by way of Convertible Notes (refer Note 26)
- the directors have rationalised areas of the groups operations to reduce future cash outflows, and are confident that this rationalisation together with strategies implemented to increase the groups revenues will generate sufficient cash flows from operations to enable the group to pay its obligations as and when they fall due.

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$

2. REVENUE FROM ORDINARY ACTIVITIES

Revenue from operating activities:			
Sales	1,981,836	1,825,934	1,555,073
Revenue from outside the operating activities:			
Interest from other corporations	212,506	210,859	42,283
Revenue from ordinary activities	2,194,342	2,036,793	1,597,356

3. EXPENSES FROM ORDINARY ACTIVITIES

Shopping centre rentals	2,497,917	2,260,942	1,324,966
Commission paid	265,508	251,019	99,572
Installation and maintenance of tabletop units	103,843	101,499	160,856
Advertising production expenses	77,063	70,924	135,635
Employee benefits expense	2,078,894	1,822,546	1,024,483
Fundraising costs	20,504	11,708	86,099
Depreciation and amortisation expenses	433,466	348,149	222,792
Advertising	62,775	62,775	165,574
Additional write-down of tabletop units	590,027	562,801	-
Consultancy fees	89,391	69,750	152,777
Insurance	41,266	37,899	44,786
Professional fees	439,600	353,833	130,051
Travel expenses	100,709	69,649	97,998
Office rental	98,276	94,486	65,906
Write down of intercompany loan	-	666,840	-
Non Executive directors fees	153,748	153,748	96,362
Other expenses	765,546	727,844	272,211
	7,818,533	7,666,412	4,080,068

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$

4. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities has been determined after:

(i) Charging as expense			
Amortisation	61,385	-	924
Depreciation – property, plant and equipment	372,081	348,149	221,868
Additional write-down of tabletop units	590,027	562,801	-
Movements in provisions:			
Employee entitlements	14,248	(1,160)	46,974
Rental expenses on operating lease charges			
- office rental	98,246	94,486	65,906
- shopping centre rentals	2,497,917	2,260,942	1,324,966
Loss on disposal of fixed assets	16,078	16,078	6,414
(ii) Crediting as income			
Interest from other corporations	212,506	210,859	42,283
Foreign currency	-	5,428	-
Bad debts	24,895	24,895	-

5. INCOME TAX EXPENSE

(a) 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% (2004:30%)	(1,719,412)	(1,721,037)	(849,176)
Tax benefit attributable to the losses not recognised as a future income tax benefit	1,719,412	1,721,037	849,176
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:	3,019,985	3,019,985	1,499,000

6. DIVIDENDS

No dividends were paid or proposed during the year.

7. CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Reconciliation of Cash Flow from Operations with Loss from ordinary activities after Income Tax			
Loss from ordinary activities after income tax	(5,731,362)	(5,736,790)	(2,830,587)
Non cash flows in loss from ordinary activities:			
- depreciation and amortisation of property, plant and equipment	433,466	348,149	222,792
- write-down of tabletop units	590,027	562,801	-
- loss on disposal of fixed assets	16,078	16,078	6,414
- writedown of intercompany loan		666,840	-
Changes in assets and liabilities			
Increase/(decrease) in receivables	(4,431)	93,160	(125,003)
Increase in other assets	325,096	(107,513)	(1,477,297)
Increase in trade creditors and accruals	(671,963)	(517,300)	833,374
Net cash used in operating activities	(5,043,089)	(4,674,575)	(3,370,307)

(b) Non-cash financing and investing activities

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Issue of shares on conversion of convertible notes	1,674,231	1,674,231	-
Acquisition of assets held under finance leases	46,908	46,908	-
	1,721,139	1,721,139	-

8. CASH ASSETS

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Cash at bank	416,521	343,538	1,064,557
	416,521	343,538	1,064,557

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$

9. RECEIVABLES

CURRENT			
Trade debtors	222,928	126,930	269,655
Other debtors	168,264	166,671	117,106
	391,192	293,601	386,761

