

# **Caribbean Broadcasting Corporation**

Financial Statements

**December 31, 2010**

(expressed in Barbados dollars)



## INDEPENDENT AUDITOR'S REPORT

To the Government of Barbados

We have audited the accompanying financial statements of **Caribbean Broadcasting Corporation**, which comprise the balance sheet as at December 31, 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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 about whether the financial statements are free from 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 management, 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 present fairly, in all material respects, the financial position of **Caribbean Broadcasting Corporation** as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 to the financial statements which indicates that as at December 31, 2010 the Corporation has an accumulated deficit of \$82,910,060 and its total liabilities exceed its total assets by \$31,047,311. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Corporation's ability to continue as a going concern.

*Ricewatchan Coopers sal.*

January 30, 2012  
Bridgetown, Barbados

# Caribbean Broadcasting Corporation

## Balance Sheet

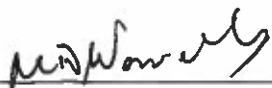
As at December 31, 2010

(expressed in Barbados dollars)

	2010	2009	January 1,
	\$	\$	2009
		Restated	Restated
<b>Assets</b>			
<b>Current assets</b>			
Cash on hand and at bank (note 5)	1,067,011	820,948	1,333,041
Accounts receivable (note 6)	6,831,125	6,274,891	7,899,225
Inventories (note 7)	2,227,907	5,228,512	4,538,904
Prepaid expenses	258,036	179,093	134,381
	<u>10,384,079</u>	<u>12,503,444</u>	<u>13,905,551</u>
Property, plant and equipment (note 8)	34,567,248	35,216,732	27,225,343
Available-for-sale financial assets (note 9)	-	26,287	26,287
	<u>44,951,327</u>	<u>47,746,463</u>	<u>41,157,181</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdraft (note 5)	5,104,103	4,752,311	2,938,095
Accounts payable and accrued liabilities (note 10)	26,501,249	14,864,892	16,076,740
Current portion of long term loans (note 11)	3,114,623	6,266,131	17,675,000
	<u>34,719,975</u>	<u>25,883,334</u>	<u>36,689,835</u>
Long term loans (note 11)	23,300,000	26,000,000	15,632,227
Pension fund obligation (note 12)	17,978,663	18,075,963	22,110,140
	<u>75,998,638</u>	<u>69,959,297</u>	<u>74,432,202</u>
<b>Equity</b>			
Capital contributed by Government of Barbados (note 13)	30,339,001	30,339,001	30,339,001
Revaluation surplus (note 14)	21,523,748	21,523,748	12,241,869
Accumulated deficit	(82,910,060)	(74,075,583)	(75,855,891)
	<u>(31,047,311)</u>	<u>(22,212,834)</u>	<u>(33,275,021)</u>
<b>Total liabilities and equity</b>	<u>44,951,327</u>	<u>47,746,463</u>	<u>41,157,181</u>

The accompanying notes form an integral part of these financial statements.

Approved by the Board of Directors on January 30, 2012 and signed on their behalf by:



Director



Director

# Caribbean Broadcasting Corporation

## Statement of Changes in Equity

For the year ended December 31, 2010

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Revaluation surplus \$	Accumulated deficit \$	Total \$
<b>Balance at December 31, 2008</b>				
- as previously stated	30,339,001	12,241,869	(75,358,677)	(32,777,807)
Prior year restatement (note 23)	-	-	(497,214)	(497,214)
<b>Balance at December 31, 2008</b>				
- as restated	30,339,001	12,241,869	(75,855,891)	(33,275,021)
<b>Comprehensive income</b>				
Net income for the year as restated	-	-	1,780,308	1,780,308
Other comprehensive income	-	9,281,879	-	9,281,879
Total comprehensive income for the year	-	9,281,879	1,780,308	11,062,187
<b>Balance at December 31, 2009</b>				
- as restated	30,339,001	21,523,748	(74,075,583)	(22,212,834)
<b>Comprehensive loss</b>				
Net loss and total comprehensive loss for the year	-	-	(8,834,477)	(8,834,477)
<b>Balance at December 31, 2010</b>	<b>30,339,001</b>	<b>21,523,748</b>	<b>(82,910,060)</b>	<b>(31,047,311)</b>

The accompanying notes form an integral part of these financial statements.

