FINANCIAL STATEMENTS

Special Broadcasting Service Corporation and Controlled Entity

Australian National
Audit Office

INDEPENDENT AUDIT REPORT

To the Minister for Communications, Information Technology and the Arts

Scope

I have audited the financial statements of the Special Broadcasting Service Corporation for the year ended 30 June 2003. The financial statements include the consolidated financial statements of the consolidated entity comprising the Special Broadcasting Service Corporation and the entities it controlled at the year's end or from time to time during the financial year. The financial statements comprise:

- Statement by Directors;
- Statements of Financial Performance, Financial Position and Cash Flows;
- Schedules of Commitments, Contingencies and Administered Items; and
- Notes to and forming part of the Financial Statements.

The members of the Board are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of the financial statements in order to express an opinion on them to you.

The audit has been conducted in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Corporation's and the consolidated entity's financial position, their financial performance and their cash flows.

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

Audit Opinion

In my opinion the financial statements:

(i) have been prepared in accordance with Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*; and

(ii) give a true and fair view, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia and the Finance Minister's Orders, of the financial position of the Special Broadcasting Service Corporation and the consolidated entity as at 30 June 2003, and their financial performance and cash flows for the year then ended.

Australian National Audit Office

P Hinchey
Senior Director

Delegate of the Auditor-General

Sydney
19 August 2003

STATEMENT BY DIRECTORS

In our opinion, the attached financial statements for the year ended 30 June 2003 give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997.*

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

Signed
Carla Zampatti
Chairman

19 August 2003

Signed
Nigel Milan
Managing Director

19 August 2003

STATEMENT OF FINANCIAL PERFORMANCE

for the 12 months ended 30 June 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Revenues from ordinary activities					
Revenue from Government	5(a)	**137,452**	127,227	**137,452**	127,227
Goods and services	5(b)	**28,171**	30,945	**28,171**	30,045
Interest	5(c)	**1,574**	2,335	**1,420**	2,190
Revenue from sale of assets	5(d)	**102**	25	**102**	25
Reversals of previous asset write-downs	5(e)	**43**	-	**43**	-
Net foreign exchange gains (non-speculative)	1(u),15(c)	**16**	20	**16**	20
Other	5(f)	**6,880**	7,112	**6,880**	8,112
Total revenues from ordinary activities		**174,238**	167,664	**174,084**	167,619
Expenses from ordinary activities (excluding borrowing costs expense)					
Employees	6(a)	**60,262**	55,873	**60,262**	55,873
Suppliers	6(d)	**91,280**	90,063	**91,252**	90,056
Depreciation and amortisation	6(e)	**8,072**	9,073	**8,072**	9,073
Write-down of assets	6(f)	**44**	94	**44**	94
Value of assets sold	6(g)	**215**	45	**215**	45
Expenses from ordinary activities *(excluding borrowing costs expense)*		**159,873**	155,148	**159,845**	155,141
Borrowing costs expense	7	**1,443**	3,510	**1,443**	3,510
Share of net profits/(losses) of associates and joint ventures accounted for using the equity method	8(c)(xii)	**(117)**	211	**-**	-
Operating surplus from ordinary activities before income tax		**12,805**	9,217	**12,796**	8,968
Income tax expense relating to ordinary activities	12(c)	**511**	-	**-**	-
Operating surplus from ordinary activities after income tax		**12,294**	9,217	**12,796**	8,968
Net surplus	4	**12,294**	9,217	**12,796**	8,968
Total revenues, expenses and valuation adjustments recognised directly in equity	14	**-**	-	**-**	-
Total changes in equity other than those resulting from transactions with owners as owners.					
		12,294	9,217	**12,796**	8,968

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
ASSETS					
Financial assets					
Cash	8(a)	**3,570**	4,057	**3,558**	3,212
Receivables	8(b)	**6,054**	9,861	**10,439**	14,198
Investments accounted for using the equity method	8(c)	**2,732**	2,849	**-**	-
Other investments	8(c)	**65,966**	65,321	**62,922**	62,788
Total financial assets		**78,322**	82,088	**76,919**	80,198
Non-financial assets					
Land and buildings	9(a),(d),(e)	**51,094**	47,471	**51,094**	47,471
Plant and equipment	9(b),(d),(e),(f)	**30,097**	28,741	**30,097**	28,741
Inventories	9(g)	**27,481**	21,908	**27,481**	21,908
Intangibles	9(c),(d),(e)	**1,939**	764	**1,939**	764
Other	9(h)	**7,711**	7,838	**7,711**	7,838
Total non-financial assets		**118,322**	106,722	**118,322**	106,722
Total assets		**196,644**	188,810	**195,241**	186,920
LIABILITIES					
Interest bearing liabilities					
Loans	10(a)	**22,193**	24,000	**22,193**	24,000
Leases	10(b)	**18**	104	**18**	104
Total interest bearing liabilities		**22,211**	24,104	**22,211**	24,104
Provisions					
Employees	11(a)	**14,968**	14,049	**14,968**	14,049
Total Provisions		**14,968**	14,049	**14,968**	14,049
Payables					
Suppliers	12(a)	**9,768**	8,927	**9,756**	8,892
Other	12(b)	**47,272**	49,311	**47,272**	49,311
Tax	12(c)	**38**	-	**-**	-
Total payables		**57,078**	58,238	**57,028**	58,203
Total liabilities		**94,257**	96,391	**94,207**	96,356
NET ASSETS		**102,387**	92,419	**101,034**	90,564
EQUITY					
Parent entity interest					
Contributed equity	14	**54,779**	46,199	**54,779**	46,199
Reserves	14	**15,722**	15,722	**15,722**	15,722
Accumulated surpluses	14	**31,886**	30,498	**30,533**	28,643
Total parent entity interest		**102,387**	92,419	**101,034**	90,564
Total equity		**102,387**	92,419	**101,034**	90,564
Current assets		**58,359**	65,368	**56,021**	62,660
Non-current assets		**138,285**	123,442	**139,220**	124,260
Current liabilities		**27,206**	46,921	**27,156**	46,886
Non-current liabilities		**67,051**	49,470	**67,051**	49,470

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

STATEMENT OF CASH FLOWS

for the 12 months ended 30 June 2003

	Notes	Consolidated		Corporation	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
OPERATING ACTIVITIES					
Cash received					
Goods and services		**33,222**	27,339	**33,100**	26,679
Appropriations	1(f), 5(a)	**137,452**	127,227	**137,452**	127,227
Interest		**4,174**	5,114	**4,004**	5,000
GST received from ATO		**6,220**	7,984	**6,321**	8,044
Total cash received		**181,068**	167,664	**180,877**	166,950
Cash used					
Employees		**(59,343)**	(55,300)	**(59,343)**	(55,300)
Suppliers		**(101,314)**	(111,554)	**(101,291)**	(111,548)
Borrowing costs		**(1,443)**	(3,208)	**(1,443)**	(3,208)
Income Tax paid to ATO		**(473)**	-	**-**	-
Total cash used		**(162,573)**	(170,062)	**(162,077)**	(170,056)
Net cash from (used by) operating activities	13	**18,495**	(2,398)	**18,800**	(3,106)
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment		**102**	26	**102**	26
Proceeds from sales of financial instruments		**29,429**	34,832	**28,057**	34,822
Total cash received		**29,531**	34,858	**28,159**	34,848
Cash used					
Purchase of property, plant and equipment		**(14,551)**	(8,426)	**(14,551)**	(8,426)
Purchase of financial instruments		**(29,864)**	(23,122)	**(27,964)**	(23,122)
Total cash used		**(44,415)**	(31,548)	**(42,515)**	(31,548)
Net cash from (used by) investing activities		**(14,884)**	3,310	**(14,356)**	3,300
FINANCING ACTIVITIES					
Cash received					
Appropriations - contributed equity	5(a)	**8,580**	8,000	**8,580**	8,000
Proceeds from loans		**24,000**	24,000	**24,000**	24,000
Total cash received		**32,580**	32,000	**32,580**	32,000
Cash used					
Repayments of debt		**(25,807)**	(20,821)	**(25,807)**	(20,821)
Capital use charge paid		**(10,785)**	(10,185)	**(10,785)**	(10,185)
Finance lease payments		**(86)**	(396)	**(86)**	(396)
Total cash used		**(36,678)**	(31,402)	**(36,678)**	(31,402)
Net cash from (used by) financing activities		**(4,098)**	598	**(4,098)**	598
Net increase (decrease) in cash held		**(487)**	1,510	**346**	792
Cash at the beginning of the reporting period		**4,057**	2,547	**3,212**	2,420
Cash at the end of the reporting period	8(a)	**3,570**	4,057	**3,558**	3,212