10. OTHER ASSETS

CURRENT			
Deferred expenses – IPO costs	-	-	1,215,729
Security deposits	25,905	20,710	-
Prepayments and other deferred expenditure	88,723	41,322	167,069
	114,628	62,032	1,382,798
NON-CURRENT			
Deferred expenses - Shopping centre access fees	904,350	-	126,461
USA development costs	490,391		
Security deposits pursuant to shopping centre licence agreements	833,773	774,774	454,067
Amounts receivable from controlled entities	-	1,952,190	-
	2,228,514	2,726,964	580,528

11. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned %		Investment	
		2005	2004	2005	2004
				$	$
Creatable Media (NZ) Limited	New Zealand	100	-	1	-
Creatable Media Inc.	United States	100	-	1	-
				2	-
Provision				(2)	-
				-	-

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$
12. PROPERTY, PLANT AND EQUIPMENT			
Tabletop advertising units			
At recoverable amount	891,773	534,264	1,105,203
Accumulated depreciation	(325,311)	(301,464)	(201,638)
	566,462	232,800	903,565
Office equipment			
At cost	108,616	104,094	85,031
Accumulated depreciation	(34,658)	(34,372)	(14,567)
	73,958	69,722	70,464
Proprietary software			
At cost	31,704	31,704	16,407
Accumulated depreciation	(11,328)	(11,328)	(4,047)
	20,376	20,376	12,360
Motor vehicle			
At cost	28,830	28,830	13,636
Accumulated amortisation	(7,429)	(7,429)	(1,616)
	21,401	21,401	12,020
Leasehold improvements			
At cost	-	-	3,753
Accumulated amortisation	-	-	(924)
	-	-	2,829
Total property, plant and equipment	682,197	344,299	1,001,238

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 vehicles	Leasehold improvements	Tabletop units	Office equipment	Total
	$	$	$	$	$	$
Consolidated entity						
Balance at beginning of financial year	12,360	12,020	2,829	903,565	70,464	1,001,238
Additions	16,035	15,194	6,382	578,784	42,750	659,145
Disposals	(537)	-	(7,565)	-	(7,976)	(16,078)
Additional write-down	-	-	-	(590,027)	-	(590,027)
Depreciation expense	(7,482)	(5,813)	(1,646)	(325,860)	(31,280)	(372,081)
Carrying amount at end of financial year	20,376	21,401	-	566,462	73,958	682,197

PROPERTY PLANT & EQUIPMENT cont.

	Proprietary software	Motor vehicles	Leasehold improvements	Tabletop units	Office equipment	Total
	$	$	$	$	$	$
Parent entity						
Balance at beginning of financial year	12,360	12,020	2,829	903,565	70,464	1,001,238
Additions	16,035	15,194	6,382	297,561	38,227	373,399
Disposals	(537)	-	(7,565)	-	(7,976)	(16,078)
Transfer to subsidiary	-	-	-	(103,310)	-	(103,310)
Depreciation expense	(7,482)	(5,813)	(1,646)	(302,215)	(30,993)	(348,149)
Additional write-down	-	-	-	(562,801)	-	(562,801)
Carrying amount at end of financial year	20,376	21,401	-	232,800	69,722	344,299

Included in the consolidated and company assets are assets held under finance leases as follows:

	Office Equipment	Motor Vehicles
Cost	31,714	15,194
Accumulated depreciation	(2,351)	(2,404)
	29,363	12,790

		Consolidated Entity	Parent Entity	
		2005	2005	2004
		$	$	$
13.	**INTANGIBLES**			
	Trademarks	-	-	29,142
14.	**PAYABLES**			
	CURRENT			
	Trade creditors	297,827	296,603	585,531
	Other creditors and accruals	296,499	235,105	391,072
		594,326	531,708	976,603
15.	**INTEREST BEARING LIABILITIES**			
	CURRENT			
	Finance lease liability (Note 23b)	10,188	10,188	-
	Unsecured convertible notes	-	-	3,123,750
		10,188	10,188	3,123,750
	NON-CURRENT			
	Finance lease liability (Note 23b)	31,617	31,617	-

