

**BROADCASTING AUTHORITY
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2008**

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Statement of the Authority's Responsibilities

The Broadcasting Act, 1991 requires the board members to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Authority at the end of the financial period and of the income and expenditure for that period.

In preparing the financial statements, the board members are required to:-

- adopt the going concern basis, unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relative to the accounting period on the accruals basis;
- value separately the components of assets and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The Authority is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Authority and to enable to ensure that the financial statements have been properly prepared in accordance with the Broadcasting Act, 1991. The Authority is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Auditors' Report

We have audited the financial statements of the Broadcasting Authority on pages 229 to 239 which comprise the Authority's balance sheet as at 31 December 2008 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Authority's members are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Maltese Broadcasting Act, 1991. As described in the statement of the Authority's responsibilities on page 226, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the requirements of the Maltese Broadcasting Act, 1991.

John Abela (Partner) for and on behalf of

Horwath Malta

Audit, Tax and Business Advisory Services

10 March 2009



**INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 DECEMBER 2008**

	Note	2008 €	2007 €
Income (Schedule 1)	4	1,051,342	1,000,077
Expenditure (Schedule 1)		<u>(1,088,677)</u>	<u>(943,400)</u>
Surplus/(deficit) for the year	8	<u>(37,335)</u>	<u>56,677</u>

BALANCE SHEET
31 DECEMBER 2008

	Note	2008 €	2007 €
ASSETS			
Non-current Assets			
Property, Plant and equipment	9	2,062,849	<u>2,065,455</u>
Current Assets			
Receivables	10	140,802	150,911
Cash at bank and in hand		<u>704,024</u>	<u>726,858</u>
		<u>844,826</u>	<u>877,769</u>
Total Assets		<u><u>2,907,675</u></u>	<u><u>2,943,224</u></u>
CAPITAL AND LIABILITIES			
Capital and Reserves			
Capital fund	11	2,572,737	2,572,737
Reserve Fund	11	37,270	37,270
Revaluation reserve	12	293,699	293,699
Accumulated reserve		<u>(156,322)</u>	<u>(118,987)</u>
		2,747,384	2,784,719
Current Liabilities			
Payables	13	<u>160,291</u>	<u>158,505</u>
Total Capital and Liabilities		<u><u>2,907,675</u></u>	<u><u>2,943,224</u></u>

The financial statements on pages 229 to 239 were approved by the members on 10 March 2009 and were signed on their behalf by:



Mr. Joseph Scicluna
Chairman



Mr. Pierre Cassar
Chief Executive



**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2008**

	Capital Fund €	Reserve Fund €	Revaluation Reserve €	Accumulated Reserve €	Total €
Balance at 01 January 2007	2,572,737	37,270	293,699	(175,664)	2,728,042
Surplus for the year	-	-	-	56,677	56,677
Balance at 31 December 2007	<u>2,572,737</u>	<u>37,270</u>	<u>293,699</u>	<u>(118,987)</u>	<u>2,784,719</u>
Balance at 01 January 2008			293,699	(118,987)	2,784,719
Deficit for the year	-	-	-	(37,335)	(37,335)
Balance at 31 December 2008	<u>2,572,737</u>	<u>37,270</u>	<u>293,699</u>	<u>(156,322)</u>	<u>2,747,384</u>



CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2008

	2008	2007
Note	€	€
Cash flows from Operating Activities		
Surplus for the year	(37,335)	56,677
<i>Adjustment for:</i>		
Profit/loss on disposal of property, plant and equipment	511	(694)
Depreciation charge	83,028	76,427
Bank interest receivable	<u>(18,878)</u>	<u>(17,285)</u>
Operating surplus before working capital changes	27,326	115,125
<i>Working capital changes:</i>		
increase)/decrease in receivables	10,109	(64,454)
Increase in payables	<u>2,042</u>	<u>1,805</u>
Cash generated from operations	39,477	52,476
Bank interest received	<u>18,619</u>	<u>16,844</u>
Net Cash from Operating Activities	<u>58,096</u>	<u>69,320</u>
Investing Activities		
Proceeds from sale of property, plant and equipment	-	808
Payments to acquire property, plant and equipment	<u>(80,930)</u>	<u>(50,990)</u>
Net cash used in Investing Activities	<u>(80,930)</u>	<u>(50,182)</u>
Net movement in Cash and Cash Equivalents	(22,834)	19,138
Cash and cash equivalents at beginning of year	<u>726,858</u>	<u>707,720</u>
Cash and Cash Equivalents at End of Year	14	<u><u>726,858</u></u>



**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008**

1. Basis of Preparation

The financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) and their interpretations adopted by the International Accounting Standards Board (IASB) and in compliance with the provisions of the Broadcasting Act, 1991.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies (refer to note 3).

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These accounting policies have been consistently applied by the Authority and are consistent with those adopted during the previous year.

Revenue Recognition

Income from Government is recognized on an accruals basis.