# Caribbean Broadcasting Corporation

## Statement of Comprehensive Income

For the year ended December 31, 2010

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(expressed in Barbados dollars)

	2010 \$	2009 \$ Restated
<b>Operating revenue</b> (note 15)	43,875,011	41,302,605
<b>Government grant - GIS advertising</b>	2,491,116	5,855,551
<b>Government grant - Pension</b>	2,341,022	6,063,217
<b>Direct expenses</b> (note 17)	(33,593,077)	(28,004,422)
<b>Administrative expenses</b> (note 17)	(20,859,376)	(20,097,881)
<b>Operating (deficit)/surplus</b>	(5,745,304)	5,119,070
<b>Interest and finance charges</b>	(3,089,173)	(3,338,762)
<b>Net (loss)/income for the year</b>	(8,834,477)	1,780,308
<b>Other comprehensive income</b>		
Revaluation surplus on land and buildings (note 14)	-	9,281,879
<b>Total comprehensive (loss)/income for the year</b>	(8,834,477)	11,062,187

The accompanying notes form an integral part of these financial statements.

# Caribbean Broadcasting Corporation

## Statement of Cash Flows

For the year ended December 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$ Restated
<b>Operating activities</b>		
Net (loss)/income for the year	(8,834,477)	1,780,308
Adjustments for:		
Depreciation	4,061,159	5,537,079
Gain on disposal of property, plant and equipment	(5,450)	(1,300)
Write-off of available for sale investment	26,287	-
Interest and finance charges	3,089,173	3,338,762
Pension expense	3,175,870	2,894,012
Operating profit before working capital changes	1,512,562	13,548,861
(Increase)/decrease in accounts receivable	(556,234)	1,624,334
Increase in prepaid expenses	(78,943)	(44,712)
Decrease/(increase) in inventories	3,000,605	(689,608)
Increase in accounts payable and accrued liabilities	11,636,357	2,397,330
Cash generated from operations	15,514,347	16,836,205
Pension contributions paid	(3,273,170)	(6,928,189)
Interest and finance charges paid	(3,089,173)	(6,947,940)
Net cash from operating activities	9,152,004	2,960,076
<b>Investing activities</b>		
Purchase of property, plant and equipment	(3,411,675)	(4,246,589)
Proceeds from disposal of property, plant and equipment	5,450	1,300
Net cash used in investing activities	(3,406,225)	(4,245,289)
<b>Financing activities</b>		
Long term loan repayments	(5,851,508)	(18,741,096)
Proceeds from borrowings	-	17,700,000
Net cash used in financing activities	(5,851,508)	(1,041,096)
Net decrease in cash and cash equivalents	(105,729)	(2,326,309)
Cash and cash equivalents - beginning of year	(3,931,363)	(1,605,054)
Cash and cash equivalents - end of year (note 5)	(4,037,092)	(3,931,363)

The accompanying notes form an integral part of these financial statements.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 1 Incorporation and principal activity

The Caribbean Broadcasting Corporation ("the Corporation") is a statutory Corporation established under the provisions of the Caribbean Broadcasting Corporation Act, Cap. 276. Its principal activity is the provision of broadcasting services through radio and television. The principal place of business of the Corporation is at the Pine, St. Michael.

## 2 Going concern

These financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the payments of liabilities in the regular and ordinary course of business. In this regard the Corporation has an accumulated deficit of \$82,910,060 at December 31, 2010 and as at that date, total liabilities exceeded total assets by \$31,047,311. The ability of the corporation to continue as a going concern is dependent on the continued support of its shareholder.

## 3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### a) Basis of preparation

The financial statements of the Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### a) *New and amended standards adopted by the Corporation*

The Corporation did not adopt any new or amended standards for the financial year.



# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### a) Basis of preparation ...continued

### b) *New standards, amendments and interpretations mandatory for the first time for the financial year beginning January 1, 2010 but not currently relevant to the Corporation*

IAS 1(amendment)	Presentation of financial statements. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. This does not have an impact on the financial statements of the Corporation as the Corporation does not settle any current liabilities by way of the issuance of shares.
IAS 36 (amendment)	Impairment of assets, effective January 1, 2010.
IFRS 2 (amendments)	Group cash-settled share-based payment transactions, effective from January 1, 2010.
IFRS 3 (revised)	Business combinations, and consequential amendments to IAS 27, Consolidated and separate financial statements, IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. This application of IFRS 3 does not have any effect for the Corporation.
IFRS 5	Non-current assets held for sale and discontinued operations.
IFRIC 9	Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement, effective July 1, 2009.
IFRIC 16	Hedges of a net investment in a foreign operation, effective July 1, 2009.
IFRIC 17	Distribution of non-cash assets to owners', effective on or after January 1, 2009.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### a) Basis of preparation ...continued

#### c) *New standards, amendments and interpretations issued but not effective for the financial year beginning January 1, 2010 and not early adopted*

Management has reviewed the new standards, amendments and interpretations to existing standards that are not yet effective and have determined that the following are relevant to the Corporation's operations. The Corporation has not early adopted the new standards, amendments and interpretations.

IAS 24 (revised)	Related Party disclosures, (effective on or after January 1, 2011).
IAS 32 (amendment)	Financial Instruments: Recognition and Measurement.
IFRS 9	Financial Instruments (effective on or after January 1, 2013).
IFRIC 14 (amendment)	Prepayments of a minimum funding requirement (effective January 1, 2011).
IFRIC 19	Extinguishing financial liabilities with equity instruments (effective July 1, 2010).