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$

16. OTHER LIABILITIES

CURRENT			
Unearned income	-	-	72,500

17. CONTRIBUTED EQUITY

(a) *Share capital*	2005 No.	2004 No.	2005 $	2004 $
Ordinary shares, fully paid	122,280,968	62,357,600	13,047,121	4,385,581

(b) *Movements in ordinary share capital*

Date	Details	Number of shares	Issue price (cents)	$
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
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 10)			(1,215,729)
	Expenses of Share Issues			(796,962)
30 June 2005	Balance	122,280,968		13,047,121

(c) *Movements in ordinary share capital since 30 June 2005 as a result of the subsequent events described in Note 26*

Date	Details	Number of shares	Issue price (cents)	$
30 June 2005	Balance	122,280,968		13,047,121
15 July 2005	Issue of Shares	1,667,468	2	33,349
05 September 2005	Issue of Shares	6,332,532	2	126,651
		130,280,968		13,207,121

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
18. RESERVES			
Foreign Currency Translation Reserve at the beginning of the financial year	-	-	-
Foreign exchange differences in the year	(5,428)	-	-
Foreign currency Translation Reserve at the end of the financial year	(5,428)	-	-
19. ACCUMULATED LOSSES			
Accumulated losses at the beginning of the financial year	(4,113,410)	(4,113,410)	(1,282,823)
Net loss attributable to members of the Company	(5,731,362)	(5,736,790)	(2,830,587)
Accumulated losses at the end of the financial year	(9,844,772)	(9,850,200)	(4,113,410)
20. EQUITY			
Total equity at the beginning of the financial year	272,171	272,171	786,184
Total changes in equity recognised in the statement of financial performance	(5,731,362)	(5,736,790)	(2,830,587)
Movement in Foreign Currency Translation Reserve	(5,428)	-	-
Transactions with owners – issue of shares net of transaction costs	8,661,540	8,661,540	2,316,574
Total equity at the end of the financial year	3,196,921	3,196,921	272,171

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.

Exposure to interest rate risk arises predominantly from finance leases.

	Floating interest	Fixed Interest maturing in 1 yr or less	Fixed Interest maturing in over 1 yr to 5 yrs	Non interest bearing	Total
	$	$	$	$	$
2005					
Consolidated entity					
Financial Assets					
Cash Assets	416,521	-	-	-	416,521
Receivables	-	-	-	391,192	391,192
Other	-	833,773	-	-	833,773
	416,521	833,773	-	391,192	1,641,486
Weighted average interest rate	4.8%	5.5%			
Financial liabilities					
Trade and other creditors	-	-	-	594,326	594,326
Interest bearing liabilities	-	10,188	31,617	-	41,805
	-	10,188	31,617	594,326	636,131
Weighted average interest rate	-	13.6%	13.6%	-	
Net financial assets (liabilities)	416,521	823,585	(31,617)	(203,134)	1,005,355
2004					
Consolidated entity					
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)

Reconciliation of net financial assets to net assets:

	2005 $	2004 $
Net financial assets/(liabilities) as above	1,005,355	(2,699,141)
Non-financial assets and liabilities		
- plant and equipment	682,197	1,001,238
- prepayments and deferred expenditure	1,509,369	2,042,574
- other liabilities – unearned income	-	(72,500)
Net assets per statement of financial position	3,196,921	272,171

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.

	Consolidated Entity	Parent Entity	
	2005 $	2005 $	2004 $
22. EMPLOYEE BENEFITS			
Employee benefits and related on-costs liabilities:			
Included in other creditors – current	61,222	45,814	46,974
Aggregate employee benefits and related on-costs liabilities	61,222	45,814	46,974
Employee numbers: Average number of employees during the financial year	13	11	9

Refer to Remuneration Report for details of Employee Option Schemes

	Consolidated Entity	Parent Entity	
	2005	2005	2004
	$	$	$

23. CAPITAL AND LEASING COMMITMENTS

(a) Property rental commitments payable

Property rental commitments payable but not capitalised in the financial statements.