THE ABOVE STATEMENT SHOULD BE READ IN CONJUNCTION WITH THE ACCOMPANYING NOTES

SCHEDULE OF COMMITMENTS

as at 30 June 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
BY TYPE					
Capital commitments					
Buildings		177	213	177	213
Plant and equipment		3,593	1,869	3,593	1,869
Total capital commitments		3,770	2,082	3,770	2,082
Other commitments					
Transmission facilities	(i)	582,474	249,421	582,474	249,421
Operating leases	(ii)	17,303	16,192	17,266	16,169
Other commitments	(iii)	28,592	19,642	28,592	19,642
Total other commitments		628,369	285,255	628,332	285,232
Total commitments payable		632,139	287,337	632,102	287,314
Commitments receivable					
Transmission facilities	(i)	332,851	172,226	332,851	172,226
Operating leases		2,640	4,931	2,640	4,931
Advertising and sponsorship		2,832	3,313	2,832	3,313
Services to related corporations		193	300	193	300
Other commitments	(iii)	55,593	20,697	55,593	20,697
Total commitments receivable		394,109	201,467	394,109	201,467
Net commitments		238,030	85,870	237,993	85,847
BY MATURITY					
All net commitments					
One year or less		49,623	23,424	49,614	23,413
From one to five years		121,101	24,926	121,073	24,914
Over five years		67,306	37,520	67,306	37,520
Net commitments		238,030	85,870	237,993	85,847
Net Operating lease commitments					
One year or less		2,072	1,404	2,063	1,393
From one to five years		4,362	1,232	4,334	1,220
Over five years		8,229	8,625	8,229	8,625
Net Operating lease commitments		14,663	11,261	14,626	11,238

NB: Commitments are GST inclusive where relevant.

(i) Transmission facilities commitments include future expenditure and amounts receivable for digital transmission services .

(ii)

Nature of lease	General description of leasing arrangement:
- Leases for office accommodation:	Lease payments are subject to annual increases in line with the Consumer Price Index or Market Value. The leases are renewable.
- Leases of computer equipment:	The leases for computer equipment are for a period of three or four years. Options to extend leased terms are available at discounted prices.
- Leases of motor vehicles:	No contingent rentals exist, and no renewal or purchase options are available.

(iii) As at 30 June 2003, other commitments comprises amounts in respect of program, production, operational costs, and net GST recoverable from the taxation authority, which relate to these commitments.

SCHEDULE OF CONTINGENCIES

as at 30 June 2003

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Contingent liabilities					
Claims for damages/costs	(iv)	**310**	250	**310**	250
Total contingent liabilities		**310**	250	**310**	250
Contingent assets					
Claims for damages/costs		**-**	-	**-**	-
Total contingent assets		**-**	-	**-**	-
Net contingent liabilities		**310**	250	**310**	250

(iv) The Corporation is presently a defendant in several cases.
The amounts represent the Corporation's liability if unsuccessful.

SCHEDULE OF UNQUANTIFIABLE CONTINGENCIES

There are no unquantifiable contingencies as at 30 June 2003.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The statements have been prepared in accordance with the Finance Minister's Orders (being the *Commonwealth Authorities and Companies (Financial Statements for reporting periods ending on or after 30 June 2003) Orders*). The Financial Statements have been prepared in accordance with Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board and the Consensus Views of the Urgent Issues Group.

The Corporation and Consolidated Statements of Financial Performance and Financial Position have been prepared on an accrual basis, and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation (see note 9).

(b) Changes in accounting policy

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Significant accounting policies adopted in the preparation and presentation of the financial report are identified in this note.

The accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02, except where changes in accounting policy are identified in this note under their appropriate headings.

(c) Principles of consolidation

The consolidated financial statements are those of the economic entity comprising the Special Broadcasting Service Corporation (the parent entity) and Multilingual Subscriber Television Ltd (MST Ltd). The effect of all transactions between the entities in the economic entity and inter-entity balances are eliminated in full.

(d) Equity accounting of associated companies

The principles of equity accounting have been applied in respect of associated companies. Associated companies are those companies over which the economic entity exercises significant influence but not control.

Using the equity method, the Corporation has recognised through its controlled entity, Multilingual Subscriber Television Ltd (MST Ltd), the share of profit (loss) of its associate, PAN TV Ltd, as revenue (expense) in its Statement of Financial Performance, and its share of movements in reserves in consolidated reserves. Equity information is disclosed in note 8(c). MST Ltd's investment in the associated entity, PAN TV Ltd, is accounted for in accordance with AASB 1016 "Accounting for investments in associates".

(e) Reporting by outcomes

The results by outcome specified in the Appropriation Acts relevant to the Corporation are presented in note 2.

(f) Appropriations

Under the accruals framework, Parliament appropriates moneys to the Corporation as revenue appropriations, as loan appropriations and as equity injections.

Revenue appropriations - Output Appropriations
Revenues from Government are revenues of the core operating activities of the Corporation. The full amount of the appropriation for departmental outputs for the year is recognised as revenue.

Non-revenue appropriations - Equity Injections and Loans
Amounts appropriated as equity injections are recognised as increases in "Contributed Equity". All equity appropriations have been fully drawn down. Loan appropriations are recognised as increases in borrowings, when the appropriation is drawn down. In 2003, the Corporation was appropriated $24m on loan funding to refinance the balance of an existing loan - see note 5(a).

(g) Resources received free of charge

Resources received free of charge are recognised as revenues where their fair value can be reliably measured. Use of the resources is recognised as an expense.

(h) Other revenue

All revenues from the sales of goods and services relate to the core operating activities of the Corporation and the economic entity.

All other operating revenues arise from non-core operating activities, except funds received for analogue extensions which are also included in other operating revenue - see note 1(i).

Revenue from the sale of goods and services is recognised when the economic entity has passed control of the goods to the buyer.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract or other agreement.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

(i) Other payables

Prepayments received, which affect more than one financial period are matched with the related costs and recognised in the period to which they relate.

In 2000, the Corporation received $70 million from the TV Fund and $3.4 million (from government appropriation) to provide analogue extensions to regional Australia over the next twelve years. The amount received, including interest accrued on this amount, is recognised as revenue when related expenditure is incurred. Refer to notes 5(f), 6(d) and 8(c)(x).

(j) Employee benefits

(i) Provision for long service leave

The provision for long service leave is measured at the present value of estimated future cash flows to be made in respect of all employees at 30 June 2003. In determining the present value of the liability, attrition rates and pay increases have been taken into account. The amount expected to be payable within twelve months is shown as a current liability, and the balance as a non-current liability.

(ii) Provision for annual leave

Provision is made for the value of entitlements accrued as at balance date and includes the annual leave bonus component payable in accordance with the SBS Award. The amount expected to be payable within twelve months is shown as a current liability, and the balance as a non-current liability. The nominal amount is calculated having regard to the rates expected to be paid on settlement of the liability. This is a change in accounting policy from last year, as required by the initial application of a new Accounting standard AASB 1028 from 1 July 2002. The impact in 2003 of salary increases under the current SBS Certified Agreement is $109,287 for annual leave liabilities.