### b) Cash and cash equivalents

Cash and cash equivalents includes cash and bank overdrafts. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, banks deposits with original maturities of less than ninety days and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

### c) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at the anticipated realisable value. A provision for impairment of trade receivables is established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable is uncollectible it is written off against the provision account and subsequent recoveries of amounts previously written off are credited to the statement of comprehensive income in direct expenses.

### d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the price at which the inventory can be realised in the normal course of business. Provision is made for obsolete, slow moving and defective inventory.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### e) Financial assets

The Corporation classifies its financial assets as available-for-sale and loan and receivables. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification at initial recognition.

Equity investments are classified as available-for-sale and included in non-current assets as they are not intended to be disposed of within 12 months of the balance sheet date. They are carried at cost as they are not quoted on any market and their fair value cannot be reliably measured. They are subject to review for impairment at the balance sheet date. If there is objective evidence of impairment they are written down to estimated recoverable amount and the impairment loss recognised in the statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets except for maturities greater than twelve months after the balance sheet date. The Corporation's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. (Refer to notes 5 and 6).

### f) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least every 3 - 5 years, valuations by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the valued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation and any impairment in value.

Historical cost includes expenditures that are directly attributable to the acquisition on the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income in the statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income in the statement of comprehensive income.

Land is not depreciated. Depreciation on other assets is calculated on the straight-line basis, so as to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings - permanent	2½%
- wooden	10%
Plant and equipment, including records and transcript	5% - 25%
Motor vehicles	20%
Furniture and equipment	10% - 25%

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### f) Property, plant and equipment ...continued

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

### g) Long term loans

Long term loans are recognised initially at fair value, net of transaction costs incurred. Long term loans are subsequently carried at amortised cost, and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the long term loans using the effective interest method.

Long term loans are classified as current liabilities unless the Corporation has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### h) Current and deferred income tax

Taxation expense in the statement of comprehensive income comprises current and deferred tax. Taxation expense is recognised in the statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date.

The Corporation follows the balance sheet liability method of accounting for deferred taxes. This method provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date and expected to apply when the asset is realised or liability settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### i) Foreign currency

The financial statements are expressed in Barbados dollars which is also the Corporation's functional currency.

Assets and liabilities denominated in foreign currencies are translated to Barbados dollars at the rates of exchange ruling at the balance sheet date. Transactions arising during the year involving foreign currencies are translated and recorded at the rates of exchange prevailing on the dates of the transactions. Differences arising from fluctuations in exchange rates are included in the statement of comprehensive income.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### j) Pension obligations

The Corporation maintains a non-contributory defined benefit pension plan for its employees. This plan is managed through the Statutory Corporations' Pension Fund administered by the Insurance Corporation of Barbados Inc. Pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out full valuations of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows using the interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses are recognised at the rate of 20% of the balance brought forward.

### k) Government grants

Grants from Government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Corporation will comply with attached conditions, if any.

Revenue grants are recognised in the statement of comprehensive income over the period necessary to match them with the costs they are intended to compensate.

Grants received from Government for capital expenditure are deferred and amortised over the useful lives of the assets purchased with grant funds.

### l) Revenue recognition

Revenue comprise the fair value of the consideration received or receivable for the provision of services in the ordinary course of business.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that economic benefits associated with the transaction will flow to the Corporation and when specific criteria have been met from each activity as described below.

Advertising revenue is recognised on an accrual basis and is stated net of agency and representative commissions. MCTV and other revenue is recognised on an accrual basis.

### m) Impairment of non-financial assets

The carrying amounts of the Corporation's non-financial assets are reviewed by management at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 3 Significant accounting policies ...continued

### n) Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation, as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

### o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

## 4 Critical accounting estimates and judgements

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

### *Critical accounting estimates and assumptions*

The Corporation makes estimates and assumptions concerning the future.

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on reported assets, liabilities, revenues and expenses. The items which may have the most effect on the Corporation's financial statements are set out below:

### *Valuation of property*

The Corporation utilises professional valuers to determine the fair value of its properties. Valuations are determined through the application of a variety of different valuation methods, which are all sensitive to the underlying assumptions chosen.

### *Pension benefits*

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are disclosed in note 12. Any changes in these assumptions will impact the carrying amount of pension obligations or assets.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 5 Cash and cash equivalents

This is comprised of:

	2010 \$	2009 \$
Cash on hand and at bank	1,067,011	820,948
Bank overdraft	(5,104,103)	(4,752,311)
	<u>(4,037,092)</u>	<u>(3,931,363)</u>

The Government of Barbados has provided a letter of comfort in support of the bank overdraft facility. Interest is charged on the overdraft at the rate of 8.5% (2009 - 9.5%) per annum.

