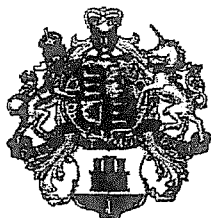




Gibraltar Audit Office

**Certificate of the Principal
Auditor**

on the Accounts of the
Gibraltar Broadcasting Corporation
for the financial year ended
31 March 2011



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Gibraltar Broadcasting Corporation for the financial year ended 31 March 2011 in accordance with Section 15(2) of the repealed Gibraltar Broadcasting Corporation Act.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certify and report on the financial statements in accordance with the provisions of Section 15(2) and 15(3) of the repealed Gibraltar Broadcasting Corporation Act.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 2011 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

2010/2011

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Part 1

Chief Executive's Review

Part 2

Annual Accounts 2010/2011

CHIEF EXECUTIVE'S REVIEW

Change came early during the period under review with the appointment of Mr Allan King as CEO on a three-year contract. This brought an air of excitement among the staff, who became expectant of big changes and improvements to working conditions, recruitment of additional staff and better programmes. Much of the year was spent putting together proposals for a new station to be located at Rooke, with Heads of Department asked by the CEO to put forward their 'wish list' for a future "world class" tri-media service.

The Government created an independent steering committee chaired by the Minister for Broadcasting who considered the proposal submitted by Mr King, and which was found to be too expensive. The proposal was diluted three times, resulting in a concept that would be impossible to deliver the "world class" service that had been promised. Concept designs were also commissioned for the area in Rooke that had been identified by the Government, and which everyone at GBC was of the view would be too small for the operation required.

The new CEO took the view that he had been appointed to close down the existing GBC and create a new station. This had the effect of none of the existing issues being addressed, and for the entire financial year in question morale and productivity across the station, soon began deteriorating again.

Television programming continued on a downward spiral, with little, if any, control over productivity levels. Sales revenue increased slightly.

The annual salary review amounted to a 3.71% 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 further.

As in the previous few years, 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. The Government accepted that it was impossible for GBC's Accounts Department to perform any better than it did given that it 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. For this reason, the role of Baker Tilly, who previously only compiled end-of-year accounts, was expanded to produce monthly management accounts too.

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



Gerard Teuma
Chief Executive
23rd September 2014

Gibraltar Broadcasting Corporation

REPORT AND FINANCIAL STATEMENTS

31 March 2011

Gibraltar Broadcasting Corporation

BALANCE SHEET

at 31 March 2011

	<i>Notes</i>	<i>2011</i> £	<i>2010</i> £
FIXED ASSETS			
Tangible assets	3	1,274,365	1,239,858
CURRENT ASSETS			
Stocks of spares & materials		3,293	4,139
Debtors	4	70,422	77,560
Cash in hand and at bank		168,288	32,709
CREDITORS: amounts falling due within one year	5	242,003 (345,753)	114,408 (60,080)
NET CURRENT (LIABILITIES)/ASSETS		(103,750)	54,328
TOTAL ASSETS LESS CURRENT LIABILITIES		1,170,615	1,294,186
ACCRUALS AND DEFERRED INCOME			
Deferred Government contributions	2(d)	(1,274,365)	(1,239,858)
NET (LIABILITIES)/ASSETS		(103,750)	54,328
Financed by:			
ACCUMULATED FUNDS			
As at 31 March 2010		54,328	57,953
Deficit for the year		(158,078)	(3,625)
As at 31 March 2011		(103,750)	54,328

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 2011

	<i>Notes</i>	<i>2011</i> £	<i>2010</i> £
INCOME			
Contributions by Government of Gibraltar	2(c)	2,141,234	2,126,120
Advertising		206,836	185,971
Premium lines		1,103	1,387
Other income		882	1,288
		<u>2,350,055</u>	<u>2,314,766</u>
EXPENDITURE			
Programme & operating expenses		1,692,129	1,672,519
Selling expenses		34,499	42,294
Administrative expenses		549,313	382,341
Depreciation	3	232,192	221,237
		<u>2,508,133</u>	<u>2,318,391</u>
DEFICIT FOR THE YEAR		(158,078)	(3,625)
ACCUMULATED SURPLUS b/fwd		54,328	57,953
ACCUMULATED (DEFICIT)/SURPLUS c/fwd		<u>(103,750)</u>	<u>54,328</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 2011

2. CONTRIBUTIONS BY GOVERNMENT OF GIBRALTAR

	2011	2010
	£	£
<u>(a) Contributions receivable</u>		
Subvention – original	1,919,000	1,870,289
Supplementary Subvention	-	20,163
Pay award	-	16,608

