



Gibraltar Audit Office

**Certificate of the Principal
Auditor**

on the Accounts of the
Gibraltar Broadcasting Corporation
for the financial year ended
31 March 2009



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Gibraltar Broadcasting Corporation for the financial year ended 31 March 2009 in accordance with Section 15(2) of the repealed Gibraltar Broadcasting Corporation Act.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certify and report on the financial statements in accordance with the provisions of Section 15(2) and 15(3) of the repealed Gibraltar Broadcasting Corporation Act.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that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the repealed Gibraltar Broadcasting Corporation Act and the financial transactions recorded in the financial statements conform to the authorities that govern them.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 2009 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.

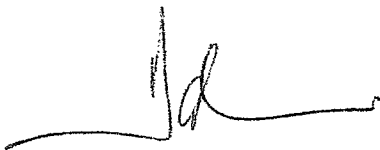
Matters on which I report by exception

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

2008/2009

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Part 1

Chief Executive's Review

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Annual Accounts 2008/2009

CHIEF EXECUTIVE'S REVIEW

The period under review is 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.

Upon the retirement in April 2007 of the then General Manager, Mr George Valarino, the vacancy to fill the position was cancelled at the Government's request and instead the Heads of Television, Radio, News and Engineering were asked to 'rotate' as Acting General Manager in stints of three months each until a successor to Mr Valarino was appointed. This continued for the entire financial year in question with a consequent negative impact on morale and productivity across the station.

Television programming, which had been on the decline for several years already, continued on a downward spiral, with little, if any, control over productivity levels. This also had the negative effect of lower than expected sales revenue.

During this year, the Government launched what it termed a "root and branch" review of GBC, and appointed the firm Group K Broadcasting from the United Kingdom for this purpose. After interviewing most members of staff and others, Group K's CEO, Mr Allan King, prepared to publish a report during the next financial year.

The annual salary review amounted to a 2% 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 wholly inadequate for the task at hand. Investment in the renewal of technology was also desperately low, for which the technical infrastructure at Broadcasting House and transmitter stations became increasingly unreliable, with deteriorating vision and audio.

Although Radio Gibraltar continued to perform well in respect of the number of listeners, GBC TV was increasingly becoming the subject of ridicule among viewers who were rightly expecting better, and given the poor programme choice, were choosing not to watch the channel, other than for Newswatch. The loss of viewer loyalty only served to drive the decline further.

The disruption caused in senior management as a result of the General Manager post remaining vacant also resulted in major delays in the production of significant elements of the financial process. This included the stalling of the Films and Asset Registers that prevented these annual accounts from being completed or audited. This was 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 desperate situation, with little, if any, hope for the future at that stage.



Gerard J Teuma
Chief Executive
22nd September 2014

Gibraltar Broadcasting Corporation

REPORT AND FINANCIAL STATEMENTS

31 March 2009

Gibraltar Broadcasting Corporation

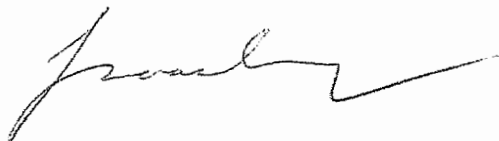
BALANCE SHEET

at 31 March 2009

	Notes	2009 £	2008 £
FIXED ASSETS			
Tangible assets	3	1,158,962	1,063,771
CURRENT ASSETS			
Stocks of spares & materials		4,455	4,922
Debtors	4	110,340	196,147
Cash in hand and at bank		28,895	17,392
CREDITORS: amounts falling due within one year	5	143,690 (85,737)	218,461 (186,136)
NET CURRENT ASSETS		57,953	32,325
TOTAL ASSETS LESS CURRENT LIABILITIES		1,216,915	1,096,096
ACCRUALS AND DEFERRED INCOME			
Deferred Government contributions	2(d)	(1,158,962)	(1,063,771)
NET ASSETS		57,953	32,325
Financed by:			
ACCUMULATED FUNDS			
As at 31 March 2008		32,325	(22,834)
Surplus for the year		25,628	55,159
As at 31 March 2009		57,953	32,325

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 2009

	<i>Notes</i>	<i>2009</i> £	<i>2008</i> £
INCOME			
Contributions by Government of Gibraltar	2(c)	2,006,670	1,963,044
Advertising		175,832	228,631
T.V. Productions		-	9,952
Premium lines		295	675
Other income		5,717	2,707
		<u>2,188,514</u>	<u>2,205,009</u>
EXPENDITURE			
Programme & operating expenses		1,562,361	1,516,375
Selling expenses		42,815	27,815
Administrative expenses		322,428	371,922
Depreciation	3	235,282	233,738
		<u>2,162,886</u>	<u>2,149,850</u>
SURPLUS FOR THE YEAR		25,628	55,159
ACCUMULATED SURPLUS / (DEFICIT) b/fwd		32,325	(22,834)
ACCUMULATED SURPLUS c/fwd		<u>57,953</u>	<u>32,325</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 2009

