

Gibraltar Audit Office

**Certificate of the Principal
Auditor**

on the Accounts of the
Gibraltar Broadcasting Corporation
for the financial year ended
31 March 2010



Gibraltar Audit Office

The Certificate by the Principal Auditor to the Parliament

I certify that I have audited the financial statements of the Gibraltar Broadcasting Corporation for the financial year ended 31 March 2010 in accordance with Section 15(2) of the repealed Gibraltar Broadcasting Corporation Act. The financial statements comprise the Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Gibraltar Broadcasting Corporation and the Principal Auditor

The Gibraltar Broadcasting Corporation is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the provisions of Section 15(2) and 15(3) of the repealed Gibraltar Broadcasting Corporation Act. I conducted my audit of the financial statements in accordance with generally accepted government auditing standards.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Gibraltar Broadcasting Corporation's circumstances and have been consistently applied and adequately disclosed; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Chief Executive's Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the repealed Gibraltar Broadcasting Corporation Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income recorded in the financial statements have been applied to the purposes intended by the repealed Gibraltar Broadcasting Corporation Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.

Opinion on financial statements

In my opinion, the financial statements give a true and fair view of the state of the Gibraltar Broadcasting Corporation's affairs as at 31 March 2010 and the income and expenditure for the financial year then ended.

Opinion on other matters

In my opinion, the information in the Chief Executive's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- I have not obtained all of the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of the audit; or
- proper books of account have not been kept by the Gibraltar Broadcasting Corporation, so far as appears from the examination of those books; or
- the Gibraltar Broadcasting Corporation's balance sheet and statement of income and expenditure are not in agreement with the books of account; or
- the provisions of the repealed Gibraltar Broadcasting Corporation Act and any directions of the Governor, in so far as they relate to the accounts, have not been complied with.

Report

I have no observations to make on these financial statements.



J C Posso
Principal Auditor
25 November 2014

Gibraltar Audit Office
Elmslie House
51/53 Irish Town
Gibraltar



Gibraltar Broadcasting Corporation

REPORT
&
ANNUAL ACCOUNTS

2009/2010

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Part 1

Chief Executive's Review

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CHIEF EXECUTIVE'S REVIEW

The period under review continues to be somewhat unusual. It dates back to what is likely to be the most unstable period in the Corporation's history. This report is being written in 2014, given the situation the Corporation was living through during the period in question and beyond.

Given the Government's decision to cancel the recruitment of a new General Manager after the retirement of Mr George Valarino in April 2007, the Heads of Television, Radio, News and Engineering continued to 'rotate' as Acting General Manager in stints of three months each. This continued for the entire financial year in question with a consequent continuing negative impact on morale and productivity across the station.

Television programming continued on a downward spiral, with little, if any, control over productivity levels. Sales revenue remained stable, but low.

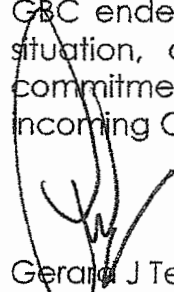
The Government launched what it termed a "root and branch" review of GBC during the previous financial year, and appointed the firm Group K Broadcasting from the United Kingdom for this purpose. Group K's CEO, Mr Allan King, published a report on the state of GBC that made for grim reading. The report stated "*GBC is demoralised and suffers a beleaguered atmosphere, but there is a desire to improve through major change and to create an organisation to be proud of*". It further said "*There has been a serious breakdown in line management, human resources management and financial and sales management. This leads to lack of accountability. There is a lack of respect for management. The prevailing culture has eroded respect for management to the extent that it is virtually nonexistent*". The King report also said "*GBC needs a financial controller and more accounting staff*". The publication of Mr King's report coincided with the Government's own publication of its Blueprint for the Future of Broadcasting in Gibraltar, in which it recommended the appointment of the report's author as the Corporation's new CEO for a period of three years as from the start of the next financial year.

The annual salary review amounted to a 3.72% increase, but employment levels and expenditure in programme production remained the same as in previous years, which in the view of those working at Broadcasting House was still wholly inadequate for the task at hand. Investment in the renewal of technology was also desperately low, for which the reliability of the technical infrastructure at Broadcasting House and transmitter stations worsened.

Radio Gibraltar continued to perform relatively well in respect of listener feedback. However, GBC TV continued to deteriorate with very little loyalty from local viewers other than for Newswatch.