(iii) Provision for redundancies

Provision is made for redundancies for employees or employee numbers identified at balance date, which can be reliably measured. The provision does not include long service leave or annual leave paid on termination. These are included in the respective provisions.

(iv) Sick leave

No provision is made for sick leave in the financial statements as sick leave taken by employees is expected to be less than future entitlements. This assessment is made for all employees on a group basis.

(v) Provision for superannuation on accrued recreation and long service leave

Provision is made for recognition of employer (CSS and PSS) superannuation contributions payable in respect of accrued leave liabilities. The provision is calculated using a percentage of employer CSS and PSS contributions on accrued leave estimated to be taken during the employees' period of service, and is applied to accrued leave liabilities. Refer also to note 1(k).

(k) Superannuation

(i) Employees of the Corporation contribute directly to either (a) the Commonwealth Superannuation Scheme (CSS), or (b) the Public Sector Superannuation Scheme (PSS), by way of fortnightly salary deductions.

(ii) Employees of the Corporation are employed under Section 54 of the *Special Broadcasting Service Act 1991*, and the Corporation is required to contribute the employer component of the Superannuation Schemes. Employer contribution rates were 19.3% of salary (CSS) and 10.2% of salary (PSS) in 2002-03. These will increase to 25.3 % (CSS) and 11.4 % (PSS) from 1 July 2003.

(iii) The Corporation also contributes superannuation in respect of contract staff engaged under Section 44 of the *Special Broadcasting Service Act 1991*, in accordance with the superannuation guarantee legislation. The contributions are included in the cost of contract - see note 6(d).

(l) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

Where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of the minimum lease payments at the inception of the lease, and a liability for lease payments recognised at the same amount. Lease payments are allocated between the principal component and the interest expense.

Finance lease assets are amortised on a straight line basis over their estimated useful lives to the Corporation.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expense in the periods in which they are incurred.

(m) Cash flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand and deposits held at call with banks.

(n) Financial instruments

Accounting policies in relation to financial instruments are disclosed in note 15.

(o) Acquisition of assets

Assets acquired are recorded at the cost on acquisition, being the purchase consideration determined as at the date of acquisition.

(p) Property, plant and equipment

Asset recognition threshold
Items are classified as non-current assets when:

(i) the cost of acquisition is in excess of $2000;

(ii) they are non-consumable in nature; and

(iii) the estimated useful life is in excess of 12 months.

Revaluations
The Corporation implements progressive revaluations of all property, plant and equipment over successive three year periods. All revaluations (undertaken before 30 June 2002) were done on a deprival basis. Since that date, all revaluations (planned for all property, plant and equipment prior to 30 June 2004, will be at fair value in accordance with AASB 1041 *Revaluation of Non-Current Assets.*

The revaluations to 30 June 2003 have been implemented as follows:

- Freehold land was revalued as at 30 June 2001;
- Buildings on freehold land were revalued as at 30 June 2001;
- Leasehold improvements have been revalued as at 1 July 1999;
- Plant and equipment, whether at cost or under finance lease, were revalued at 30 June 2001; and
- Intangible assets were revalued as at 30 June 2001 (see note 9 xiii).

Property, plant and equipment, other than land, is recognised at its depreciated replacement cost.

Depreciation
Property, plant and equipment, other than freehold land, is depreciated over their estimated useful lives to the Corporation using the straight line method of depreciation.

Depreciation/amortisation rates (useful lives) and methods were reviewed during the 2002-03 financial year.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following useful lives:

Class of non financial asset	**2002-2003**		2001-2002	
		Avg		Avg
Buildings	**40 years**	**40**	40 years	40
Leasehold improvements	**Lease term**		Lease term	
Plant & equipment	**3 to 20 years**	**9**	3 to 20 years	10
Intangibles	**5 to 7 years**	**5**	5 to 7 years	6

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in note 6(e).

Recoverable amount test
The carrying amount of property, plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows from future appropriations by the Parliament, have been discounted to their present value in determining the recoverable amount.

No write-down to the recoverable amount has been made in 2003.

(q) Amortisation

(i) Current assets

In 2002, overseas purchased programs were valued at cost and amortised 90% after first screening and 10% after second screening, or fully amortised upon expiration of rights. In 2003 the method of amortising overseas purchased programs was reviewed and calculated on a straight line basis over the shorter of three years or licence period (for movies), or over the shorter of two years or licence period (for documentaries and other overseas purchased programs).

The method of amortising overseas program purchases (over time) has resulted in amortisation expense of $5.853m in 2003. Using the previous basis (that is, amortising 90 % after first screening) would have been $7.804m.

Locally commissioned programs are valued at cost, and amortised on a straight line basis over the shorter of four years or licence period. All programs are fully amortised upon expiration of rights. Internally produced programs screened in the current period are expensed as incurred.

Amortisation of overseas purchased programs and commissioned programs is shown in note 6(d).

(ii) Non-current assets

Leasehold improvements are amortised on a straight line basis over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

Intangible assets are amortised on a straight line basis over their estimated useful lives.

(r) Taxation

The Corporation is not subject to income tax. Its controlled entity, Multilingual Subscriber Television Ltd (MST Ltd) was exempt from tax until 30 June 2000. In 2003, a ruling from the Australian Taxation Office (ATO) reversed its earlier decision that MST Ltd was exempt from tax. MST Ltd is therefore subject to income tax from 1 July 2000 - see note 12 (c). MST Ltd has appealed against the ATO's decision.

The Corporation and its controlled entity, Multilingual Subscriber Television Ltd (MST Ltd), are subject to fringe benefits tax.

(s) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

(t) Capital Use Charge

The Capital Use Charge (CUC) is a charge levied on Commonwealth General Government Sector agencies and authorities. The Capital use will not operate after 30 June 2003, and therefore the amount of the charge payable in respect of 2003 is the amount appropriated (2002: 11 % of adjusted net assets).

(u) Foreign currency

Transactions denominated in a foreign currency are converted at the effective exchange rate on the date of the transaction. Exchange gains and losses are reported in the Statement of Financial Performance.

(v) Receivables

Credit terms for receivables for goods and services are net 45 days for advertising debtors and 30 days for other debtors.

A provision is raised for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.

(w) Loans

Bank loans and loans from the Government are recognised at their principal amounts. Interest is expensed as it accrues.

(x) Borrowing costs

All borrowing costs are expensed as incurred.

(y) Trade creditors

Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced. Settlement is usually made net 30 days.

(z) Comparative figures

Comparative figures are, where applicable, restated to reflect the current year presentation of the financial statements.

(aa) Rounding

Amounts are rounded to the nearest $1,000 except in relation to the remuneration of directors, officers and auditors.

2 REPORTING BY OUTCOMES (Corporation only)

Reporting by segments

The economic entity operates Radio and Television services within the broadcasting industry. Geographically the economic entity operates entirely within Australia. The Corporation is structured to meet one outcome:

Outcome 1: Provide multilingual and multicultural services that inform, educate and entertain all Australians and in so doing reflect Australia's multicultural society.

Net Cost of Outcome Delivery

	Outcome 1	
	2003 $000	2002 $000
Administered expenses	**-**	-
Departmental expenses	**161,288**	158,651
Total expenses	**161,288**	158,651
Costs recovered from provisions of goods and services to the non-government sector		
Administered Departmental	**-**	-
Departmental	**-**	-
Total costs recovered	**-**	-
Other external revenues	**-**	-
Departmental		
Goods and services	**28,171**	30,045
Interest	**1,420**	2,190
Revenue from sale of assets	**102**	25
Reversals of previous asset write-downs	**43**	-
Net foreign exchange gains (non-speculative)	**16**	20
Other	**6,880**	8,112
Total other external revenues	**36,632**	40,392
Net cost of outcome	**124,656**	118,259

The net costs shown include intra-government costs that would be eliminated in calculating the overall Budget Outcome.
The "Capital Usage Charge" is not included in any of the Net cost of the outcomes as it is not an operating expense.