Gibraltar Broadcasting Corporation

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2011

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

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2011

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 2010	4,527,725	3,632,794	54,135	308,410	161,664	330,598	40,124
Additions during the year	274,276	246,280	-	8,439	719	-	18,838
Disposals during the year	(14,903)	(14,903)	-	-	-	-	-
At 31 March 2011	<u>4,787,098</u>	<u>3,864,171</u>	<u>54,135</u>	<u>316,849</u>	<u>162,383</u>	<u>330,598</u>	<u>58,962</u>
DEPRECIATION							
At 1 April 2010	3,287,867	2,555,161	49,110	167,295	154,679	330,598	31,024
Charge for the year	232,192	200,064	3,512	14,956	1,541	-	12,119
Disposals during the year	(7,326)	(7,326)	-	-	-	-	-
At 31 March 2011	<u>3,512,733</u>	<u>2,747,899</u>	<u>52,622</u>	<u>182,251</u>	<u>156,220</u>	<u>330,598</u>	<u>43,143</u>
NET BOOK VALUE							
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>
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>

Gibraltar Broadcasting Corporation
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2011

4. DEBTORS

	2011	2010
	£	£
Due from Government of Gibraltar	559	-
Advertising accounts receivable	26,494	21,860
Other debtors and prepayments	43,369	55,700
	<u>70,422</u>	<u>77,560</u>

5. CREDITORS: amounts falling due within one year

	2011	2010
	£	£
Government other grants received in advance	30,327	-
Other taxation and social security	185,205	-
Other creditors and accruals	130,221	60,080
	<u>345,753</u>	<u>60,080</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:

	2011	2010
	£	£
Defined contribution scheme	65,708	61,666
Defined benefit scheme	129,808	129,213
	<u>195,516</u>	<u>190,879</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 2011

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 2011

	2011	2010
	£	£
STAFF COSTS		
Salaries & wages	226,374	142,395
Social insurance	9,350	9,350
Superannuation scheme	23,905	23,770
Other fees	6,233	4,820
	<u>265,862</u>	<u>180,335</u>
 OTHER ADMINISTRATION EXPENSES		
Rates	14,241	12,583
Electricity & water	47,064	40,628
Telephone	34,357	29,570
Direct line costs	5,326	4,967
Postage & telex	218	200
Printing & stationery	6,414	5,360
Photocopier expenses	1,520	1,802
Security of premises	4,464	3,929
Insurance – libel & slander	24,958	22,047
Repairs & maintenance	43,275	43,013
Travelling & entertainment	5,396	1,960
General expenses	1,506	1,856
Accountancy fees	20,725	16,245
Consultancy fees	58,000	-
Software copyright	13,114	13,638
Bank charges & interest	2,873	4,208
	<u>283,451</u>	<u>202,006</u>
TOTAL ADMINISTRATION EXPENSES	<u>549,313</u>	<u>382,341</u>
 SELLING EXPENSES		
Advertising, marketing and website	27,958	43,578
Bad debts written off/(recovered)	6,541	(1,284)
TOTAL SELLING EXPENSES	<u>34,499</u>	<u>42,294</u>

This page does not form part of the financial statements.

Gibraltar Broadcasting Corporation
PROGRAMME & OPERATING EXPENSES
for the year ended 31 March 2011

	2011 £	2010 £
PROGRAMME & OPERATING EXPENSES		
STAFF COSTS		
Salaries	1,086,067	1,094,881
Social insurance	67,565	59,235
Superannuation scheme	171,611	167,109
Freelancers salaries	87,839	48,234
Freelancers social insurance	11,701	9,623
	<u>1,424,783</u>	<u>1,379,082</u>
COPYRIGHT & ROYALTIES	<u>57,726</u>	<u>56,635</u>
LOCAL COSTS		
Props, wardrobe, etc.	3,351	5,457
LIVE PROGRAMMES, OUTSIDE BROADCASTS & TRAINING		
TV films	67,527	60,780
Live programmes	40,262	68,923
Current affairs	2,243	7,717
Weather report	18,777	18,054
Training	22,467	8,242
Wire service	6,808	6,955
Other costs	15,223	24,383
	<u>173,307</u>	<u>195,054</u>
OTHER COSTS		
Maintenance & repairs	26,463	28,277
Motor vehicle expenses	6,499	6,150
CBA conference expenses	-	1,864
	<u>32,962</u>	<u>36,291</u>
TOTAL PROGRAMME & OPERATING EXPENSES	<u><u>1,692,129</u></u>	<u><u>1,672,519</u></u>

This page does not form part of the financial statements.