Major delays continued in the production of significant elements of the financial process. This included the Films and Asset Registers that were not updated, preventing these annual accounts from being completed or audited. This continued to be exacerbated by the fact that as a result of lack of funds, GBC's Accounts Department only counted with a junior Accounts Clerk, and who despite going beyond her call of duty on numerous occasions, was unable to provide regular management accounts etc. Rotating Acting General Managers found it practically impossible to manage.

GBC ended the financial year in question in a continuing desperate situation, although with the hope that the Government's stated commitment to the development of broadcasting and the new incoming CEO would provide positive change for the future.



Gerard J Teuma
Chief Executive
22nd September 2014

Gibraltar Broadcasting Corporation

REPORT AND FINANCIAL STATEMENTS

31 March 2010

Gibraltar Broadcasting Corporation


BALANCE SHEET

at 31 March 2010

	Notes	2010 £	2009 £
FIXED ASSETS			
Tangible assets	3	1,239,858	1,158,962
CURRENT ASSETS			
Stocks of spares & materials		4,139	4,455
Debtors	4	77,560	110,340
Cash in hand and at bank		32,709	28,895
		114,408	143,690
CREDITORS: amounts falling due within one year	5	(60,080)	(85,737)
NET CURRENT ASSETS		54,328	57,953
TOTAL ASSETS LESS CURRENT LIABILITIES		1,294,186	1,216,915
ACCRUALS AND DEFERRED INCOME			
Deferred Government contributions	2(d)	(1,239,858)	(1,158,962)
NET ASSETS		54,328	57,953
Financed by:			
ACCUMULATED FUNDS			
As at 31 March 2009		57,953	32,325
(Deficit)/surplus for the year		(3,625)	25,628
As at 31 March 2010		54,328	57,953

The notes on pages 4 to 8 form part of these financial statements.

Approved by the Board



Date: 21-11-10

Gibraltar Broadcasting Corporation
INCOME & EXPENDITURE ACCOUNT
for the year ended 31 March 2010

	<i>Notes</i>	<i>2010</i> £	<i>2009</i> £
INCOME			
Contributions by Government of Gibraltar	2(c)	2,126,120	2,006,670
Advertising		185,971	175,832
Premium lines		1,387	295
Other income		1,288	5,717
		<u>2,314,766</u>	<u>2,188,514</u>
EXPENDITURE			
Programme & operating expenses		1,672,519	1,562,361
Selling expenses		42,294	42,815
Administrative expenses		382,341	322,428
Depreciation	3	221,237	235,282
		<u>2,318,391</u>	<u>2,162,886</u>
NET ASSETS			
		<u>2,318,391</u>	<u>2,162,886</u>
(DEFICIT)/SURPLUS FOR THE YEAR		(3,625)	25,628
ACCUMULATED SURPLUS b/fwd		57,953	32,325
ACCUMULATED SURPLUS c/fwd		<u>54,328</u>	<u>57,953</u>

The notes on pages 4 to 8 form part of these financial statements.

Gibraltar Broadcasting Corporation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared under the historical cost convention and in accordance with Gibraltar Accounting Standards.

Fixed Assets

Tangible fixed assets are shown at cost less depreciation for the year.

Depreciation

Tangible fixed assets are written off over their estimated useful lives by the straight line/reducing balance basis method at the following rates:

Transmission & other equipment	10% Straight Line
Motor vehicles	25% Straight Line
Furniture & office equipment	10% Reducing Balance
Records & transcription	20% Reducing Balance
Decoders	10% Straight Line (fully written off)
Software	33 1/3% Straight Line

Stocks of spares and materials

Stocks are stated at the lower of cost or net realisable value.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income and expenditure account.

Government contributions

Government contributions applied to capital expenditure are credited to a deferred income account and subsequently released to the income and expenditure account over the expected useful lives of the relevant assets.

Government contributions applied to revenue expenditure are credited to income so as to match them with the expenditure to which they relate.

Pensions

The Corporation operates the Gibraltar Broadcasting Corporation Staff Retirement Benefits Scheme, a funded defined benefits pension scheme for eligible employees. The Scheme is administered by Prudential Assurance Company Limited.

The Corporation also makes contributions to the Gibraltar Provident Trust (No 2) Pension Scheme, a defined contribution scheme, in respect of other employees.

Both schemes require contributions from the employer and the employees to be made to independently administered funds.

Contributions paid by the Corporation are charged to the Income and Expenditure account.

