



Gibraltar Audit Office

**Certificate of the Principal
Auditor**

on the Accounts of the
Gibraltar Broadcasting Corporation
for the financial year ended
31 March 2012



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Gibraltar Broadcasting Corporation for the financial year ended 31 March 2012 in accordance with Section 15(2) of the repealed Gibraltar Broadcasting Corporation Act.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certify and report on the financial statements in accordance with the provisions of Section 15(2) and 15(3) of the repealed Gibraltar Broadcasting Corporation Act.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that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the repealed Gibraltar Broadcasting Corporation Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.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 2012 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

2011/2012

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Chief Executive's Review

Part 2

Annual Accounts 2011/2012

CHIEF EXECUTIVE'S REVIEW

Mr Allan King continued his tenure as CEO. In to his second year of a three-year contract, negotiations with the Government continued towards the construction of a new media centre housing a revitalised GBC. However, the initial enthusiasm for the concept seemed to lose steam, and was followed by months of delay and inactivity. This was compounded by the fact that the GBC Board rarely met, leading GBC's employees to assume that they did not have the Board's support.

The independent steering committee chaired by the Minister for Broadcasting met infrequently resulting in the staff becoming increasingly despondent. Several employees, including key on air talent, who had been recruited on a freelance and/or part time basis began to voice their concern while expressing the view that they would possibly look for employment elsewhere. This would have been catastrophic for GBC, given that its younger staff could soon be lost, thereby leaving a succession vacuum. A delegation composed of members of staff from all levels sought a meeting with the Chief Minister, who after hearing their concerns agreed to make eleven posts permanent full time.

This was soon followed by a general election that saw a new Government take over. Shortly after, in February 2012, a vacancy for a CEO (Designate) was opened and Mr Gerard Teuma (myself) appointed as Mr King's successor from April 2013. Following ongoing negotiations with the new Minister for Broadcasting (Chief Minister), it was agreed to reinforce all departments with additional staff, with some operating budgets also increased. This allowed some immediate improvements to programming. Remedial works were also approved by the Chief Minister in order to improve the state of the building and enhance the until then hugely dilapidated working environment.


Television programming did not see much improvement throughout this financial year, with little, if any, control over productivity levels. However, an initial effort was made in addressing this matter in order to deliver improved programming during the course of the next financial year. Sales revenue remained the same.

The annual salary review amounted to a 2.5% increase. 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 further.

As in the previous few years, Radio Gibraltar continued to perform relatively well in respect of listener feedback. However, GBC TV programming was still at its lowest ebb ever, 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. Upon his appointment in February 2012, the CEO (Designate) started a process to address this matter during the course of the next financial year.

GBC ended the financial year in question in a slightly improved situation, with staff hopeful that the appointment of a new local CEO and recently elected Government would result in positive change for the future.



Gerard J Teuma
Chief Executive
23rd September 2014

Gibraltar Broadcasting Corporation

REPORT AND FINANCIAL STATEMENTS

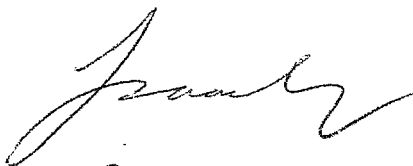
31 March 2012

Gibraltar Broadcasting Corporation
BALANCE SHEET
at 31 March 2012

| | <i>Notes</i> | 2012 £ | 2011 £ |
|---|--------------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 3 | 1,349,802 | 1,274,365 |
| CURRENT ASSETS | | | |
| Stocks of spares & materials | | 2,785 | 3,293 |
| Debtors | 4 | 83,326 | 70,422 |
| Cash in hand and at bank | | 89,786 | 168,288 |
| | | 175,897 | 242,003 |
| CREDITORS: amounts falling due within one year | 5 | (114,414) | (345,753) |
| NET CURRENT ASSETS/(LIABILITIES) | | 61,483 | (103,750) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,411,285 | 1,170,615 |
| ACCRUALS AND DEFERRED INCOME | | | |
| Deferred Government contributions | 2(d) | (1,349,802) | (1,274,365) |
| NET ASSETS/(LIABILITIES) | | 61,483 | (103,750) |
| Financed by: | | | |
| ACCUMULATED FUNDS | | | |
| As at 31 March 2011 | | (103,750) | 54,328 |
| Surplus/(deficit) for the year | | 165,233 | (158,078) |
| As at 31 March 2012 | | 61,483 | (103,750) |