Departmental Revenues and Expenses by Output Group (Output 1: Television & Output 2: Radio)

	Output 1		Output 2		Total	
	2003 $000	2002 $000	**2003 $000**	2002 $000	**2003 $000**	2002 $000
Operating Expenses						
Employees	**39,340**	35,347	**20,922**	20,526	**60,262**	55,873
Suppliers	**81,633**	79,709	**9,619**	10,347	**91,252**	90,056
Depreciation and amortisation	**6,724**	7,880	**1,348**	1,193	**8,072**	9,073
Write-down of assets	**221**	101	**37**	38	**258**	139
Borrowing costs expense	**1,040**	2,527	**404**	983	**1,444**	3,510
Total operating expenses	**128,958**	125,564	**32,330**	33,087	**161,288**	158,651
Funded by:						
Revenue from Government	**104,697**	96,246	**32,755**	30,981	**137,452**	127,227
Sale of goods and services	**26,276**	28,496	**1,895**	1,549	**28,171**	30,045
Interest	**1,085**	1,620	**335**	570	**1,420**	2,190
Other non-taxation revenue	**6,416**	7,944	**625**	213	**7,041**	8,157
Total operating revenue	**138,474**	134,306	**35,610**	33,313	**174,084**	167,619

To as large an extent as possible, all direct costs are charged to the outputs (Televisions and Radio).
Indirect and shared costs are attributed or apportioned on the basis of staff numbers or usage (e.g. office space used).

3 ECONOMIC DEPENDENCY

The Corporation is dependent on Parliamentary appropriations to be viable as a going concern.

4 OPERATING SURPLUS

The economic entity's operating surplus before payment of the capital use charge is $12.294 million. The operating result is a surplus of $1.388 million after providing for the capital use charge paid.

	Notes	Consolidated		Corporation	
		2003 $'000	2002 $'000	2003 $'000	2002 $'000
5 OPERATING REVENUES					
5(a) Revenues from Government					
Annual Appropriation Act No 1 - basic appropriation		137,327	125,100	137,327	125,100
Annual Appropriation Act No 2 - equity injection and loan	1(f)	32,580	8,000	32,580	8,000
Annual Appropriation Act No 3 - additional estimates		125	2,127	125	2,127
Parliamentary appropriations received		170,032	135,227	170,032	135,227
Less equity injections		(8,580)	(8,000)	(8,580)	(8,000)
Less Commonwealth loan		(24,000)	-	(24,000)	-
Total Revenues from Government		137,452	127,227	137,452	127,227
5(b) Goods and Services					
Advertising and sponsorship - external entities		21,765	23,657	21,765	23,657
Production services - external entities		3,339	4,316	3,339	4,316
Sub-total rendering of services - external entities		25,104	27,973	25,104	27,973
Sale of programs and merchandise - external entities		1,438	1,242	1,438	1,242
Sub-total provision of goods - external entities		1,438	1,242	1,438	1,242
Services to related entities - Commonwealth entities		691	678	691	678
Services to related entities - controlled company	(v)	-	-	720	-
Services to related entities - associated company		938	1,052	218	152
Sub-total rendering of services - related entities		1,629	1,730	1,629	830
Total Goods and Services		28,171	30,945	28,171	30,045
Costs of sales of goods	(vi)	-	-	-	-

(v) In 2003 $0.720m was paid to the Corporation by its controlled entity MST Ltd for management fees.

(vi) No costs of sale is recognised as all sales of goods and services are outsourced and no inventory of goods is held.

		Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
5(c)	**Interest**					
	Deposits		**1,574**	2,335	**1,420**	2,190
	Total interest		**1,574**	2,335	**1,420**	2,190
5(d)	**Revenue from sale of assets**					
	Plant and equipment					
	Proceeds from sale		**102**	25	**102**	25
	Total revenue from sale of assets		**102**	25	**102**	25
5(e)	**Reversals of previous asset write-downs**					
	Financial assets					
	Receivables					
	Goods and services - adjustment to provision for doubtful debts		**43**	-	**43**	-
	Total reversals of previous asset write-downs		**43**	-	**43**	-
5(f)	**Other operating revenue**					
	Revenue from TV Fund (analogue extensions)	1(i)	**5,862**	6,123	**5,862**	6,123
	Distribution from profits - controlled entity	(vii)	**-**	-	**-**	1,000
	Rental Receipts		**762**	748	**762**	748
	Miscellaneous revenue		**256**	241	**256**	241
	Total other operating revenue		**6,880**	7,112	**6,880**	8,112

(vii) In 2002 $1m was distributed to the Corporation from its controlled entity MST Ltd. No dividend was distributed in 2003.

6 OPERATING EXPENSES

		Notes	Consolidated 2003	Consolidated 2002	Corporation 2003	Corporation 2002
6(a)	**Employee expenses and Average Staffing Level**					
	The average staffing levels for the consolidated entity and the Corporation during the year were		**769**	771	**769**	771
			2003 $'000	2002 $'000	**2003 $'000**	2002 $'000
	Basic remuneration for services provided					
	Salaries and related expenses		**46,120**	43,390	**46,120**	43,390
	Employee leave benefits	1(j)	**6,198**	5,769	**6,198**	5,769
	Superannuation expenses	1(k)	**6,774**	6,460	**6,774**	6,460
	Total basic remuneration for services provided		**59,092**	55,619	**59,092**	55,619
	Other employee expenses					
	Separation and redundancy payments		**1,170**	254	**1,170**	254
	Total employee expenses		**60,262**	55,873	**60,262**	55,873

6(b) Remuneration of officers

"Officers" are persons engaged by the economic entity who are concerned in, and take part in, the management of the Corporation or economic entity, other than a director. The definition does not include a designated office or position occupied by more than one person during the reporting period.

Remuneration of officers (detailed below) relates to members of the Executive. The remuneration of those officers who have occupied the position of Managing Director or a director of the economic entity during 2002-03 are not included to the extent that they were remunerated as directors of the Corporation or economic entity. Details in relation to those directors are included in note 6(c).

	Consolidated		Corporation	
Officers	**2003**	2002	**2003**	2002
Total remuneration in respect of Officers:	**$877,047**	$620,405	**$877,047**	$620,405

The above amounts include remuneration in respect of each officer or designated position which is $100,000 or more during the reporting period. The amounts include a component for leave accrued, and are included in Employee expenses in note 6(a)

	Officers of the economic entity		Officers of the Corporation	
	2003 Number	2002 Number	**2003 Number**	2002 Number
The number of Officers whose total remuneration was between :				
$140,001 - $150,000	**1**	-	**1**	-
$160,001 - $170,000	**-**	1	**-**	1
$170,001 - $180,000	**1**	-	**1**	-
$190,001 - $200,000	**-**	1	**-**	1
$210,001 - $220,000	**1**	-	**1**	-
$250,001 - $260,000	**-**	1	**-**	1
$330,001 - $340,000	**1**	-	**1**	-

6(c) Remuneration of directors and related party disclosures

Directors

Remuneration of directors includes the remuneration of officers who are also directors of the Corporation or the economic entity. Their remuneration as directors of the Corporation is included below.

	Consolidated		Corporation	
	2003	2002	**2003**	2002
Total remuneration in respect of directors:	**$1,043,719**	$1,039,430	**$558,421**	$532,149
Superannuation included in the above remuneration:	**$128,088**	$85,035	**$51,743**	$49,688

The directors of the Corporation's controlled entity Multilingual Subscriber Television Limited (MST Ltd - see note 8c) are appointed from directors and officers of the Corporation. The remuneration paid by the Corporation to those directors is **$905,900** ($915,822 in 2002), including a component for leave accrued. They received no additional remuneration for their duties in relation to the controlled entity.