Interest income from investments is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated to write down the value of tangible fixed assets less any anticipated residual value over their estimated useful lives. A charge equivalent to a full year's depreciation is provided during the year in which the asset is first brought into use, while no depreciation is charged during the year the asset is disposed of or scrapped.

Expenditure on repairs or maintenance of tangible fixed assets made to restore or maintain future economic benefits expected from the asset is recognised as an expense when incurred.

Depreciation is provided using the straight line method at the following rates:

	%
Buildings	1
Motor vehicles	20
Studio equipment	20
Fixtures, fittings and equipment	10/20
Technical equipment	25
Transmitting antenna	4/12

No depreciation is provided on freehold land.

Financial Instruments

Financial assets and financial liabilities are recognised when the Authority becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the Authority has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Impairment

At each balance sheet date the Authority reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Trade debtors

Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade debtors is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of debts.



The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the profit and loss account.

Trade Creditors

Trade creditors are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, billed to the Authority.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, fixed and demand deposits.

3. Critical Accounting Estimates and Judgments.

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the board members, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1 (revised).

4. Income

Income represents the amount receivable from the Government of Malta as subvention and contributions from broadcasting organisations and other income as follows:

	2008	2007
	€	€
Government of Malta subventions	606,000	605,638
Contributions from broadcasting organisations	353,982	310,505
Other income	91,360	83,934
	<u>1,051,342</u>	<u>1,000,077</u>

5. Information Relating to Compensation of Key Management Personnel

	2008	2007
	€	€
<i>Board members' compensation:</i>		
Board members honoraria	70,640	60,580
Board secretary's salary	30,633	27,948
	<u>101,273</u>	88,528
Social security contributions	<u>1,661</u>	<u>2,020</u>
<i>Total key management personnel compensation</i>	<u>102,934</u>	<u>90,548</u>



6. Board and Staff Costs and Employee Information

	2008 €	2007 €
<i>Staff costs:</i>		
Wages and salaries	687,481	596,848
Social security costs	<u>44,230</u>	<u>41,419</u>
	<u>731,711</u>	<u>638,267</u>

The average number of persons employed during the year, including board members, was made up as follows:

	2008 No.	2007 No.
Board members	5	5
Operations	<u>33</u>	<u>29</u>
	<u>38</u>	<u>34</u>

7. Investment Income

	2008 €	2007 €
Interest on bank deposits	<u>18,878</u>	<u>17,285</u>

8. Surplus for the Year

	2008 €	2007 €
<i>This is stated after charging:</i>		
Auditors' remuneration	1,400	1,374
Depreciation	<u>83,028</u>	<u>76,427</u>



9. Property, Plant and Equipment

	Freehold Land	Building & Improvements	Fixtures & Fittings & Equipment	Technical Equipment	Studio Equipment	Motor Vehicles	Transmitting Antenna	Total
	€	€	€	€	€	€	€	€
Cost								
At 01 January 2008	160,270	1,855,712	439,822	135,469	186,576	55,346	533,505	3,366,700
Additions	-	-	26,773	35,097	5,552	-	13,508	80,930
Disposals	-	-	(63,935)	(6,066)	-	-	-	(70,001)
At 31 December 2008	160,270	1,855,712	402,660	164,500	192,128	55,346	547,013	3,377,629
Depreciation								
At 01 January 2008	-	225,971	395,798	122,528	182,029	55,344	319,572	1,301,242
Charge for year	-	18,557	19,355	13,587	3,385	-	28,144	83,028
Released on disposal	-	-	(63,424)	(6,066)	-	-	-	(69,490)
At 31 December 2008	-	244,528	351,729	130,049	185,414	55,344	347,716	1,314,780
Net Book Value								
At 31 December 2008	160,270	1,611,184	50,931	34,451	6,714	2	199,297	2,062,849
At 31 December 2007	160,270	1,629,735	44,025	12,951	4,547	2	213,925	2,065,455



9. Property, Plant and Equipment (continued)

- i) Land and buildings at Gharghur were revalued on the basis of an open market valuation for existing use on 25 March 1991 by professional civil engineers & consultants.

The transmitting antenna at Gharghur was revalued on the basis of an open market valuation for existing use on 28 August 1991 by a professional architect and civil engineer.

If the above assets had not been revalued they would have been included in the financial statements at the following cost:

	2008 €	2007 €
Gharghur land, buildings and transmitting antenna	<u>1,526</u>	<u>1,526</u>

- ii) Fully depreciated fixed assets still in use at the balance sheet date amounted to:

	2008 €	2007 €
Motor vehicles	55,346	55,346
Fixtures, fittings and equipment	296,985	347,519
Studio equipment	175,201	175,201
Technical equipment	111,482	116,226
Transmitting Antenna	<u>94,400</u>	<u>-</u>
	<u>733,414</u>	<u>694,292</u>

10. Receivables

	2008 €	2007 €
Licences receivable	81,866	100,163
Other debtors	49,886	23,473
Prepayments and accrued income	<u>9,050</u>	<u>27,275</u>
	<u>140,802</u>	<u>150,911</u>

11. Capital Fund and Reserve Fund

These funds have been set up in accordance with Section 26 of the Broadcasting Act, 1991.