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

Approved by the Board



Date: 21-11-14

Gibraltar Broadcasting Corporation
INCOME & EXPENDITURE ACCOUNT
for the year ended 31 March 2012

| | <i>Notes</i> | <i>2012</i> £ | <i>2011</i> £ |
|--|--------------|------------------|------------------|
| INCOME | | | |
| Contributions by Government of Gibraltar | 2(c) | 2,851,356 | 2,141,234 |
| Advertising | | 207,879 | 206,836 |
| Premium lines | | 1,416 | 1,103 |
| Other income | | 383 | 882 |
| | | <u>3,061,034</u> | <u>2,350,055</u> |
| EXPENDITURE | | | |
| Programme & operating expenses | | 1,976,365 | 1,692,129 |
| Selling expenses | | 37,440 | 34,499 |
| Administrative expenses | | 621,517 | 549,313 |
| Depreciation | 3 | 260,479 | 232,192 |
| | | <u>2,895,801</u> | <u>2,508,133</u> |
| SURPLUS/(DEFICIT) FOR THE YEAR | | 165,233 | (158,078) |
| ACCUMULATED (DEFICIT)/SURPLUS b/fwd | | (103,750) | 54,328 |
| ACCUMULATED SURPLUS/(DEFICIT) c/fwd | | <u>61,483</u> | <u>(103,750)</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 2012

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 2012

2. CONTRIBUTIONS BY GOVERNMENT OF GIBRALTAR

| | 2012 £ | 2011 £ |
|--|------------------|------------------|
| <u>(a) Contributions receivable</u> | | |
| Subvention – original | 2,000,000 | 1,919,000 |
| Supplementary Subvention | 488,475 | - |
| Pay award | 108,172 | - |
| | <u>2,596,647</u> | <u>1,919,000</u> |
| Other grants | 330,146 | 264,318 |
| Total contributions for the year | <u>2,926,793</u> | <u>2,183,318</u> |
| <u>(b) Application of contributions</u> | | |
| Revenue expenditure (taken to income and expenditure account – see (c) below) | 2,590,877 | 1,909,042 |
| Capital expenditure (taken to deferred contributions – see (d) below) | 335,916 | 274,276 |
| Total contribution | <u>2,926,793</u> | <u>2,183,318</u> |
| <u>(c) Contributions taken to income and expenditure account</u> | | |
| Revenue expenditure | 2,590,877 | 1,909,042 |
| Release of deferred capital expenditure contributions (see below) | 260,479 | 232,192 |
| | <u>2,851,356</u> | <u>2,141,234</u> |
| <u>(d) Deferred contributions</u> | | |
| Balance as at 1 April | 1,274,365 | 1,239,858 |
| Received during the year | 335,916 | 274,276 |
| Released during the year | (260,479) | (232,192) |
| Released on disposal of fixed asset during the year | - | (7,577) |
| Balance as at 31 March | <u>1,349,802</u> | <u>1,274,365</u> |

Gibraltar Broadcasting Corporation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2012

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 2011 | 4,787,098 | 3,864,171 | 54,135 | 316,849 | 162,383 | 330,598 | 58,962 |
| Additions during the year | 335,916 | 259,603 | 45,053 | 17,949 | 602 | - | 12,709 |
| Disposals during the year | - | - | - | - | - | - | - |
| At 31 March 2012 | <u>5,123,014</u> | <u>4,123,774</u> | <u>99,188</u> | <u>334,798</u> | <u>162,985</u> | <u>330,598</u> | <u>71,671</u> |
| DEPRECIATION | | | | | | | |
| At 1 April 2011 | 3,512,733 | 2,747,899 | 52,622 | 182,251 | 156,220 | 330,598 | 43,143 |
| Charge for the year | 260,479 | 217,319 | 12,775 | 15,254 | 1,353 | - | 13,778 |
| Disposals during the year | - | - | - | - | - | - | - |
| At 31 March 2012 | <u>3,773,212</u> | <u>2,965,218</u> | <u>65,397</u> | <u>197,505</u> | <u>157,573</u> | <u>330,598</u> | <u>56,921</u> |
| NET BOOK VALUE | | | | | | | |
| At 31 March 2012 | <u>1,349,802</u> | <u>1,158,556</u> | <u>33,791</u> | <u>137,293</u> | <u>5,412</u> | <u>-</u> | <u>14,750</u> |
| At 31 March 2011 | <u>1,274,365</u> | <u>1,116,272</u> | <u>1,513</u> | <u>134,598</u> | <u>6,163</u> | <u>-</u> | <u>15,819</u> |

After the year end, a major investment has been made at Broadcasting House in relation to the replacement of the analogue technology dating back to the late 1970's with digital systems, including upgrading the TV platforms to being HD capable. Practically the entire old infrastructure has been decommissioned and replaced with new technology.