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Payable			
- not later than 1 year	1,996,771	1,591,731	2,058,794
- later than 1 year but not later than 5 years	7,061,991	5,419,925	5,042,187
- later than 5 years	678,932	-	49,333
Total lease commitment	9,737,694	7,011,656	7,150,314

The property rental commitments are in respect of all shopping centre licence agreements entered into at 30 June 2005. Contingent rental payments which may arise in the event that revenue exceeds pre-determined levels are not included above.

(b) Finance leases

Commitments in relation to finance leases are repayable as follows:

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
Within one year	15,292	15,292	-
Later than one year but not later than five years	37,338	37,338	-
Minimum lease payments	52,630	52,630	-
Future finance charges	(10,825)	(10,825)	-
Total lease liabilities	41,805	41,805	-
Representing lease liabilities			
Current (Note 15)	10,188	10,188	-
Non-current (Note 15)	31,617	31,617	-
	41,805	41,805	-

24. SEGMENT INFORMATION

Geographical Segments (Primary Segment Reporting)

The consolidated entity operates in two main geographical areas:

- Australasia
- United States

The company operates in one business segment only, that of advertising.

2005	Australasia $	United States $	Inter-Segment Eliminations Unallocated $	Consolidated $
Sales to external customers	1,932,470	35,354	-	1,967,824
Inter-segment sales	-	-	-	-
Total sales revenue	1,932,470	35,354	-	1,967,824
Other revenue	221,082	8	5,428	226,518
Total segment revenue	2,153,552	35,362	5,428	2,194,342
Segment result	(5,970,056)	(433,585)	672,279	(5,731,362)
Unallocated revenue less unallocated expenses				
				(5,731,362)
Loss from ordinary activities before income tax expense				(5,731,362)
Income tax expense				-
Loss from ordinary activities after income tax expense				(5,731,362)
Segment assets	4,114,248	1,670,985	(1,952,181)	3,833,052
Unallocated assets				-
Total assets				3,833,052
Segment liabilities	1,150,593	2,104,569	(2,619,031)	636,131
Unallocated liabilities				-
Total liabilities				636,131
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	501,899	1,613,362	-	2,115,261
Depreciation and amortization expense	387,504	45,962	-	433,466
Other non-cash expenses	562,799	27,522	-	590,320

Primary Reporting – Geographical Segments – 2004

In the year to 30 June 2004, Creatable Media Limited operated in one geographical segment, being Australasia.

Notes to and forming part of the segment information

(a) Accounting Policies

Segment information is prepared in conformity with the accounting polices of the entity as disclosed in Note 1 and AASB 1005 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, inter-segment loans and employee benefits. Segment assets and liabilities do not include income taxes.

(b) Segment Margins

	Australasia	United States
	%	%
Gross margin %	**(55)**	**49**

Gross margins are measured as revenues less cost of goods sold, being labour and related on-costs as well as direct material costs, as a percentage of revenues.

25. CONTINGENT LIABLITIES

Creatable Media Limited is the applicant in Federal Court proceedings whereby the company is seeking revocation of certain patents. A cross-claim has been filed by the patentee for patent infringements. The parties have been directed to attend a mediation, anticipated to be held in November 2005.

In the event that the matter does not settle at mediation, Creatable Media may incur further costs and disbursements estimated at between $200,000 and $350,000 in the conduct of the proceedings.

26. SUBSEQUENT EVENTS

On 27 June 2005, the Directors of Creatable Media accepted the offer of Hawkesbridge Limited ("Hawkesbridge") and HET No. 1 Pty Limited ("HET") to invest a total of $2,654,412 in equal proportions by way of secured convertible notes issued by Creatable Media, subject to various conditions including Shareholder approval. Shareholder approval was obtained at a meeting held on 1 September 2005.