12. Revaluation Reserve

The revaluation reserve has arisen from a valuation carried out on property in 1991.



13. Payables

	2008 €	2007 €
Capital creditors	10,519	21,039
Other creditors	207	604
Accruals and deferred income	<u>149,565</u>	<u>136,862</u>
	<u><u>160,291</u></u>	<u><u>158,505</u></u>

14. Cash and Cash Equivalents

Cash and cash equivalents included in the cash flow statement comprise:

	2008 €	2007 €
Cash at bank and in hand	<u><u>704,024</u></u>	<u><u>726,858</u></u>

15. Financial Instruments

Financial assets include debtors and cash held at bank and in hand. Financial liabilities include creditors. At 31 December 2008, the Authority had no unrecognised financial instruments.

Risk management policies

- a) Credit risk on amounts receivable is limited through the systematic monitoring of outstanding balances and the presentation of debtors net of allowances for doubtful debts, where applicable. Cash is placed with reputable banks.
- b) Liquidity risk is limited as the Authority has sufficient funding resources and the ability to raise finance to meet its financial obligations as these arise.

Fair Values

At 31 December 2008, the fair values of financial assets and liabilities were not materially different from their carrying amounts.

16. Capital Commitments

The Authority has entered into a contract for the strengthening of the Gharghur Transmitting Station which will give rise to a capital expenditure of € 119,951.

Another two capital projects have been committed for but are not contracted for by 31 December 2008. These are:

- a) Contract for concrete paving and miscellaneous work at the Gharghur transmission station. Estimated cost amounts to € 14,236.
- b) Contract for monitoring system video/audio archiving under consultancy with MITTS for an estimated value of € 163,000. Consultation with MITTS is on-going and value could vary substantially according to specification of system purchased through tender process in 2009.



**SCHEDULES TO THE INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31 DECEMBER 2008**

SCHEDULE 1

**Income and Expenditure Account
Year ended 31 December 2008**

	2008	2007
	€	€
Income		
Government contributions	606,000	605,637
Application fees	40,692	22,595
Licences	212,088	189,262
Rental fees receivable	40,648	38,085
Master Antenna facilities fees	60,554	60,564
Investment income	18,878	17,284
Other income	72,482	66,650
	<u>1,051,342</u>	<u>1,000,077</u>
Expenditure		
Administrative (schedule 2)	609,902	574,759
Research and communications (schedule 2)	90,992	76,091
Production (schedule 3)	22,243	7,312
Monitoring (schedule 3)	326,028	263,927
Technical (schedule 3)	39,512	21,311
	<u>1,088,677</u>	<u>943,400</u>



SCHEDULE 2

Administrative, Research and Communications Expenses
Year ended 31 December 2008

	2008	2007
	€	€
Administrative Expenses		
Members' honoraria	68,844	60,580
Legal advisor's honoraria	5,823	5,821
Salaries	262,749	246,049
Staff training	1,805	1,002
Telecommunications	13,596	14,656
Water and electricity	33,977	25,472
Insurance	7,255	7,605
Stationery	6,167	7,918
Subscriptions and publications	2,996	3,044
International organisations membership fees	1,816	1,843
Repairs and maintenance	19,156	28,223
IT maintenance and support	7,324	10,210
Duty visits abroad	17,810	8,309
Transport	12,150	8,383
Rentals of radio & TV sets	4,891	6,005
Staff health scheme	11,349	11,244
Sundry expenses	9,078	8,595
Auditors' remuneration	1,400	1,374
Legal and professional fees	5,151	12,805
Gharghur site running costs	49,998	37,100
Profit/Loss on disposal of tangible fixed assets	511	(694)
Depreciation	66,056	69,215
	609,902	574,759
Research and Communications Expenses		
Wages and salaries	31,946	24,840
Audience and qualitative research study	32,569	23,597
Seminars and conferences	1,539	594
Public relations	3,346	3,075
BA reports and publications	4,957	13,105
Advertising	5,765	4,288
Broadcasters' training and support	10,870	3,436
Sub-committee research costs	-	3,156
	90,992	76,091



SCHEDULE 3**Departmental Expenses
Year ended 31 December 2008**

	2008	2007
	€	€
Production Department		
TV political broadcasts	6,706	2,546
Depreciation	5,775	4,766
Wages and salaries	9,762	-
	22,243	7,312
Monitoring Department		
Wages and salaries	312,597	260,806
Purchase of audio tapes	1,754	628
Staff training	480	-
Repairs and maintenance	-	47
Depreciation	11,197	2,446
	326,028	263,927
Technical Department		
Wages and salaries	23,937	20,999
Repairs and maintenance	15,430	303
Sundry expenses	145	-
Staff training	-	9
	39,512	21,311