Since the decision was taken after the year end, the adjustment to transmission and other fixed assets affected or replaced by the new technology and infrastructure will be recorded in the financial statements for the year ended 31 March 2013

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2012

4. DEBTORS

| | 2012 | 2011 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Due from Government of Gibraltar | - | 559 |
| Advertising accounts receivable | 31,965 | 26,494 |
| Other debtors and prepayments | 51,361 | 43,369 |
| | <u>83,326</u> | <u>70,422</u> |

5. CREDITORS: amounts falling due within one year

| | 2012 | 2011 |
|---|----------------|----------------|
| | £ | £ |
| Government other grants received in advance | 4,664 | 30,327 |
| Other taxation and social security | - | 185,205 |
| Other creditors and accruals | 109,750 | 130,221 |
| | <u>114,414</u> | <u>345,753</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:

| | 2012 | 2011 |
|-----------------------------|----------------|----------------|
| | £ | £ |
| Defined contribution scheme | 89,834 | 65,708 |
| Defined benefit scheme | 139,277 | 129,808 |
| | <u>229,111</u> | <u>195,516</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 2012

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 2012

| | 2012 | 2011 |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| STAFF COSTS | | |
| Salaries & wages | 271,443 | 226,374 |
| Social insurance | 13,104 | 9,350 |
| Superannuation scheme | 25,866 | 23,905 |
| Other fees | 4,626 | 6,233 |
| | <u>315,039</u> | <u>265,862</u> |
| OTHER ADMINISTRATION EXPENSES | | |
| Rates | 14,995 | 14,241 |
| Electricity & water | 47,421 | 47,064 |
| Telephone | 37,817 | 34,357 |
| Direct line costs | 5,921 | 5,326 |
| Postage & telex | 166 | 218 |
| Printing & stationery | 7,179 | 6,414 |
| Photocopier expenses | 1,630 | 1,520 |
| Security of premises | 6,300 | 4,464 |
| Insurance – libel & slander | 27,614 | 24,958 |
| Repairs & maintenance | 39,235 | 43,275 |
| Travelling & entertainment | 5,253 | 5,396 |
| General expenses | (864) | 1,506 |
| Legal and professional fees | 7,783 | - |
| Accountancy fees | 24,326 | 20,725 |
| Consultancy fees | 65,772 | 58,000 |
| Software copyright | 13,111 | 13,114 |
| Bank charges & interest | 2,819 | 2,873 |
| | <u>306,478</u> | <u>283,451</u> |
| TOTAL ADMINISTRATION EXPENSES | <u>621,517</u> | <u>549,313</u> |
| SELLING EXPENSES | | |
| Advertising, marketing and website | 37,396 | 27,958 |
| Bad debts written off | 44 | 6,541 |
| TOTAL SELLING EXPENSES | <u>37,440</u> | <u>34,499</u> |

This page does not form part of the financial statements.

Gibraltar Broadcasting Corporation
PROGRAMME & OPERATING EXPENSES
for the year ended 31 March 2012

| | 2012 £ | 2011 £ |
|---|-------------------------|-------------------------|
| PROGRAMME & OPERATING EXPENSES | | |
| STAFF COSTS | | |
| Salaries | 1,348,641 | 1,086,067 |
| Social insurance | 75,769 | 67,565 |
| Superannuation scheme | 203,245 | 171,611 |
| Freelancers salaries | 68,209 | 87,839 |
| Freelancers social insurance | 7,190 | 11,701 |
| | <u>1,703,054</u> | <u>1,424,783</u> |
| COPYRIGHT & ROYALTIES | | |
| | <u>73,941</u> | <u>57,726</u> |
| LOCAL COSTS | | |
| Props, wardrobe, etc. | 1,444 | 3,351 |
| LIVE PROGRAMMES, OUTSIDE BROADCASTS & TRAINING | | |
| TV films | 41,997 | 67,527 |
| Live programmes | 32,663 | 40,262 |
| Current affairs | 7,235 | 2,243 |
| Weather report | 19,528 | 18,777 |
| Training | 23,127 | 22,467 |
| Wire service | 13,285 | 6,808 |
| Other costs | 18,311 | 15,223 |
| | <u>156,146</u> | <u>173,307</u> |
| OTHER COSTS | | |
| Maintenance & repairs | 28,837 | 26,463 |
| Motor vehicle expenses | 12,943 | 6,499 |
| | <u>41,780</u> | <u>32,962</u> |
| TOTAL PROGRAMME & OPERATING EXPENSES | <u><u>1,976,365</u></u> | <u><u>1,692,129</u></u> |

This page does not form part of the financial statements.