	Officers of the economic entity		Officers of the Corporation	
	2003 Number	2002 Number	**2003 Number**	2002 Number
The number of directors whose total remuneration was between :				
Nil - $ 10,000	**1**	3	**1**	3
$ 10,001 - $ 20,000	**2**	5	**1**	5
$ 20,001 - $ 30,000	**4**	-	**4**	-
$ 30,001 - $ 40,000	**1**	1	**1**	1
$ 40,001 - $ 50,000	**1**	1	**1**	1
$200,001 - $210,000	**1**	-	**-**	-
$240,001 - $250,000	**-**	1	**-**	-
$250,001 - $260,000	**1**	1	**-**	-
$360,001 - $370,000	**-**	1	**-**	1
$370,001 - $380,000	**1**	-	**1**	-

6(c) Remuneration of directors and related party disclosures (cont.)

The following persons held positions as directors of the Corporation during 2002-03:

Carla Zampatti (Chairman)
Neville Roach (Deputy Chairman)
Nigel Milan (Managing Director)
Jillian Broadbent
Peter Carroll
Robert Cronin
Joseph Elu
Edward Gregory
Gerald Stone

The following persons held positions as directors of the Corporation's controlled entity, MST Ltd, during 2002-03:

Carla Zampatti (Chairman)
Nigel Milan
Maureen Crowe (ceased 26/07/02)
Tuong Quang Luu
Jonathan Torpy (appointed 29/07/02)

Transactions with other related parties

Transactions with other related parties are disclosed in the relevant notes. Unless otherwise stated, transactions between related parties are on normal commercial terms and conditions, which are no more favorable than those available to other parties.

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
6(d) Suppliers expenses					
Operating lease rentals		**2,512**	1,804	**2,512**	1,804
Rendering of services - external entities					
Broadcasting facilities		**26,307**	27,558	**26,307**	27,558
Administrative expenses		**19,887**	19,138	**19,863**	19,137
Analogue extensions	1(i)	**5,863**	6,123	**5,863**	6,123
Contract staff	1(k)	**8,820**	8,714	**8,820**	8,714
Production services		**2,418**	2,434	**2,418**	2,434
Sub-total rendering of services - external entities		**63,295**	63,967	**63,271**	63,966
Provision of goods - external entities					
Amortisation of program stocks	1(q)	**5,853**	5,981	**5,853**	5,981
Amortisation of commissioned programs	1(q)	**4,172**	3,120	**4,172**	3,120
Other program purchases		**9,936**	10,788	**9,936**	10,788
Materials and minor items		**3,817**	2,996	**3,817**	2,996
Office Supplies		**1,626**	1,338	**1,626**	1,336
Sub-total provision of goods - external entities		**25,504**	24,223	**25,404**	24,221
Rendering of services - related entities					
Audit fees	(viii)	**69**	69	**65**	65
Total supply of goods and services		**88,768**	88,259	88,740	88,252
Total suppliers expenses		**91,280**	90,063	91,252	90,056

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
6(d) Suppliers expenses (cont.)					
(viii) Audit fees					
Fees for services paid or payable to the Auditor-General for auditing the economic entity's financial statements for the reporting period were **$69,000** (2002 $69,000). No other services were provided during the reporting period.					
Remuneration for auditing the financial statements.		**69**	69	**65**	65
Total audit fees		**69**	69	**65**	65
6(e) Depreciation/amortisation of non-current assets					
Depreciation/amortisation of property, plant, equipment and intangibles		**8,010**	8,694	**8,010**	8,694
Amortisation of leased assets		**62**	379	**62**	379
Total depreciation/amortisation of non-current assets		**8,072**	9,073	**8,072**	9,073
The aggregate amounts of depreciation and amortisation allocated during the reporting period, as expense for each class of depreciable asset, are as follows:					
Buildings on Freehold Land		**1,173**	1,162	**1,173**	1,162
Leasehold Improvements		**151**	29	**151**	29
Plant and Equipment		**6,428**	7,430	**6,428**	7,430
Intangibles		**320**	452	**320**	452
Total allocated		**8,072**	9,073	**8,072**	9,073
6(f) Write-down of assets					
Financial assets					
Receivables					
Goods and services - adjustment to provision for doubtful debts		**-**	44	**-**	44
Goods and services - bad debts written off		**44**	50	**44**	50
Total write-down of assets		**44**	94	**44**	94
6(g) Value of assets sold					
Plant and equipment					
Proceeds from disposal		**102**	25	**102**	25
Net book value at sale		**(78)**	(13)	**(78)**	(13)
Write-offs (non-sale)	1(p), 9(d)	**(137)**	(32)	**(137)**	(32)
Net gain/(loss) from disposal of plant and equipment		**(113)**	(20)	**(113)**	(20)
Total proceeds from disposal		**102**	25	**102**	25
Total value of assets disposed		**(215)**	(45)	**(215)**	(45)
Total net gain from disposal of assets		**(113)**	(20)	**(113)**	(20)

		Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
7	**BORROWING COST EXPENSES**					
	Loans		**1,438**	3,484	**1,438**	3,484
	Finance charges on lease liabilities		**5**	26	**5**	26
	Total borrowing cost expenses		**1,443**	3,510	**1,443**	3,510
8	**FINANCIAL ASSETS**					
8(a)	**Cash**					
	Cash at bank and on hand		**3,570**	4,057	**3,558**	3,212
	Balance of cash as at 30 June shown in the Statement of Cash Flows		**3,570**	4,057	**3,558**	3,212
8(b)	**Receivables**					
	Goods and services - controlled entity	8(c)(xii)	**-**	-	**4,459**	3,667
	Distribution from profits - controlled entity	5(f)(vii)	**-**	-	**-**	1,000
	Goods and services - associated company		**179**	369	**179**	39
	Other goods and services	(ix)	**5,160**	8,623	**5,160**	8,623
	Less provision for doubtful debts		**(54)**	(97)	**(54)**	(97)
	Total goods and services receivables		**5,285**	8,895	**9,744**	13,232
	Interest		**19**	25	**19**	25
	Capital use charge receivable		-	121	**-**	121
	GST receivable		**750**	820	**676**	820
	Total receivables (net)		**6,054**	9,861	**10,439**	14,198
(ix)	The majority of goods and services receivable relate to advertising agencies.					
	Receivables (gross) are aged as follows:					
	Not overdue		**5,644**	9,613	**10,029**	13,950
	Overdue by:					
	- less than 30 days		**225**	92	**225**	92
	- 30 to 60 days		**58**	35	**58**	35
	- 60 to 90 days		**32**	34	**32**	34
	- more than 90 days		**149**	184	**149**	184
			464	345	**464**	345
	Total receivables (gross)		**6,108**	9,958	**10,493**	14,295
	The provision for doubtful debts is aged as follows:					
	Overdue by:					
	- more than 90 days		**54**	97	**54**	97
	Total provision for doubtful debts		**54**	97	**54**	97

		Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
8(c)	**Investments**					
	Non-government securities	(x)	**65,966**	65,321	**62,922**	62,788
	Shares in controlled entity - at cost	(xi)	**-**	-	**-**	-
	Shares in associated company	(xii)	**2,732**	2,849	**-**	-
	Total investments		**68,698**	68,170	**62,922**	62,788

(x) In 1999-2000, the Corporation received revenue from the TV Fund to provide analogue extensions to regional Australia over the next 12 years. These funds have been invested in non-government securities. Refer also to note 1(i).

