



MELBOURNE COMMUNITY  
TELEVISION CONSORTIUM LIMITED  
A.C.N. 104 562 076



FINANCIAL STATEMENTS  
YEAR ENDED 30 JUNE 2010

Walker Wayland NSW  
Chartered Accountants

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

A.C.N. 104 562 076

A COMPANY LIMITED BY GUARANTEE

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010

The Board of Directors of the Melbourne Community Television Consortium Ltd present their report on the company for the financial year ended 30 June 2010.

### Activities and objectives of the company

Melbourne Community Television Consortium Ltd holds the community television broadcasting services licence for the region of Melbourne & Geelong. Under this licence, the company operates the C31 community television station.

The long-term objectives of Melbourne Community Television Consortium Ltd are:

- to continue to comply with the legislated licence conditions which require C31 to encourage members of the community to participate in the operations of the service, and in the selection and provision of programs; and
- to continue to provide a community television service which is interesting, engaging and relevant to the population of Melbourne and Geelong;
- to maintain the company's financial viability, whilst striking a balance between the community focus required by the licence, and the commercial imperatives of running a successful company.

Members of the community participate in the operations of the station by being part of the Board or the committees which determine the policy directions of the company. The Programming Committee in particular is the engine-room for the station's programming policy, which lays out the parameters by which programs are selected for broadcast on the station. C31's primary focus is on broadcasting programs made by and for the community of Melbourne and Geelong. Participation by members of the community is therefore vital in producing content for the station, and in participating in the technical and administrative processes required to make a television show.

The membership structure of the Consortium comprises community based organisations which are the members of the company. These organisations are not-for-profit entities which provide access for individual members of the community. The organisations cover a broad range of specific communities of interest. There are also a number of organisations with a focus on geographic regions of Melbourne and Geelong, which provide access for the general population of those regions. If a community interest is not represented by an existing organisation, the members of that community are able to form an organisation and apply for membership of the Consortium.

Each organisation is required, as a condition of its membership of the Consortium, to have an open access membership structure. This allows any individual to join the organisation, and thereby be eligible to be nominated to a position on the C31 Board and committees. Aspiring program makers can either become part of one of the member organisations, or approach C31 directly in order to have their program broadcast on C31. This structure ensures that there are multiple points of access for the members of C31's community of interest.

The company's key short-term objective during the 2009-10 financial year was to secure a pathway for the commencement of digital broadcasting of the community television service. By June 2009, 55% of households had converted to digital television reception; digital take-up continued to increase rapidly during the year, ultimately reaching 72% by June 2010. It was imperative that C31 begin a digital service so that it could maintain its financial viability, and continue to provide a community service to those members of the Melbourne and Geelong community who make programs for broadcast and those who view the programs.

There were two issues that needed to be addressed in order to achieve digital broadcast: access to radiofrequency spectrum; and funding to cover the costs of equipping for digital broadcast, including a second transmitter and up to date broadcasting playout equipment.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

Access to spectrum required consent from the Minister for Broadband, Communications and the Digital Economy. C31 undertook lobbying activities both individually and as part of the community television sector peak body, the Australian Community Television Alliance. C31 also encouraged members of the community to write to their Federal Government representatives to demonstrate that community television was a valuable and necessary service, and had the broad support of the community.

C31 lead the community television sector in campaigning activities to achieve digital broadcasting, culminating in a public forum in November 2009 on the topic of digital community television which was attended by the Minister, Senator Stephen Conroy. At this event, the Minister formally announced the Federal Government's pathway for the digital conversion of community television, allocating spectrum to allow for digital simulcast, and funding to cover the costs of implementing and operating a second transmission service during the simulcast period.

Funding of \$600,000 was provided by the Department of Broadband, Communications and the Digital Economy to cover the costs of digital transmitters at the main Mt Dandenong transmission site and the in-fill translator site at South Yarra. A further grant of \$350,000 was made available by the Victorian State Government through the Department of Innovation, Industry and Regional Development. This allowed C31 to upgrade its broadcasting equipment to a standard suitable for widescreen digital transmission, and to fund accredited training of community television producers with the aim of increasing program quality on the station.

As a result of these activities, digital simulcast of the C31 service commenced on 28 May 2010. Audience figures have shown that viewers are returning to C31 now that they are able to receive it in digital. By the end of June 2010, the monthly cumulative reach audience viewing figure had risen 34% from its lowest point in April 2010.