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

2. CONTRIBUTIONS BY GOVERNMENT OF GIBRALTAR	2010	2009
	£	£
<u>(a) Contributions receivable</u>		
Subvention – original	1,870,289	1,751,000
Supplementary Subvention	20,163	2,767
Pay award	16,608	18,925
	<u>1,907,060</u>	<u>1,772,692</u>
Other grants	299,956	329,169
Total contributions for the year	<u>2,207,016</u>	<u>2,101,861</u>
 <u>(b) Application of contributions</u>		
Revenue expenditure (taken to income and expenditure account – see (c) below)	1,904,883	1,771,388
Capital expenditure (taken to deferred contributions – see (d) below)	302,133	330,473
Total contribution	<u>2,207,016</u>	<u>2,101,861</u>
 <u>(c) Contributions taken to income and expenditure account</u>		
Revenue expenditure	1,904,883	1,771,388
Release of deferred capital expenditure contributions (see below)	221,237	235,282
	<u>2,126,120</u>	<u>2,006,670</u>
 <u>(d) Deferred contributions</u>		
Balance as at 1 April	1,158,962	1,063,771
Received during the year	302,133	330,473
Released during the year	(221,237)	(235,282)
Balance as at 31 March	<u>1,239,858</u>	<u>1,158,962</u>

Gibraltar Broadcasting Corporation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. TANGIBLE FIXED ASSETS

	<i>Total</i>	<i>Transmission & Other Equipment 10%</i>	<i>Motor Vehicle 25%</i>	<i>Furniture & Office Equipment 10%</i>	<i>Records & Transcriptions 20%</i>	<i>Decoders 10%</i>	<i>Software 33 1/3%</i>
ASSETS							
At 1 April 2009	4,225,592	3,348,444	54,135	301,310	160,762	330,598	30,343
Additions during the year	302,133	284,350	-	7,100	902	-	9,781
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2010	<u>4,527,725</u>	<u>3,632,794</u>	<u>54,135</u>	<u>308,410</u>	<u>161,664</u>	<u>330,598</u>	<u>40,124</u>
DEPRECIATION							
At 1 April 2009	3,066,630	2,361,666	45,598	151,613	152,933	330,598	24,222
Charge for the year	221,237	193,495	3,512	15,682	1,746	-	6,802
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2010	<u>3,287,867</u>	<u>2,555,161</u>	<u>49,110</u>	<u>167,295</u>	<u>154,679</u>	<u>330,598</u>	<u>31,024</u>
NET BOOK VALUE							
At 31 March 2010	<u>1,239,858</u>	<u>1,077,633</u>	<u>5,025</u>	<u>141,115</u>	<u>6,985</u>	<u>-</u>	<u>9,100</u>
At 31 March 2009	<u>1,158,962</u>	<u>986,778</u>	<u>8,537</u>	<u>149,697</u>	<u>7,829</u>	<u>-</u>	<u>6,121</u>

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

4. DEBTORS

	2010	2009
	£	£
Due from Government of Gibraltar	-	10,297
Advertising accounts receivable	21,860	32,277
Other debtors and prepayments	55,700	67,766
	<u>77,560</u>	<u>110,340</u>

5. CREDITORS: amounts falling due within one year

	2010	2009
	£	£
Other creditors and accruals	60,080	85,737
	<u>60,080</u>	<u>85,737</u>

6. PENSION AND OTHER POST EMPLOYMENT COMMITMENTS

The corporation operated a defined benefits pension scheme and also, with effect from 1 April 2003, participates in the Gibraltar Provident Trust (No 2) Pension Scheme, a defined contribution scheme.

Pension costs charged to the income and expenditure account for the year were:

	2010	2009
	£	£
Defined contribution scheme	61,666	49,704
Defined benefit scheme	129,213	130,784
	<u>190,879</u>	<u>180,488</u>

Defined benefits scheme

Pension costs are determined with the advice of independent qualified actuaries on the basis of triennial valuations. The most recent valuation was completed by the actuary in September 2012 with the effective date of the valuation being 31 March 2012. It indicates that the scheme remains in a significant deficit position with a funding level estimated by the actuary at 60%.

The actuarial report indicates that the valuation has been carried out using an "on-going" method (officially known as the Projected Unit Method). This considers the Scheme as a long-term on-going entity and ignores the possibility of winding up.