(xi) **Investment in controlled entity**

The Corporation subscribed for 5 shares ($1 each) in Multilingual Subscriber Television Ltd (MST Ltd) in 1994-95. MST Ltd is a controlled entity of SBS Corporation. It was incorporated for the purpose of the Corporation's involvement in Pay TV. In 2002 $1m was distributed to the Corporation from profits of MST Ltd. No dividend was distributed in 2003.

	Country of incorporation	Interest of Corporation 2003 $'000	Interest of Corporation 2002 $'000	Contributions to consolidated surplus 2003 $'000	Contributions to consolidated surplus 2002 $'000
Parent Entity					
SBS Corporation	Australia			**12,796**	8,968
Directly controlled by SBS Corporation					
MST Ltd	Australia	**100%**	100%	**(502)**	249
				12,294	9,217

(xii) **Investment in associated company and equity information**

Name of entity	Principal activity	Ownership Interest 2003	Ownership Interest 2002	Balance Date 2003	Balance Date 2002
PAN TV Ltd	Production and delivery of media services	**40%**	40%	**30 June 2003**	30 June 2002

The Corporation's controlled entity (MST Ltd) subscribed for 220,000 shares in PAN TV Ltd in 1994-95, the subscription price deemed to be paid in consideration for a range of services provided by the economic entity to PAN TV Ltd. The purchase consideration for the shares acquired was valued at $3,667,333, having regard to the price paid by the other investing partners in PAN TV Ltd in acquiring their shares. The equity accounted value of this investment as at 30 June 2003 was $2.7m (2002: $2.850m) having regard to the performance of PAN TV Ltd in 2003. A revaluation of this investment was undertaken in 2003 by Deloitte Touche Tohmatsu which was more than its current carrying value of $2.7m.

The range of services valued at $3,667,333, have been fully provided by the Corporation to PAN TV Ltd on behalf of MST Ltd. This amount is shown as a receivable by the Corporation from its controlled entity, MST Ltd, and eliminated on consolidation.

PAN TV Ltd currently provides a "World Movies" Channel to Foxtel, Optus Vision, and Austar under distribution agreements.

		2003 $'000	2002 $'000
(xii)	**Investment in associated company and equity information (cont.)**		
	Cost		
	Carrying amount of investment in associated company (at cost)	3,667	3,667
	Dividends receivable from associated company	-	-
		3,667	3,667
	Equity		
	Carrying amount of investment in associated company (at cost)	3,667	3,667
	Less share of retained losses	(935)	(818)
	Equity accounted amount of investment	2,732	2,849
	Share of associate's operating profit (loss) before income tax	(148)	310
	Share of income tax expense (credit) attributable to operating profit (loss)	31	(99)
	Share of operating profit (loss) after income tax	(117)	211
	Accumulated results attributable to associate		
	1 July	(818)	(1,028)
	30 June	(935)	(818)
	Movement in the equity accounted investment in associated company		
	Investment in associated company 1 July	2,849	2,638
	New investments during the year	-	-
	Share of operating profit (loss) after income tax	(117)	211
	Dividend revenue from associated company	-	-
	Disposals during the year	-	-
	Investment in associated company 30 June	2,732	2,849
	Share of commitments		
	Share of operating lease commitments	37	23

		Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
9	**NON-FINANCIAL ASSETS**					
9(a)	**Land and buildings**	1(p)				
	Freehold land - at independent valuation	(xiii)	9,700	9,700	9,700	9,700
	Buildings - at independent valuation	(xiii)	46,375	46,375	46,375	46,375
	Buildings - at cost		739	273	739	273
	Less accumulated depreciation		(11,611)	(10,438)	(11,611)	(10,438)
			35,503	36,210	35,503	36,210
	Leasehold improvements - at independent valuation	(xiii)	212	212	212	212
	Leasehold improvements - at cost		6,020	1,539	6,020	1,539
	Less accumulated amortisation		(341)	(190)	(341)	(190)
			5,891	1,561	5,891	1,561
	Total land and buildings		51,094	47,471	51,094	47,471
9(b)	**Plant and equipment**	1(p)				
	Plant and equipment - at independent valuation	(xiii)	51,272	51,272	51,272	51,272
	Plant and equipment - at cost		11,177	4,866	11,177	4,866
	Less accumulated depreciation		(32,520)	(27,627)	(32,520)	(27,627)
			29,929	28,511	29,929	28,511
	Plant and equipment under finance lease (at independent valuation)	1(l), 10(b), (xiii)	2,083	2,083	2,083	2,083
	Less accumulated amortisation		(1,915)	(1,853)	(1,915)	(1,853)
			168	230	168	230
	Total plant and equipment		30,097	28,741	30,097	28,741
9(c)	**Intangibles**	1(p)				
	Computer software at cost	(xiii)	3,319	2,151	3,319	2,151
	Less accumulated amortisation		(1,380)	(1,387)	(1,380)	(1,387)
			1,939	764	1,939	764
	Total intangibles		1,939	764	1,939	764
	Total property, plant, equipment and intangibles		83,130	76,976	83,130	76,976

9 NON-FINANCIAL ASSETS (cont.)

(xiii) All property, plant and equipment (except for leasehold improvements) were revalued in accordance with the deprival method of valuation at 30 June 2001 (see note 1p). Leasehold improvements were revalued in accordance with the deprival method of valuation as at 1 July 1999.

The revaluations for land and building were completed by independent valuers, based on market value for existing usage: Jim Power, AAPI, Certified Practising Valuer - Artarmon, NSW (land and building). Edward J Kinch MRICS AAPI (Senior Valuer) - Craigieburn, Victoria (land).

The revaluation for plant and equipment was made by an independent valuer Simon B O'Leary, AAPI, MSAA, based on the depreciated replacement cost of the equipment.

The revaluation for leasehold improvements was made by an independent valuer Mario Lancellotti, AAPI, based on the depreciated replacement cost of the improvements.

The valuation of computer software was completed at 30 June 2001. Schedule 1 requires computer software to be carried at cost. In accordance with AASB 1041, the Corporation deemed the carrying amount for computer software at 30 June 2001 to be at cost.

9(d) Analysis of property, plant, equipment and intangibles (Consolidated)

Reconciliation of the opening and closing balances of property, plant and equipment and intangibles.

	Land	Buildings	Total land & buildings	Plant & equipment	Computer software/licenses	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 July 2002						
Gross Book Value	9,700	48,399	58,099	58,221	2,151	118,471
Accumulated depreciation/ amortisation		(10,628)	(10,628)	(29,480)	(1,387)	(41,495)
Net book value	9,700	37,771	47,471	28,741	764	76,976
Additions - by purchase	-	4,947	4,947	7,990	1,504	14,441
Net revaluation increment/(decrement)	-	-	-	-	-	-
Depreciation/amortisation expense	-	(1,324)	(1,324)	(6,428)	(320)	(8,072)
Recoverable amount write-downs	-	-	-	-	-	-
Disposals						
From disposal of operations	-	-	-	-	-	-
Other disposals	-	-	-	(206)	(9)	(215)
As at 30 June 2003						
Gross Book Value	**9,700**	**53,346**	**63,046**	**64,532**	**3,319**	**130,897**
Accumulated depreciation/amortisation	**-**	**(11,952)**	**(11,952)**	**(34,435)**	**(1,380)**	**(47,767)**
Net book value	**9,700**	**41,394**	**51,094**	**30,097**	**1,939**	**83,130**

The controlled entity does not have any non-financial assets.