Broadcasting in digital allows C31 to reach a much larger audience. The signal strength, coverage and picture quality is comparable to other television broadcasters, unlike the analogue broadcast which is low power and thus susceptible to interference. By offering improved transmission quality and increased audience numbers, a greater number of people within the community are encouraged to participate in the station by producing program content. While the amount of time and effort required to produce a television station remains significant, members of the community can now see that there are worthwhile outcomes from undertaking such a venture and communicating with the audience.

Community television receives no government funding to cover operational expenses. The financial model for community television broadcasters enshrined in the regulations of the Broadcasting Services Act 1992 allows for revenue to be raised through the sale of sponsorship announcements and the limited sale of access to airtime for program providers. One of C31's core business activities is utilising these revenue streams to ensure the company has sufficient income to meet the high costs of operating a television broadcasting service. The station has a staff sales team which sells sponsorship announcements predominantly to small and medium sized businesses which otherwise could not afford to promote their businesses on television on other channels.

Achieving a critical audience penetration is vital to ensuring the success of the financial model. Sponsors need to be confident that their message is reaching an audience, and that that message has measurable results for their business. Persons wishing to buy access to program airtime need to know that people will be able to watch their program. Digital broadcasting has given the financial supporters of C31 the confidence they need to continue supporting the station; indeed, even the announcement of the digital pathway in November 2009 caused an increase in sponsorship activity, even though actual transmission would not start for several months.

Strong sponsorship revenue ensures the financial viability of the company, and allows the company to be self-sufficient, without needing to rely on donations and grant income to cover the operating costs of the business.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

C31 has striven to improve the diversity and quality of the programs being offered to audiences. The company has implemented a revised Programming Policy, which reaffirms the station's commitment to open access to the people of Melbourne and Geelong, and provides some base level technical standards for program production. This has been supported by developing training materials in various aspects of production, which are available in hard copies and online. C31 has sought, and is continuing to nurture, relationships with training institutes to provide training to those people interesting in participating in program production. C31 is also seeking to upgrade its studio and production facilities, to allow a greater number of community producers access to facilities which can enable them to produce a high quality program.

C31 measures its financial performance by ensuring that the company remains financially viable, being able to fund its operational costs with limited drawing on credit facilities, and generate a surplus which can be used to implement strategies to increase community participation.

Community engagement and participation is measured by the numbers of people and organisations using C31 as a platform to communicate with their audiences. C31 currently has 29 Member organisations and 16 Affiliate organisations, as well a large number of independent program makers. These members of the community of Greater Melbourne and Geelong produce on average around ninety first-run locally made programs each week, across a range of areas of community interest, such as geographic, ethnicity, and special interest. Enquiries from potential program makers have increased 23% compared to the previous year.

An important measure of the station's success is the number of people watching. Whilst C31 is not as ratings-driven as the commercial and national broadcasters, it still needs to be recognised that community television broadcasters have free access to broadcast spectrum, which is a valuable community asset. It is incumbent upon community broadcasters to ensure that they are making best use of that asset by reaching as wide an audience as possible. This does not necessarily mean that individual programs must rate highly; but that the mix of programming should draw a broad audience from a wide stratum of community members.

C31 subscribes to the audience measurement services provided by OzTAM Pty Ltd, the company which provides viewing data for commercial, national and subscription television services. This allows C31 to measure its audience reach using the same standards as all other broadcasters. The commencement of digital simulcasting has arrested a decline in the number of viewers. Monthly cumulative reach has risen since the implementation of the digital service, and it is anticipated that this will continue to increase.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

### Directors

The names of each person who has been a director of the company during the financial year, and their attendance at meetings of the Board of Directors, are:

Name of Director	No. of meetings attended	No of meetings eligible to attend	Method of appointment to the Board
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### Directors in office at 30 June 2010

Mike Zafiroopoulos ( <i>Chair</i> )	11	13	Co-opted by the Board of Directors
Francisco Lopez ( <i>Deputy Chair</i> )	9	13	Appointed by Hispanic Community Television Antenna Hispana Inc.
Joe Varga	13	13	Appointed by Melbourne Hungarian Television Association Inc.
Paul Spanos	13	13	Appointed by Northern Access Television Association Inc.
Peter McArthur	13	13	Appointed by Eastern Regional Access Television Inc.
Louis-robert Stomm	12	13	Appointed by Yarra Access Inner-City Television Inc; elected by Members at 2009 AGM
Walter Adamson	12	13	Appointed by Russian Television Victoria Inc.
Tom Padula	10	13	Appointed by Italian TV Inc.
Ben Todica	9	13	Appointed by Australian Romanian Community Television
David Wong	9	13	Elected by Members at 2008 AGM; re-elected at 2009 AGM
Gladys Liu	8	11	Appointed by Asian Television Australia Association Inc.
Emma Sharp	5	8	Appointed by Student Youth Network Inc.
Vas Maroulis	6	8	Appointed by Inner South-Eastern Access Television Inc.
Noel Fanning	2	8	Appointed by Geelong Newsbeat Inc.
Andrew Gordon	2	5	Appointed as an alternate director by Vas Maroulis for the period Feb-Aug 2010.