The key elements to the transaction were:

- on 15 July 2005, Hawkesbridge and HET loaned $500,000 to the Company;
- on 27 July 2005, Hawkesbridge and HET loaned a further $500,000 to the Company;
- both loans and interest on loans were repaid in September 2005 by the issue of 1,011,780 secured convertible notes in equal proportions with a face value of $1 each.
- on 15 July 2005, the Company issued Hawkesbridge and HET 1,667,468 shares in equal proportions at 2 cents each being a finance arrangement fee.
- a further 6,332,532 shares were issued in September 2005 to Hawkesbridge and HET in equal proportions at 2 cents each being a finance arrangement fee.
- in September 2005, Hawkesbridge and HET subscribed in equal proportions for an additional 1,000,000 convertible notes in respect of a further advance of $1,000,000.

- a further subscription for $654,412 by issue of 654,412 notes in equal proportions is due on 1 October 2005.
- Hawkesbridge and HET have a right (but not an obligation) to subscribe for up to an additional 500,000 notes at any time up to 13 July 2009.

The convertible notes bear simple interest at 10% per annum, payable on the earlier of redemption or conversion of the notes.

The notes are convertible to shares at the election of the Note Holder at any time up to 13 July 2009 at the lower price of 2 cents per share and a 10% discount to the volume weighted average price of the Company's shares for the 30 day period immediately prior to conversion. Notes not converted must be redeemed by the Company, with outstanding interest, by 13 July 2009.

The funds raised pursuant to the above will be used to roll out tabletops in the USA, pay key money to US landlords and for working capital.

27. 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

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
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 Turner Leasing and Financial Services Pty Limited, a company controlled by Mr M G Krawitz. -	-	-	24,730
Advisory fees in relation to IPO, paid to Equity Capital Markets Limited, a company controlled by Mr G Bundy	75,000	75,000	-
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.	3,220	3,220	25,757
Capital raising fees paid to Mr K Wunsh, brother of C J Wunsh.	8,212	8,212	-
Consulting fees paid to Tandem Corporate Pty Limited, a company in which Mr K Wunsh, brother of C J Wunsh, has an interest.	47,042	47,042	-
Donations and membership paid to the Art Gallery of NSW. Mr S Walters is on the Presidents Council.	15,000	15,000	-
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

	Consolidated Entity 2005 $	Parent Entity 2005 $	Parent Entity 2004 $
RELATED PARTY TRANSACTIONS cont			
(b) Amounts receivable from			
Creatable Media (NZ) Limited		338,042	-
Creatable Media Inc		1,614,139	-

28. REMUNERATIONS OF DIRECTORS AND EXECUTIVE

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed companies from providing remuneration disclosures in relation to their specified directors and specified non-executives in their annual financial reports by Accounting Standards AASB 1046: "Directors and Executives". These remuneration disclosures are provided in the remuneration report within the Directors' Report designated as audited.

29. EARNINGS PER SHARE

	2005
(a) Weighted average number of ordinary shares used in the calculation of basic earnings per share	110,788,815
(b) Weighted average number of shares and potential ordinary shares used in the calculation of diluted earnings per share	110,788,815

Basic and diluted loss per share have been calculated on consolidated losses of $5,731,362.

30. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Creatable Media Limited is in the process of preparing, and transitioning, its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS), which is effective for financial years commencing on or after 1 January 2005. The adoption of AIFRS will be reflected for the first time in the consolidated and parent entity's financial statements for the year ending 30 June 2006.

On first time adoption of AIFRS, comparatives (amounts reported for the financial year ended 30 June 2005) are required to be restated on the basis that AIFRS had always applied, with certain limited exceptions (in terms of AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards*). Part of the adjustments required to comply with AIFRS will be made retrospectively against retained earnings at 1 July 2004 where the amounts relate to periods prior to that date.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS, and our best estimate of the quantitative impact of these changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to

(a) potential amendments to AIFRS's and Interpretations being issued by the standard setters; and
(b) emerging accepted practice in the interpretation and application of AIFRS and UIG interpretations.