9(e) Assets at valuation as at 30 June 2003 (Consolidated)

	Land $'000	Buildings $'000	Total land & buildings $'000	Plant & equipment $'000	Computer software/licenses $'000	Total $'000
As at 30 June 2003						
Gross value	9,700	46,375	56,075	51,588	-	107,663
Accumulated depreciation/ amortisation	-	(11,804)	(11,804)	(33,267)	-	(45,071)
Net book value	**9,700**	**34,571**	**44,271**	**18,321**	**-**	**62,592**
As at 30 June 2002						
Gross value	9,700	46,587	56,287	53,355	-	109,642
Accumulated depreciation/ amortisation	-	(10,625)	(10,625)	(29,189)	-	(39,814)
Net book value	**9,700**	**35,962**	**45,662**	**24,166**	**-**	**69,828**

9(f) Assets held under finance lease as at 30 June 2003 (Consolidated)

	Land $'000	Buildings $'000	Total land & buildings $'000	Plant & equipment $'000	Computer software/licenses $'000	Total $'000
As at 30 June 2003						
Gross value	-	-	-	2,083	-	2,083
Accumulated depreciation/ amortisation	-	-	-	(1,915)	-	(1,915)
Net book value	**-**	**-**	**-**	**168**	**-**	**168**
As at 30 June 2002						
Gross value	-	-	-	2,083	-	2,083
Accumulated depreciation/ amortisation	-	-	-	(1,853)	-	(1,853)
Net book value	**-**	**-**	**-**	**230**	**-**	**230**

Notes 1(l), 10(b) and 9(b) also refer to the finance lease agreements entered into by the Corporation.

		Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
9(g)	**Inventories**					
	All inventories are current assets.					
	Inventories not held for sale					
	Purchased program stocks - at cost		**15,698**	13,279	**15,698**	13,279
	Less accumulated amortisation	1(q), 6(d)	**(8,163)**	(8,669)	**(8,163)**	(8,669)
			7,535	4,610	**7,535**	4,610
	Commissioned programs (completed) - at cost		**28,434**	32,329	**28,434**	32,329
	Less accumulated amortisation	1(q), 6(d)	**(16,107)**	(18,434)	**(16,107)**	(18,434)
			12,327	13,895	**12,327**	13,895
	Commissioned programs - in progress		**7,619**	3,403	**7,619**	3,403
	Total inventories not held for sale		**27,481**	21,908	**27,481**	21,908
9(h)	**Other non-financial assets**					
	Prepayments		**7,464**	7,838	**7,464**	7,838
	Other - deferred interest rate hedge		**247**	-	**247**	-
	Total other non-financial assets		**7,711**	7,838	**7,711**	7,838
10	**INTEREST BEARING LIABILITIES**					
10(a)	**Loans**					
	Loans from Government	1(w)				
	Loans from Government	(xiv)	**22,193**	24,000	**22,193**	24,000
	Total loans		**22,193**	24,000	**22,193**	24,000

(xiv) The Corporation received a loan from Government on 2 July 2002 to refinance the balance of the Corporation's private sector loan for the construction and enhancement of the premises at Artarmon.

At the reporting date, the loan from the Commonwealth is payable as follows:

	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
within one year:	**1,919**	24,000	**1,919**	24,000
In one to five years:	**11,519**	-	**11,519**	-
In more than five years:	**8,755**	-	**8,755**	-
Total loans	**22,193**	24,000	**22,193**	24,000

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
10(b) Finance lease liabilities	(xv)				
Lease liabilities recognised in the statement of financial position.					
Current		**18**	86	**18**	86
Non-current		**-**	18	**-**	18
Total lease liabilities		**18**	104	**18**	104
Finance leases liabilities at the reporting date and related finance charges are payable as follows:					
No later than one year		**19**	90	**19**	90
In one to five years		**-**	19	**-**	19
In more than five years:		**-**	-	**-**	-
Minimum lease payments		**19**	109	**19**	109
Less future finance charges		**(1)**	(5)	**(1)**	(5)
Total lease liabilities		**18**	104	**18**	104

(xv) The Corporation has entered into two separate finance lease agreements for the purpose of acquiring equipment for signal splitting to other states, and for digital editing and recording equipment - see notes 1(l) and 9(f).

11 PROVISIONS

11(a) Employee Provisions

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Salaries and wages		**1,523**	1,392	**1,523**	1,392
Leave		**12,939**	12,473	**12,939**	12,473
Superannuation		**202**	184	**202**	184
Separations and redundancies		**304**	-	**304**	-
Aggregate employee entitlement liability	(xvi)	**14,968**	14,049	**14,968**	14,049
(xvi) Employee provisions are categorised as follows					
Current		**9,100**	8,259	**9,100**	8,259
Non-current		**5,868**	5,790	**5,868**	5,790
Aggregate employee entitlement liability		**14,968**	14,049	**14,968**	14,049

12 PAYABLES

12(a) Suppliers

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Trade creditors		**9,768**	8,927	**9,756**	8,892
Total suppliers payables		**9,768**	8,927	**9,756**	8,892

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
12(b) Other payables					
Deferred Revenue		**863**	250	**863**	250
Prepayments received	(xvii)	**46,409**	49,061	**46,409**	49,061
Total other payables		**47,272**	49,311	**47,272**	49,311

(xvii) In 1999-2000, the Corporation received revenue from the TV Fund to provide analogue extensions to regional Australia over the next 12 years. Refer also to notes 1(i) and 8(c).

12(c) Tax liabilities

The prima facie tax on the surplus from ordinary activities before income tax is reconciled to the income tax expense as follows:

	Notes	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Prima facie tax payable on surplus from ordinary activities before income tax at 30% (2002: 30%)		**3**	-	**-**	-
Adjusted for share of net losses of associates (not a tax deductible expense)		**35**	-	**-**	-
Income tax liability for 2003:		**38**	-	**-**	-
Income tax adjustment for 2001 and 2002	1(r)	**473**	-	**-**	-
Total income tax expense	12 (c)	**511**	-	**-**	-

13 CASH FLOW RECONCILIATION

Reconciliation of operating surplus to net cash flows provided by operating activities.

	Consolidated 2003 $'000	Consolidated 2002 $'000	Corporation 2003 $'000	Corporation 2002 $'000
Net operating surplus	**12,294**	9,217	**12,796**	8,968
Depreciation and amortisation of property, plant and equipment	**8,072**	9,073	**8,072**	9,073
Decrease / (increase) in payables to suppliers for capital purchases	**111**	285	**111**	285
(Gain) / loss on disposal of property, plant and equipment	**113**	20	**113**	20
(Decrease) / increase in provision for doubtful debts	**(43)**	44	**(43)**	44
(Decrease) / increase in interest on capitalised investments	**2,594**	3,684	**2,577**	3,716
Decrease / (increase) in revenue prepaid for analogue extensions	**(5,457)**	(15,136)	**(5,457)**	(15,136)
Decrease / (increase) in interest on sinking fund investment	**-**	(923)	**-**	(923)
(Gain) / loss on investment in associated company	**117**	(211)	**-**	-
Changes in assets and liabilities:				
Decrease / (increase) in receivables	**3,729**	(1,934)	**3,681**	(2,605)
Decrease / (increase) in inventories	**(5,573)**	(6,489)	**(5,573)**	(6,489)
Decrease / (increase) in prepayments paid	**127**	(1,178)	**127**	(1,178)
(Decrease) / increase in liabilities to employees	**919**	573	**919**	573
(Decrease) / increase in payables to suppliers	**879**	1,684	**864**	1,653
(Decrease) / increase in prepayments received	**613**	(1,107)	**613**	(1,107)
Net cash from (used by) operating activities	**18,495**	(2,398)	**18,800**	(3,106)

(Consolidated entity)

Item	Accumulated results		Asset revaluation reserve		Total Contributed Equity		TOTAL EQUITY	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Opening Balance 1 July 2002	**30,498**	31,230	**15,722**	15,722	**46,199**	38,199	**92,419**	85,151
Net surplus/(deficit)	**12,294**	9,217					**12,294**	9,217
Net revaluation increment/(decrement)			**-**	-			**-**	-
Transactions with owner								
Distributions to owner:								
Capital Use Charge	**(10,906)**	(9,949)					**(10,906)**	(9,949)
Contributions by owner:								
Appropriations (equity injections)					**8,580**	8,000	**8,580**	8,000
Closing Balance 30 June 2003	**31,886**	30,498	**15,722**	15,722	**54,779**	46,199	**102,387**	92,419
Total equity attributable to the Commonwealth	**31,886**	30,498	**15,722**	15,722	**54,779**	46,199	**102,387**	92,419