### Directors whose terms finished during the financial year

Bec Brown	5	5	Appointed by Student Community Television Inc.; term ended at 2009 AGM
Lucky Kalonta	2	5	Appointed by Indonesian Club Melbourne Inc. ; term ended at 2009 AGM
Kris Darmody	1	5	Co-opted by the Board of Directors; term ended at 2009 AGM
Emily Morrow	2	3	Appointed by Yarra Access Inner-City Television Inc.; resigned 23 Feb 2010
Julio Altamirano	1	1	Appointed as an alternate director by Francisco Lopez for the meeting of 23 Mar 2010 only
Chung Cheng	0	2	Appointed as an alternate director by Gladys Liu for the meetings of 23 Feb 2010 and 23 Mar 2010 only

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

*Note: Directors are appointed, elected or co-opted for a period of one year, ending at the Annual General Meeting. Directors appointed by Member organisations may be re-appointed for a further term, subject to the director having attended 75% of the number of meetings they were eligible to attend.*

### Mike Zafiroopoulos AM

Mike Zafiroopoulos was the SBS General Manager in Melbourne for 13 years. Previously, he had held senior positions in the Department of Immigration and Multicultural Affairs, the Bureau of Immigration, Multiculturalism and Population Research and the Australian Institute of Multicultural Affairs. Mike is also the Chair of Regional Arts Victoria, and Deputy Chair of Regional Arts Australia; a Board Member of the Lord Mayor's Charitable Foundation and the Royal Victorian Eye and Ear Hospital; and Chair of Arts Victoria's Multicultural Arts Policy Advisory committee.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

### Francisco Lopez

Francisco Lopez holds a Post Graduate Diploma of Health Service Management, and is employed by the Alfred Hospital as a project manager in strategy and planning and service improvement. He is a member of the Australian College of Health Service Executives.

### David Wong

David Wong worked for over twenty years as a Civil Engineer and Project Manager for the Victorian Government. He holds a graduate diploma of Business and Administration. In retirement, he holds the positions of vice president of Asian Television Australia Association Inc, and chairman of the Australian Chinese Events Committee.

### Paul Spanos

Paul Spanos holds a Business Administration Degree from the University of Thessalonika, a Graduate Diploma of Education from Monash University, a Diploma in Business from Swinburne University and a Master of Arts from the Sydney College of Divinity. Paul is also a co-producer and presenter of the Zontas 100% program, and assists in the translation and creation of English language subtitles for the program.

### Joe Varga

Joe Varga is a veteran of the television industry, with nearly 40 years employment in commercial television. Joe is a Justice of the Peace, and for the last ten years he has also volunteered his time to the Melbourne Hungarian Television Association in both management and production roles.

### Walter Adamson

Now retired, Walter Adamson qualified with an Associateship Diploma in Electrical Engineering from RMIT, and rose to become a Senior Professional Engineer with the Buildings Engineering Services Section of Australia Post.

### Tom Padula

In addition to being a director of C31, Tom Padula is also a member of the Moreland City Arts Board and public officer of the Italian Drama Company. Tom retired from secondary school teaching to start Insegna Booksellers, publishing and distributing books in a wide variety of languages.

### Ben Todica

Ben Todica is a long term volunteer with Australian Romanian Community Television, and has produced, shot and edited many programs for broadcast on C31.

### Noel Fanning

Noel Fanning has been producing television content for 28 years. He has also been a teacher for 23 years, and his qualifications include a Bachelor of Arts, a Graduate Diploma in media, a Certificate in Multimedia and a Diploma of Education.

### Louis-robert Stomm

Louis-robert Stomm has been involved in community television since 1987, and produced over 1500 programs for C31. He has been a director of the Cosmopolitan Art Group and is a member of the Wyndham City Community Arts Project. Louis-robert also has a background in community radio, having been a presenter and committee member with Southern FM and a producer and spoken word co-ordinator at PBS-FM.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

### Peter McArthur

Peter McArthur has had over forty years experience in radio and television, including nearly 30 years with the ABC as a newsreader, reporter and broadcaster. He has served as the mayor of Croydon, and in Victorian state parliament as the member for Ringwood from 1976 to 1982. In addition to his long-standing contributions to C31, Peter has also co-founded two community radio stations, Whitehorse-Boroondara and Eastern FM.