The chief financial officer will oversee and manage the groups transition to AIFRS including the training of staff and system/internal control changes necessary to obtain and implement all the required financial information.

Impact on the statement of financial performance

		Consolidated			Parent Entity		
	Notes	Existing GAAP	Effect of Change	AIFRS	Existing GAAP	Effect of Change	AIFRS
		$	$	$	$	$	$
Revenue from ordinary activities		2,194,342	-	2,194,342	2,036,793	-	2,036,793
Expenses from ordinary activities excluding borrowing costs		(7,818,533)	(495,525)	(8,314,058)	(7,666,412)	(5,134)	(7,671,546)
Borrowing costs		(107,171)	-	(107,171)	(107,171)	-	(107,171)
Loss from ordinary activities before income tax expense		(5,731,362)	(495,525)	(6,226,887)	(5,736,790)	(5,134)	(5,741,924)
Income tax expense		-	-	-	-	-	-
Loss from ordinary activities after income tax		(5,731,362)	(495,525)	(6,226,887)	(5,736,790)	(5,134)	(5,741,924)
Total changes in equity other than those resulting from transactions with owners as owners		(5,731,362)	(495,525)	(6,226,887)	(5,736,790)	(5,134)	(5,741,924)

Impact on the statement of financial position

	Notes	Consolidated Existing GAAP $	Consolidated Effect of Change $	Consolidated AIFRS $	Parent Entity Existing GAAP $	Parent Entity Effect of Change $	Parent Entity AIFRS $
CURRENT ASSETS							
Cash assets		416,521	-	416,521	343,538	-	343,538
Receivables		391,192	-	391,192	293,601	-	293,601
Other		114,628	-	114,628	62,032	-	62,032
TOTAL CURRENT ASSETS		922,341	-	922,341	699,171	-	699,171
NON-CURRENT ASSETS							
Other financial assets		-	-	-	1,952,190	-	1,952,190
Property, plant and equipment		682,197	-	682,197	344,299	-	344,299
Intangibles		-	-	-	-	-	-
Other		2,228,514	(490,391)	1,738,123	774,774	-	774,774
TOTAL NON-CURRENT ASSETS		2,910,711	(490,391)	2,420,320	3,071,263	-	3,071,263
TOTAL ASSETS		3,833,052	(490,391)	3,342,661	3,770,434	-	3,770,434
CURRENT LIABILITIES							
Payables		594,326	-	594,326	531,708	-	531,708
Interest bearing liabilities		10,188	-	10,188	10,188	-	10,188
TOTAL CURRENT LIABILITIES		604,514	-	604,514	541,896	-	541,896
NON-CURRENT LIABILITIES							
Interest bearing liabilities		31,617	-	31,617	31,617	-	31,617
TOTAL NON CURRENT LIABILITIES		31,617	-	31,617	31,617	-	31,617
TOTAL LIABILITIES		636,131	-	636,131	573,513	-	573,513
NET ASSETS		3,196,921	(490,391)	2,706,530	3,196,921	-	3,196,921
EQUITY							
Contributed equity		13,047,121	-	13,047,121	13,047,121	-	13,047,121
Reserves		(5,428)	12,687	7,259	-	12,687	12,687
Accumulated losses		(9,844,772)	(503,078)	(10,347,850)	(9,850,200)	(12,687)	(9,862,887)
TOTAL EQUITY		3,196,921	(490,391)	2,706,530	3,196,921	-	3,196,921

Notes explaining the impacts on the statements of financial performance and statements of financial position.

(i) Equity-based compensation benefits

Under AASB 2 "Share-Based Payments", equity-based compensation to employees will be recognised as an expense in respect of the services received, over the expected period of that service. The related cost in respect of the employees' service is based on the fair value of the benefit received (such as an option to purchase shares).