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2010

6. PENSION AND OTHER POST EMPLOYMENT COMMITMENTS (continued)

Under the above method assets are valued at their market value, whereas, to calculate the technical provisions, an estimate is made of the future benefit payments that will be made from the Scheme (discounted back to the valuation date) in respect of pensionable service completed to the valuation date. This estimate of future benefits requires a number of assumptions to be made – for example, an assumption of the age at which members will retire and how long they will survive in retirement. In deriving the value of the accrued liabilities, allowance is made for projected future salary increases for active members. This produces a capitalised value representing the sum of money required at the valuation date to provide the benefits in respect of past service as they fall due, assuming the Scheme's future experience corresponds to the assumptions made.

As at 31 March 2012 the capitalised value of the accrued liabilities exceeded the value of the Scheme's assets with the market value of the assets representing 60% of the value of the liabilities. Successive Actuarial reports have stated that the scheme is under-funded by £2,000,000.

To maintain the Scheme it will be necessary to significantly increase contributions and/or by otherwise applying additional funding.

The Gibraltar Government has provided the Corporation with a letter of comfort to the effect that should on the retirement date of any of the beneficiaries the Scheme is under-funded, the necessary financial support to ensure the benefit can be put in place would be provided. Additionally, the arrangements for eligible existing Scheme Members that are based on a final salary scheme will continue to apply. The retirement benefit of the other pensionable members of staff is provided through the Gibraltar Provident Trust (No 2) Pension Scheme.

Moreover, the Gibraltar Government has now taken the policy decision to address the deficit by providing annual grants of £250,000 over eight years, as from 2013.

Gibraltar Broadcasting Corporation
ADMINISTRATION AND SELLING EXPENSES
for the year ended 31 March 2010

	2010	2009
	£	£
STAFF COSTS		
Salaries & wages	142,395	109,423
Social insurance	9,350	7,323
Superannuation scheme	23,770	23,179
Other fees	4,820	3,880
	<u>180,335</u>	<u>143,805</u>
OTHER ADMINISTRATION EXPENSES		
Rates	12,583	12,335
Electricity & water	40,628	38,459
Telephone	29,570	25,694
Direct line costs	4,967	3,819
Postage & telex	200	365
Printing & stationery	5,360	4,096
Photocopier expenses	1,802	1,780
Security of premises	3,929	2,573
Insurance – libel & slander	22,047	22,952
Repairs & maintenance	43,013	32,762
Travelling & entertainment	1,960	1,237
General expenses	1,856	4,105
Legal and professional fees	-	1,500
Accountancy fees	16,245	12,600
Software copyright	13,638	10,980
Bank charges & interest	4,208	3,366
	<u>202,006</u>	<u>178,623</u>
TOTAL ADMINISTRATION EXPENSES	<u>382,341</u>	<u>322,428</u>
SELLING EXPENSES		
Advertising, marketing and website	43,578	23,348
Bad debts (recovered)/written off	(1,284)	19,467
TOTAL SELLING EXPENSES	<u>42,294</u>	<u>42,815</u>

This page does not form part of the financial statements.

Gibraltar Broadcasting Corporation
PROGRAMME & OPERATING EXPENSES
for the year ended 31 March 2010

	2010 £	2009 £
PROGRAMME & OPERATING EXPENSES		
STAFF COSTS		
Salaries	1,094,881	1,046,406
Social insurance	59,235	56,527
Superannuation scheme	167,109	157,309
Freelancers salaries	48,234	46,427
Freelancers social insurance	9,623	9,115
	<u>1,379,082</u>	<u>1,315,784</u>
COPYRIGHT & ROYALTIES	<u>56,635</u>	<u>54,750</u>
LOCAL COSTS		
Props, wardrobe, etc.	<u>5,457</u>	<u>5,948</u>
LIVE PROGRAMMES, OUTSIDE BROADCASTS & TRAINING		
TV films	60,780	57,142
Live programmes	68,923	31,538
Radio productions	-	235
Current affairs	7,717	4,370
Weather report	18,054	17,403
Training	8,242	16,994
Wire service	6,955	3,898
Other costs	24,383	19,992
	<u>195,054</u>	<u>151,572</u>
OTHER COSTS		
Maintenance & repairs	28,277	26,919
Motor vehicle expenses	6,150	5,524
CBA conference expenses	1,864	1,864
	<u>36,291</u>	<u>34,307</u>
TOTAL PROGRAMME & OPERATING EXPENSES	<u><u>1,672,519</u></u>	<u><u>1,562,361</u></u>

This page does not form part of the financial statements.