### Gladys Liu

Gladys Liu has been an active member of ATVAA since 2002. She has also been involved in other community organizations such as the Chinese Professional and Business Association, and the Chinese New Year Festival. Gladys is currently an advisor to the leader of the Victorian Liberal Party, and stood as a candidate in the 2006 state election.

### Vas Maroulis

Vas Maroulis holds a Diploma of Travel & Tourism from the Travel Training College Melbourne, and a Diploma of Sport & Recreation, a Graduate Diploma of Sport Business and a Masters of Sport Business from Victoria University. Vas has held various sales and management roles in the travel and sports industries, including the Melbourne stopover of the 2006 Volvo Ocean Race. He has also been involved in strategic planning with sports organisations and community media outlets.

### Emma Sharp

Emma Sharp has over seven years experience in community broadcasting, and is currently the Assistant Manager of SYN-FM, a youth focussed community radio station.

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**DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)**

**Finance Committee 2009/10**

Name of Committee Member	No. of meetings attended	No of meetings eligible to attend	Notes
Paul Spanos (Chair)	12	12	
Richard McLelland	11	12	
Vas Maroulis	6	12	
Mike Zafiroopoulos	7	7	Term commenced at 2009 AGM
Louis-robert Stomm	6	7	Term commenced at 2009 AGM
Francisco Lopez	5	7	Term commenced at 2009 AGM
Bec Brown	4	5	Term finished at 2009 AGM
David Wong	3	5	Term finished at 2009 AGM
Joe Varga	0	5	Term finished at 2009 AGM

Members of the committee were in office for the whole of the financial year unless otherwise stated.

**Programming Committee 2009/10**

Name of Committee Member	No. of meetings attended	No of meetings eligible to attend	Notes
Francisco Lopez	9	10	Committee Chair – October 2009 onwards
Louis-robert Stomm	9	10	
David Wong	8	10	
Peter McArthur	6	6	Term commenced at 2009 AGM
Nicole Brown	5	6	Term commenced at 2009 AGM
Vas Maroulis	1	6	Term commenced at 2009 AGM
Bec Brown	2	4	Term finished at 2009 AGM
Joe Varga	1	2	Committee Chair – June-September 2009; resigned from committee in October 2009
Ben Todica	0	4	Term finished at 2009 AGM

Members of the committee were in office for the whole of the financial year unless otherwise stated.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

### **Company Secretary**

The following person held the position of entity secretary at the end of the financial year: Matthew Sharp

Matthew Sharp has worked for Melbourne Community Television Consortium Limited, a Company Limited by Guarantee, for the past ten years, and is currently the Regulatory & Business Affairs Manager. Matthew Sharp was appointed company secretary on 7 September 2006.

### **Principal Activities**

The principal activities of the entity during the financial year were broadcasting of community television programs, developing and maintaining television presentation and transmission facilities, and seeking sponsorship revenue.

No significant changes in the nature of the entity's activities occurred during the financial year.

### **Operating Results**

The surplus of the entity amounted to \$22,849 (2009: loss \$552,219).

### **Review of Operations**

Melbourne Community Television Consortium Limited began simulcasting its community television channel in both analogue and digital modes from 28 May 2010.

### **Significant Changes in State of Affairs**

No significant changes in the entity's state of affairs occurred during the financial year.

### **After Balance Date Events**

There have been no significant events after 30 June 2010 to date of signing the report.

### **Future Developments**

The entity expects to maintain the present status and level of operations.

### **Environmental Issues**

The entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### **Indemnifying Officers or Auditor**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the entity.

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## DIRECTORS' REPORT FOR THE FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010 (CONT.)

### Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the entity or intervene in any proceedings to which the entity is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

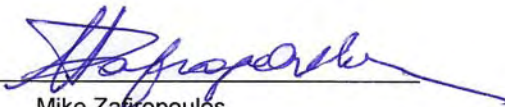
The entity was not a party to any such proceedings during the year.