This will result in a change to the existing accounting policy, which requires no expense for equity-based compensation to be recognised.

AASB 2 'Share Based Payment' has been applied retrospectively to all options granted after 7 November 2002 before date of transition to AIFRS (1 July 2004).

If the policy required by AASB 2 had been applied during the year ended 30 June 2005, consolidated and parent entity retained profits at 30 June 2005 would have been $12,687 lower, with a corresponding increase in the share-based payment reserve. For the year ended 30 June 2005, the consolidated and parent entity employee benefits expense would have been $5,134 higher, with a corresponding increase in the net movement to the share-based payment reserve. These adjustments would not affect taxation except to increase the losses available for set off against future income by $3,806.

(ii) USA Development Costs

AASB 138 'Intangible Assets' requires that any costs that are capitalised are identifiable. To meet this requirement, the costs must either be separable, or must arise from either a contractual or legal obligation. The group has identified costs of $490,391 which have been capitalised but would not meet these requirements. This has had the effect of reducing assets by $490,391 and increasing accumulated losses by this amount. These adjustments would not affect taxation except to increase the losses available for set off against future income by $147,117.

(iii) 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. AASB 136 "Impairment of Assets" requires that future cash flows used in determining recoverable amount be discounted to present value using a risk adjusted pre-tax discount rate. The economic entity has reassessed its impairment testing policy, and tested all assets for impairment at 1 July 2005. It is not expected that any of the assets will be impaired.

(iv) Income Tax

The economic entity currently adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for permanent differences. Timing differences are currently brought to account through deferred taxation. Future income benefits are only recognised when the benefit is "virtually certain". Therefore tax losses in this economic entity have not been recognised. Under AASB 112 "Income Taxes", the "virtual certainty" test is replaced by a "probability" of future benefit test. At 1 July 2005 it is still uncertain whether these losses will result in a benefit, and therefore no deferred tax asset has been included in the expected changes on adoption of AIFRS.

In addition, the entity will be required to adopt a balance sheet approach of calculating deferred taxation, under which temporary differences are identified for each asset and liability, rather than based on timing differences between taxable income and accounting profit. The change in methodology of calculating deferred taxation is not expected to result in any changes to amounts currently recognised.

On transition to AIFRS, the estimated cumulative effect of the reliably known differences on the parent and consolidated entity's reported net profit and equity at 30 June 2005 is given above. As noted above, these amounts represent management's best estimates, and could differ from reported amounts.

Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005.

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

The directors of Creatable Media Limited declare that:

(a) in the directors' opinion, the financial statements and notes for the financial year ended 30 June 2005 are in accordance with the Corporations Act 2001, including:
  (i) section 296 (compliance with accounting standards); and
  (ii) section 297 (true and fair view); and

(b) 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; and

(c) the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Director

Dated the 26th day of September 2005.

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, and accompanying notes to the financial statements for both Creatable Media Limited (the company) and Creatable Media Limited (the consolidated entity), and the directors' declaration for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities, under the heading "remuneration report" in pages 5 to 10 of the directors' report, as permitted by the Corporations Regulations 2001.

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. The directors are also responsible for the remuneration disclosures contained in the directors' 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 and the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001. 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 and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures, and

- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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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

We are independent of the company and group, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

In accordance with ASIC Class Order 05/83 we declare that, to the best of our knowledge and belief, the auditor's independence declaration set out on page 13 of the financial report has not changed as at the date of providing this audit opinion.

Audit opinion

In our opinion:

1. 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 and consolidated entity's financial position as at 30 June 2005 and of their 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.
2. the remuneration disclosures that are contained in pages 5 to 10 of the directors' report comply with Accounting Standard AASB 1046 and the Corporations Regulations 2001.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether Creatable Media Limited and its controlled entities will continue as a going concern and therefore whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

Dated the 26th day of September 2005.

Horwath Sydney Partnership

HORWATH
SYDNEY PARTNERSHIP
Chartered Accountants

ALFRED NEHAMA
Partner

Horwath