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 2009

2. CONTRIBUTIONS BY GOVERNMENT OF GIBRALTAR

	2009	2008
	£	£
<u>(a) Contributions receivable</u>		
Subvention – original	1,751,000	1,660,000
Supplementary Subvention	2,767	33,243
Pay award	18,925	37,761
	<u>1,772,692</u>	<u>1,731,004</u>
Other grants	329,169	448,261
Total contributions for the year	<u>2,101,861</u>	<u>2,179,265</u>
 <u>(b) Application of contributions</u>		
Revenue expenditure (taken to income and expenditure account – see (c) below)	1,771,388	1,729,306
Capital expenditure (taken to deferred contributions – see (d) below)	330,473	449,959
Total contribution	<u>2,101,861</u>	<u>2,179,265</u>
 <u>(c) Contributions taken to income and expenditure account</u>		
Revenue expenditure	1,771,388	1,729,306
Release of deferred capital expenditure contributions (see below)	235,282	233,738
	<u>2,006,670</u>	<u>1,963,044</u>
 <u>(d) Deferred contributions</u>		
Balance as at 1 April	1,063,771	847,550
Received during the year	330,473	449,959
Released during the year	(235,282)	(233,738)
Balance as at 31 March	<u>1,158,962</u>	<u>1,063,771</u>

Gibraltar Broadcasting Corporation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2009

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 2008	3,895,119	3,046,875	48,087	287,205	159,753	330,598	22,601
Additions during the year	330,473	301,569	6,048	14,105	1,009	-	7,742
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2009	<u>4,225,592</u>	<u>3,348,444</u>	<u>54,135</u>	<u>301,310</u>	<u>160,762</u>	<u>330,598</u>	<u>30,343</u>
DEPRECIATION							
At 1 April 2008	2,831,348	2,154,534	40,027	134,980	150,976	330,598	20,233
Charge for the year	235,282	207,132	5,571	16,633	1,957	-	3,989
Disposals during the year	-	-	-	-	-	-	-
At 31 March 2009	<u>3,066,630</u>	<u>2,361,666</u>	<u>45,598</u>	<u>151,613</u>	<u>152,933</u>	<u>330,598</u>	<u>24,222</u>
NET BOOK VALUE							
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>
At 31 March 2008	<u>1,063,771</u>	<u>892,341</u>	<u>8,060</u>	<u>152,225</u>	<u>8,777</u>	<u>-</u>	<u>2,368</u>

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2009

4.	DEBTORS		
		2009	2008
		£	£
	Due from Government of Gibraltar	10,297	76,610
	Advertising accounts receivable	32,277	66,748
	Other debtors and prepayments	67,766	52,789
		<u>110,340</u>	<u>196,147</u>

5.	CREDITORS: amounts falling due within one year		
		2009	2008
		£	£
	Other creditors and accruals	85,737	186,136
		<u>85,737</u>	<u>186,136</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:

		2009	2008
		£	£
	Defined contribution scheme	49,704	45,108
	Defined benefit scheme	130,784	140,238
		<u>180,488</u>	<u>185,346</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 2009

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 2009

	2009 £	2008 £
STAFF COSTS		
Salaries & wages	109,423	134,635
Social insurance	7,323	8,288
Superannuation scheme	23,179	22,242
Other fees	3,880	16,892
	<u>143,805</u>	<u>182,057</u>
 OTHER ADMINISTRATION EXPENSES		
Rates	12,335	12,804
Electricity & water	38,459	32,750
Telephone	25,694	22,080
Direct line costs	3,819	4,512
Postage & telex	365	180
Printing & stationery	4,096	6,423
Photocopier expenses	1,780	1,405
Security of premises	2,573	3,686
Insurance – libel & slander	22,952	20,023
Repairs & maintenance	32,762	28,011
Travelling & entertainment	1,237	1,485
General expenses	4,105	3,818
Legal and professional fees	1,500	21,743
Accountancy fees	12,600	14,845
Software copyright	10,980	10,980
Bank charges & interest	3,366	5,120
	<u>178,623</u>	<u>189,865</u>
TOTAL ADMINISTRATION EXPENSES	<u>322,428</u>	<u>371,922</u>
 SELLING EXPENSES		
Advertising and marketing	23,348	21,018
Bad debts written off	19,467	6,797
TOTAL SELLING EXPENSES	<u>42,815</u>	<u>27,815</u>

This page does not form part of the financial statements.

Gibraltar Broadcasting Corporation
PROGRAMME & OPERATING EXPENSES
for the year ended 31 March 2009

	2009 £	2008 £
PROGRAMME & OPERATING EXPENSES		
STAFF COSTS		
Salaries	1,046,406	1,045,923
Social insurance	56,527	54,771
Superannuation scheme	157,309	163,104
Freelancers salaries	46,427	26,003
Freelancers social insurance	9,115	-
	<u>1,315,784</u>	<u>1,289,801</u>
COPYRIGHT & ROYALTIES	<u>54,750</u>	<u>55,790</u>
LOCAL COSTS		
Props, wardrobe, etc.	5,948	2,621
LIVE PROGRAMMES, OUTSIDE BROADCASTS & TRAINING		
TV films	57,142	36,525
Live programmes	31,538	28,326
Radio productions	235	7,457
Current affairs	4,370	6,145
Weather report	17,403	15,570
Training	16,994	12,954
Wire service	3,898	6,230
Other costs	19,992	18,167
	<u>151,572</u>	<u>131,374</u>
OTHER COSTS		
Maintenance & repairs	26,919	29,935
Motor vehicle expenses	5,524	5,044
CBA conference expenses	1,864	1,810
	<u>34,307</u>	<u>36,789</u>
TOTAL PROGRAMME & OPERATING EXPENSES	<u><u>1,562,361</u></u>	<u><u>1,516,375</u></u>

This page does not form part of the financial statements.