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 10 and form part of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Director:



Mike Zafropoulos  
*(Chair of the Board of Directors)*

Director:



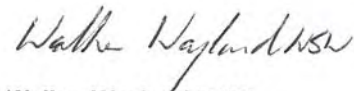
Paul Spanos  
*(Chair of the Finance Committee)*

Dated this 26th day of October 2010

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

  
**Walker Wayland NSW**  
**Chartered Accountants**

  
**Grant Allsopp**  
**Partner**

Dated this 26th day of October 2010

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		\$	\$
Revenue	3	3,133,100	1,761,945
Other income	3	2,882	3,165
Cost of goods sold		(19,566)	(22,304)
Employee benefits expense		(1,418,482)	(1,254,978)
Depreciation and amortisation expense	4	(124,528)	(128,803)
Occupancy expenses		(119,019)	(108,867)
Marketing expenses		(52,125)	(14,448)
Other expenses		(1,377,688)	(784,899)
Finance costs		(1,725)	(3,030)
<b>Profit/(loss) before income tax</b>		<b>22,849</b>	<b>(552,219)</b>
Income tax expense	4	-	-
<b>Profit /(loss) for the year</b>		<b>22,849</b>	<b>(552,219)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>22,849</b>	<b>(552,219)</b>
Profit/(loss) attributable to members of the entity		22,849	(552,219)
Total comprehensive income/(loss) attributable to members of the entity		22,849	(552,219)

The accompanying notes form part of these financial statements.

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## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010	2009
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	5	291,926	87,800
Trade and other receivables	6	353,498	261,352
Inventories	7	2,885	3,999
Other assets	8	56,931	43,731
TOTAL CURRENT ASSETS		705,240	396,882
NON-CURRENT ASSETS			
Property, plant and equipment	9	708,872	493,583
TOTAL NON-CURRENT ASSETS		708,872	493,583
TOTAL ASSETS		1,414,112	890,465
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	10	1,311,256	737,212
Financial liabilities	11	-	73,202
Short-term provisions	12	60,324	69,697
TOTAL CURRENT LIABILITIES		1,371,580	880,111
NON-CURRENT LIABILITIES			
Long-term provisions	12	22,200	12,871
TOTAL NON-CURRENT LIABILITIES		22,200	12,871
TOTAL LIABILITIES		1,393,780	892,982
NET ASSETS/(LIABILITIES)		20,332	(2,517)
<b>EQUITY</b>			
Retained Earnings		20,332	(2,517)
TOTAL EQUITY		20,332	(2,517)

The accompanying notes form part of these financial statements.

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## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Retained Earnings	Total
	\$	\$
<b>Balance at 1 July 2008</b>	549,702	549,702
Total comprehensive loss for the year	(552,219)	(552,219)
<b>Balance at 30 June 2009</b>	(2,517)	(2,517)
Total comprehensive income for the year	22,849	22,849
<b>Balance at 30 June 2010</b>	20,332	20,332

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts from customers		3,612,750	2,391,760
Payments to suppliers and employees		(2,995,448)	(2,337,017)
Interest received		1,647	3,101
Finance costs		(1,725)	(3,030)
Net cash generated from operating activities	16b	617,224	54,814
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for property, plant and equipment		(339,896)	(23,986)
Net cash used in investing activities		(339,896)	(23,986)
Net increase in cash held		277,328	30,828
Cash and cash equivalents at beginning of the financial year		14,598	(16,230)
Cash and cash equivalents at the end of the financial year	5	291,926	14,598

The accompanying notes form part of these financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The financial statements are for Melbourne Community Television Consortium Limited as an individual entity, incorporated and domiciled in Australia. Melbourne Community Television Consortium Limited is a company limited by guarantee.

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### **Accounting Policies**

##### **a. Ongoing Viability**

There is a deficiency of current assets over current liabilities of \$666,340 at balance date (2009: \$462,114). However current liabilities include deferred income of \$850,346 at balance date (2009: \$509,712). Excluding deferred income, there is no deficiency of current assets over current liabilities.

Based on the above, the financial statements have been prepared on a going concern basis.

##### **b. Revenue**

Revenue from broadcasting services is recognised upon delivery of the service to the customers.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

##### **c. Inventories**

Inventories are measured at the lower of cost and current replacement cost.

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

##### **d. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair values as indicated, less, where applicable, accumulated depreciation and impairment losses.

#### **Plant and Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

These notes form part of the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### d. Property, Plant and Equipment (Cont'd)

#### Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Office equipment	30%
Plant and equipment	11.25–30%
Leasehold improvement	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Asset classes carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

### e. Financial Instruments

#### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- i. the amount at which the financial asset or financial liability is measured at initial recognition;
- ii. less principal repayments;
- iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- iv. less any reduction for impairment.

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### e. Financial Instruments (Cont'd)

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

#### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

#### (ii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### f. Impairment of Assets

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### g. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

### h. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

### i. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### j. **Income Tax**

No provision for income tax has been raised as the entity is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

### k. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### l. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

### m. **Comparative Figures**

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

### n. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

These notes form part of the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### n. **Critical Accounting Estimates and Judgments (Cont'd)**

#### **Key Estimates**

##### *Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

### o. **Adoption of New and Revised Accounting Standards**

During the current year the company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Melbourne Community Television Consortium Limited.