(Corporation)

Item	Accumulated results		Asset revaluation reserve		Total Contributed Equity		TOTAL EQUITY	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Opening Balance 1 July 2002	**28,643**	29,624	**15,722**	15,722	**46,199**	38,199	**90,564**	83,545
Net surplus/(deficit)	**12,796**	8,968					**12,796**	8,968
Net revaluation increment/(decrement)			**-**	-			**-**	-
Transactions with owner								
Distributions to owner:								
Capital Use Charge	**(10,906)**	(9,949)					**(10,906)**	(9,949)
Contributions by owner:								
Appropriations (equity injections)					**8,580**	8,000	**8,580**	8,000
Closing Balance 30 June 2003	**30,533**	28,643	**15,722**	15,722	**54,779**	46,199	**101,034**	90,564
Total equity attributable to the Commonwealth	**30,533**	28,643	**15,722**	15,722	**54,779**	46,199	**101,034**	90,564

15 FINANCIAL INSTRUMENTS

15(a) Terms, conditions and accounting policies

Financial Instrument	Notes	Accounting Policies and Methods *(including recognition criteria and measurement basis)*	Nature of underlying instrument *(including significant terms & conditions affecting the amount, timing and certainty of cash flows)*
Financial assets		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	8(a)	Cash at bank and on hand is recognised at its nominal value. Interest is credited to revenue as it accrues.	Funds, mainly from monthly drawdowns of appropriation placed in bank accounts with the Corporation's banker.
Receivables for goods & services	8(b)	The receivables are recognised at the nominal amounts less any provision for doubtful debts. A provision is raised for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off during the period in which they are identified.	Credit terms for receivables for goods and services are net 45 days for advertising debtors and 30 days for other debtors.
Non-government security	8(c)	SBS has a series of investments with banks and other financial institutions for funds not immediately required for operational expenditure (for example, analogue extension moneys received from the TV fund to meet expenditure in the next twelve years) .	The investments are by purchase of negotiable certificates of deposits for varying periods between 1 month and 12 years. The weighted average effective interest rate of these investments is 5.5% (2002: 5.6%).
Financial liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Loan from Government	10(a) 15(b)	Loans from Government are recognised at their principal amounts. Interest is expensed as it accrues.	SBS established a loan facility with the private sector in 1992 for the purpose of funding its specialised broadcasting premises at Artarmon. The facility expired in 2002, and was refinanced through an unsecured loan from Government at the prevailing 10 year Government bond rate (6.02 %) - refer to note 15(b).
Finance Lease Liabilities	10(b)	Liabilities are recognised at the present value of the minimum lease payments at the beginning of the lease. The discount rates used are estimates of the interest rates implicit in the leases.	At reporting date, the Corporation had one of two separate finance lease agreements outstanding. The terms of the remaining lease is 5.5 years. The interest rate implicit in the lease averaged 7.0%
Trade Creditors	12(a)	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received (irrespective of having been invoiced).	Settlement is usually made net 30 days.

15(b) Interest rate risk

The economic entity has no unrecognised financial assets or liabilities as at 30 June 2003. Interest rate details of recognised financial assets and liabilities are disclosed below. Investment in the economic entity's associated company is excluded, in accordance with the Australian Accounting Standard (AAS 33) on *Presentation and Disclosure of Financial Instruments*. Equity information in respect of the economic entity's associated company is disclosed in notes 8(c).

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Rate	
				1 year or less		1 to 5 years		> 5 years							
		2003 $'000	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 %**	2002 %
Financial Assets															
Cash		**3,570**	4,057	**-**	-	**-**	-	**-**	-	**-**	-	**3,570**	4,057	**-**	3.7%
Receivables for goods and services	8(b)	**-**	-	**-**	-	**-**	-	**-**	-	**6,054**	9,861	**6,054**	9,861	**n/a**	n/a
Non government security	8(c)	**-**	-	**24,126**	46,978	**15,462**	-	**26,378**	18,343	**-**	-	**65,966**	65,321	**5.5%**	5.6%
Total Financial Assets (Recognised)		**3,570**	4,057	**24,126**	46,978	**15,462**	-	**26,378**	18,343	**6,054**	9,861	**75,590**	79,239		
Total Assets												**196,644**	188,810		

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate						Non-Interest Bearing		Total		Weighted Average Effective Rate	
				1 year or less		1 to 5 years		> 5 years							
		2003 $'000	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 $'000**	2002 $'000	**2003 %**	2002 %
Financial Liabilities															
Loan from Government	10(a)	**-**	-	**1,919**	24,000	**11,519**	-	**8,755**	-	**-**	-	**22,193**	24,000	**6.0%**	4.9%
Finance lease liabilities	10(b)	**-**	-	**18**	86	**-**	18	**-**	-	**-**	-	**18**	104	**7.0%**	7.0%
Trade creditors	12(a)	**-**	-	**-**	-	**-**	-	**-**	-	**9,768**	8,927	**9,768**	8,927	**n/a**	n/a
Total Financial Liabilities (Recognised)		**-**	-	**1,937**	24,086	**11,519**	18	**8,755**	-	**9,768**	8,927	**31,979**	33,031		
Total Liabilities												**94,257**	96,391		

SBS entered into an interest rate hedge on 4 June 2002 to minimise the risk of interest rate movements on a loan from Government which was to be provided after balance date (2 July 2002) - at the prevailing 10 year Government bond rate (6.02 %). The Commonwealth loan of $24m was to repay the balance owing on a loan raised in 1992 for its Artarmon premises. The specific hedge entered into by the Corporation (on 4 June 2002) effectively locked the interest rate on the loan at 6.23 % .

15(c) Foreign currency risk

The Corporation did not enter into any specific foreign exchange hedge contracts in 2003.
Contracts entered into in foreign currency are not significant.

15(d) Credit risk

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

The economic entity has no significant exposures resulting from any concentration of credit risk.

15(e) Net fair values of financial assets and liabilities

The net fair values of cash, receivables for goods and services, and trade creditors approximate their carrying amounts. The net fair values of non government securities, Commonwealth loan and finance lease liabilities are based on discounted cash flows using current interest rates for liabilities with similar risk profiles, and are shown below.

	Notes	Carrying Amount		Net Fair Value	
		2003	2002	**2003**	2002
		$'000	$'000	**$'000**	$'000
Financial assets					
Cash		**3,570**	4,057	**3,570**	4,057
Receivables for goods and services	8(b)	**6,054**	9,861	**6,054**	9,861
Non government securities	8(c)	**65,966**	65,321	**67,481**	65,744
Total financial assets		**75,590**	79,239	**77,105**	79,662
Financial liabilities					
Loan from Government	10(a)	**22,193**	24,000	**23,167**	24,000
Finance lease liabilities	10(b)	**18**	104	**18**	104
Trade Creditors	12(a)	**9,768**	8,927	**9,768**	8,927
Total financial liabilities		**31,979**	33,031	**32,953**	33,031

	Consolidated		Corporation	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
16 CONTINGENT LIABILITIES AND ASSETS				
Quantifiable contingencies				
Contingent liabilities				
Claims for damages/costs	**310**	250	**310**	250
Total contingent liabilities	**310**	250	**310**	250
Contingent assets				
Claims for damages/costs	**-**	-	**-**	-
Total contingent assets	**-**	-	**-**	-
Net contingent liabilities	**310**	250	**310**	250

The Corporation is presently a defendant in several cases.
The amounts represent the Corporation's liability if unsuccessful.