#### **AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

##### *Disclosure impact*

**Terminology changes** — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

**Reporting changes in equity** — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

**Statement of comprehensive income** — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

**Other comprehensive income** — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

### p. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

The company does not anticipate early adoption of any of the above reporting requirements.

The financial report was authorised for issue on 26 October 2010 by the Board of Directors. The directors have the power to amend and reissue the financial report.

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 2: CHANGE IN ACCOUNTING POLICY AND FUNDAMENTAL ERROR

#### Fundamental Error – Measurement and Classification of Deferred Income

It was identified that Melbourne Community Television Consortium Limited's method of recognising income for telemarketing services was not in accordance with AASB 18 *Revenue*. The accounting policy previously adopted recognised income at the time of the contract for telemarketing services was signed. However the nature of the contract was that the services provided under these contracts were provided over a protracted period of time. As such the accounting policy has been amended to recognise income at the time that these services are provided, being the time when the advertisement is aired. This has resulted in contracts previously reported as income in the 2009 financial year being brought to account as deferred income in current liabilities.

This has resulted in adjustments to the prior year financial statements. The amendments as a result of the reclassifications are outlined below:

	Previous 2009 \$	Adjusted \$	Restated 2009 \$
STATEMENT OF COMPREHENSIVE INCOME			
Revenue	2,225,162	(463,217)	1,761,945
Profit/(loss) attributable to members of the entity	(89,002)	(463,217)	(552,219)
STATEMENT OF FINANCIAL POSITION			
Trade and other payables	273,995	463,217	737,212
NET ASSETS	460,700	(463,217)	(2,517)
EQUITY			
Retained Earnings	460,700	(463,217)	(2,517)
Total Equity	460,700	(463,217)	(2,517)
STATEMENT OF CHANGES IN EQUITY			
Accumulated losses	(89,002)	(463,217)	(552,219)

	2010 \$	2009 \$
NOTE 3: REVENUE AND OTHER INCOME		
<b>Revenue</b>		
— Service revenue	3,133,100	1,761,945
	3,133,100	1,761,945
<b>Other Income</b>		
— interest received	1,647	3,101
— donations	1,235	64
	2,882	3,165
<b>Total revenue and other income</b>	3,135,982	1,765,110

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# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		\$	\$
NOTE 4: PROFIT FOR THE YEAR			
<b>Expenses</b>			
Depreciation and Amortisation		124,528	128,803
Doubtful debts expense		83,383	141,907
Rental expense on operating leases			
— minimum lease payments		119,019	108,867
— contingent rentals		-	-
Total rental expense		119,019	108,867
Auditor Remuneration			
— audit services		15,422	14,000
— other services		2,774	3,000
Total Audit Remuneration		18,196	17,000

## NOTE 5: CASH AND CASH EQUIVALENTS

### CURRENT

Cash at bank		290,833	86,526
Cash on hand		1,093	1,274
		291,926	87,800

## NOTE 6: TRADE AND OTHER RECEIVABLES

### CURRENT

Trade receivables		419,887	309,053
Provision for impairment	5(i)	(66,389)	(47,701)
		353,498	261,352

### (i) Provision for Impairment of Receivables

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been included in other expense items.

Movement in the provision for impairment of receivables is as follows:

	\$
Provision for impairment as at 30 June 2008	60,644
— Charge for year	141,907
— Written off	(154,850)
Provision for impairment as at 30 June 2009	47,701
— Charge for year	83,383
— Written off	(64,695)
Provision for impairment as at 30 June 2010	66,389

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 6: TRADE AND OTHER RECEIVABLES (CONT'D)

#### (ii) Credit Risk — Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired (days overdue)				Within initial trade terms
			< 30	31-60	61-90	> 90	
	\$	\$	\$	\$	\$	\$	\$
<b>2010</b>							
Trade receivables	419,887	66,389	157,794	39,491	4,675	151,538	-
Total	419,887	66,389	157,794	39,491	4,675	151,538	-
<b>2009</b>							
Trade receivables	309,053	47,701	131,809	45,143	21,801	65,811	-
Total	309,053	47,701	131,809	45,143	21,801	65,811	-

The company does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

### NOTE 7: INVENTORIES

	2010	2009
	\$	\$
CURRENT		
Inventory – at cost	2,885	3,999

### NOTE 8: OTHER ASSETS

CURRENT		
Prepayments	56,450	43,250
Other assets	481	481
	56,931	43,731

These notes form part of the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	\$	\$
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	1,145,768	876,881
Less accumulated depreciation	(575,866)	(487,380)
	<u>569,902</u>	<u>389,501</u>
Office equipment		
At cost	204,520	196,160
Less accumulated depreciation	(138,390)	(115,343)
	<u>66,130</u>	<u>80,817</u>
Leasehold improvement		
At cost	204,282	141,712
Less accumulated depreciation	(131,442)	(118,447)
	<u>72,840</u>	<u>23,265</u>
Total plant and equipment	<u><u>708,872</u></u>	<u><u>493,583</u></u>

### Movements in Carrying Amounts

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

	Plant and equipment	Office equipment	Leasehold improvement	Total
	\$	\$	\$	\$
<b>2009</b>				
Balance at the beginning of the year	470,354	84,176	41,071	595,601
Additions at cost	425	20,748	5,612	26,785
Depreciation expense	(81,278)	(24,107)	(23,418)	(128,803)
Carrying amount at end of year	<u>389,501</u>	<u>80,817</u>	<u>23,265</u>	<u>493,583</u>
<b>2010</b>				
Balance at the beginning of the year	389,501	80,817	23,265	493,583
Additions at cost	268,966	8,360	62,570	339,896
Disposals	(79)	-	-	(79)
Depreciation expense	(88,486)	(23,047)	(12,995)	(124,528)
Carrying amount at end of year	<u><u>569,902</u></u>	<u><u>66,130</u></u>	<u><u>72,840</u></u>	<u><u>708,872</u></u>

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 10: TRADE AND OTHER PAYABLES

	Note	2010 \$	2009 \$
CURRENT			
Trade payables		282,853	113,280
Other payables		178,057	114,220
Deferred income		850,346	509,712
	10a	<u>1,311,256</u>	<u>737,212</u>
<b>a. Financial liabilities at amortised cost classified as trade and other payables</b>			
Trade and other payables			
— Total current		1,311,256	737,212
Less deferred income		(850,346)	(509,712)
Financial liabilities classified as trade and other payables	17	<u>460,910</u>	<u>227,500</u>

### NOTE 11: FINANCIAL LIABILITIES

#### CURRENT

Bank overdraft		-	<u>73,202</u>
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The bank overdraft is secured by a registered mortgage over the business.

### NOTE 12: PROVISIONS

	Long-term Employee Benefits \$	Total \$
Opening balance at 1 July 2009	33,986	33,986
Additional provisions raised during year	2,513	2,513
Amounts used	(12,490)	(12,490)
Balance at 30 June 2010	<u>22,000</u>	<u>24,009</u>
	<b>2010</b> \$	<b>2009</b> \$
<b>Analysis of Total Provisions</b>		
Current	60,324	69,697
Non-Current	22,000	12,871
	<u>82,524</u>	<u>82,568</u>

#### Provision for Long-term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

These notes form part of the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 13: CAPITAL AND LEASING COMMITMENTS

	2010	2009
	\$	\$
<b>a. Operating Lease Commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	112,599	108,269
— later than 12 months but not later than 5 years	290,463	403,062
— greater than 5 years	-	-
	<u>403,062</u>	<u>511,331</u>

The property lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with a five-year term.

### NOTE 14: EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after 30 June 2010 to date of signing report.

### NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefits	Post- employ- ment Benefits	Other Long- term Benefits	Total
	\$	\$	\$	\$
<b>2010</b>				
Total compensation	240,438	26,942	-	267,380
<b>2009</b>				
Total compensation	265,638	23,595	-	289,233

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 16: CASH FLOW INFORMATION

	Note	2010	2009
		\$	\$
<b>a. Reconciliation of Cash</b>			
Cash at bank		290,833	86,526
Cash on hand		1,093	1,274
	5	<u>291,926</u>	<u>87,800</u>
<b>b. Reconciliation of Cashflow from Operations with profit/(loss) after Income Tax</b>			
Profit/(loss) after income tax		22,849	(552,219)
Non cash flows			
Depreciation and amortisation		124,528	128,803
Plant and equipment written off		79	-
Asset received on contra accounts		-	(2,800)
Changes in assets and liabilities			
(Increase)/decrease in trade and other receivables		(92,146)	178,003
Increase/(decrease) in trade and other payables		233,410	(170,938)
Decrease/(increase) in other assets		(13,200)	1,724
(Decrease)/increase in provisions		(44)	17,192
Decrease in inventories		1,114	501
Increase in deferred income		340,634	454,548
		<u>617,224</u>	<u>54,814</u>

### NOTE 17: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

#### Financial Assets

Cash and cash equivalents	5	291,926	87,800
Trade and other receivables	6	353,498	261,352
<b>Total Financial Assets</b>		<u>645,424</u>	<u>349,152</u>

#### Financial Liabilities

Financial liabilities at amortised cost			
– Trade and other payables	10a	460,910	227,500
– Bank overdraft	11	-	73,202
<b>Total Financial Liabilities</b>		<u>460,910</u>	<u>300,702</u>

These notes form part of the financial statements

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 17: FINANCIAL RISK MANAGEMENT (CONT'D)

#### Financial Risk Management Policies

Consisting of senior committee members, the finance committee's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis. These include credit risk policies and future cash flow requirements.

#### Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

##### a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the company.

##### *Credit Risk Exposures*

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed at Note 6.

The company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of Trade and Other Receivables are provided in Note 6.

##### b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 17: FINANCIAL RISK MANAGEMENT (CONT'D)

#### *Financial liability and financial asset maturity analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding estimated annual leave and deferred income)	460,910	227,500	-	-	-	-	460,910	227,500
Bank overdraft	-	73,202	-	-	-	-	-	73,202
Total expected outflows	<u>460,910</u>	<u>300,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>460,910</u>	<u>300,702</u>

#### **Financial Assets — cash flows realisable**

Cash and cash equivalents	291,926	87,800	-	-	-	-	291,926	87,800
Trade, term and loans receivables	353,498	261,352	-	-	-	-	353,498	261,352
Total anticipated inflows	<u>645,424</u>	<u>349,152</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645,424</u>	<u>349,152</u>
Net inflow on financial instruments	<u>184,514</u>	<u>48,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,514</u>	<u>48,450</u>

#### c. **Market Risk**

##### i. **Interest rate risk**

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is also exposed to earnings volatility on floating rate instruments.

The company is not exposed to any significant interest rate risk since cash balances are maintained at variable rates and the company has no borrowings.

#### **Net Fair Values**

The fair values of financial assets and financial liabilities are equal to their carrying value in the balance sheet.

The fair values have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for relating to annual leave which is not considered a financial instrument.

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

A.C.N. 104 562 076

A COMPANY LIMITED BY GUARANTEE

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 18: CAPITAL MANAGEMENT

Management controls the capital of the entity to ensure that adequate cash flows are generated to fund its mentoring programs and that returns from investments are maximised. The finance committee ensures that the overall risk management strategy is in line with this objective.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The entity's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the entity's capital by assessing the entity's financial risks and responding to changes in these risks and in the market. These responses may include the consideration of debt levels.

### NOTE 19: EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the entity, the results of those operations, or the state of affairs of the entity in future financial years.

### NOTE 20: ENTITY DETAILS

The registered office of the entity is:

Melbourne Community Television Consortium Limited  
Level 1, 501 Swanston Street  
Melbourne Victoria 3000

The principal place of business is:

Melbourne Community Television Consortium Limited  
Level 1, 501 Swanston Street  
Melbourne Victoria 3000

### NOTE 21: MEMBERS' GUARANTEE

The entity is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstandings and obligations of the entity. At 30 June 2010 the number of members was 29. (2009: 28).

These notes form part of the financial statements

# MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED

A.C.N. 104 562 076

A COMPANY LIMITED BY GUARANTEE

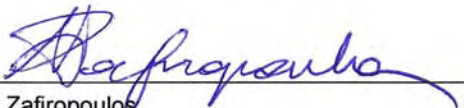
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## DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 6 to 28, are in accordance with the *Corporations Act 2001*:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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

  
Director: Mike Zafiroopoulos  
(Chair of the Board of Directors)

  
Director: Paul Spanos  
(Chair of the Finance Committee)

Dated this 26<sup>th</sup> day of October 2010

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial statements of Melbourne Community Television Consortium Limited (the company), which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

*The Responsibility of the Directors for the Financial Statements*

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

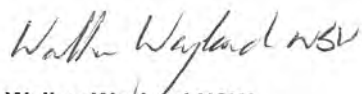
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Melbourne Community Television Consortium Limited on 26 October 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MELBOURNE COMMUNITY TELEVISION CONSORTIUM LIMITED**

**Auditor's Opinion**

In our opinion, the financial report of Melbourne Community Television Consortium Limited is in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Company's financial position as at 30 June 2010 and of the performance for the year ended on that date ; and
- b. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001

  
**Walker Wayland NSW**  
**Chartered Accountants**

  
**Grant Aillsopp**  
**Partner**

Dated this 26<sup>th</sup> day of October 2010