## 6 Accounts receivable

	2010 \$	2009 \$
Trade receivables	8,581,402	7,641,449
Less: Provision for impairment	(2,698,017)	(2,173,231)
	<u>5,883,385</u>	<u>5,468,218</u>
Other receivables	947,740	806,673
	<u>6,831,125</u>	<u>6,274,891</u>

As at year end, trade receivables of \$3,331,660 (2009 - \$4,377,695) were fully performing.

Trade receivables that are less than 4 months past due are not considered impaired. As at year end, trade receivables of \$2,551,725 (2009 - \$1,090,523) were past due but not impaired. Management believes that they are recoverable as these relate to customers for whom there is no history of default.

The ageing analysis of receivables is as follows:

	2010 \$	2009 \$
Under 4 months	3,331,660	4,377,695
4 to 6 months	2,551,725	1,090,523
Over 12 months	947,740	806,673
	<u>6,831,125</u>	<u>6,274,891</u>

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 6 Accounts receivable ...continued

As at year end, trade receivables of \$2,698,017 (2009 - \$2,173,231) were impaired and provided for. The aging of these trade receivables is as follows:

	2010 \$	2009 \$
Over 12 months	<u>2,698,017</u>	<u>2,173,231</u>

The movement in the provision for impairment is as follows:

	2010 \$	2009 \$
Balance - beginning of year	2,173,231	3,408,016
Impairment charge	655,356	275,595
Bad debts written off	<u>(130,570)</u>	<u>(1,510,380)</u>
Balance - end of year	<u>2,698,017</u>	<u>2,173,231</u>

The creation and release of provision for impairment of trade receivables is included in direct expenses in the statement of comprehensive income. Amounts charged to the provision for impairment of receivables are written off when there is no expectation of receiving additional cash.

No provision for impairment was required for other receivables in 2010 or 2009.

The carrying value of accounts receivable is considered to approximate fair value because of their short term maturity.

The Corporation does not hold any collateral security on these receivables.

## 7 Inventories

	2010 \$	2009 \$
MCTV boxes, antennae and installation materials	2,142,480	5,073,058
Other	<u>85,427</u>	<u>155,454</u>
	<u>2,227,907</u>	<u>5,228,512</u>



# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 8 Property, plant and equipment

	Land and buildings \$	Plant and equipment \$	Motor vehicles \$	Furniture and equipment \$	Total \$
<b>As at December 31, 2008</b>					
Cost/valuation	19,381,594	79,517,257	1,862,489	11,793,667	112,555,007
Accumulated depreciation	(1,584,978)	(71,882,468)	(1,822,589)	(10,039,629)	(85,329,664)
Net book value	17,796,616	7,634,789	39,900	1,754,038	27,225,343
<b>Year ended December 31, 2009</b>					
Opening net book value	17,796,616	7,634,789	39,900	1,754,038	27,225,343
Additions	96,894	2,715,184	228,124	1,206,387	4,246,589
Revaluation of land and buildings	9,281,879	-	-	-	9,281,879
Depreciation	(455,925)	(4,176,003)	(58,692)	(846,459)	(5,537,079)
Closing net book value	26,719,464	6,173,970	209,332	2,113,966	35,216,732
<b>As at December 31, 2009</b>					
Cost/valuation	27,197,712	82,232,441	2,090,614	13,000,055	124,520,821
Accumulated depreciation	(478,249)	(76,058,472)	(1,881,281)	(10,886,088)	(89,304,089)
Net book value	26,719,463	6,173,969	209,333	2,113,967	35,216,732
<b>Year ended December 31, 2010</b>					
Opening net book value	26,719,463	6,173,969	209,333	2,113,967	35,216,732
Additions	136,278	2,801,647	59,257	414,493	3,411,675
Depreciation	(459,332)	(2,825,528)	(84,310)	(691,989)	(4,061,159)
Closing net book value	26,396,409	6,150,088	184,280	1,836,471	34,567,248
<b>As at December 31, 2010</b>					
Cost/valuation	27,333,990	80,983,339	2,149,871	13,413,942	123,881,140
Accumulated depreciation	(937,581)	(74,833,251)	(1,965,591)	(11,577,471)	(89,313,892)
Net book value	26,396,409	6,150,088	184,280	1,836,471	34,567,248

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 8 Property, plant and equipment ...continued

The Corporation's buildings at Black Rock, St. Michael with a carrying value of \$1,349,570 (2009 - \$1,385,085) are constructed on land owned by the Government of Barbados.

If land and buildings were stated on the historical cost basis the amounts would be as follows:

	2010	2009
	\$	\$
Cost	11,097,703	10,961,425
Accumulated depreciation	(6,318,125)	(5,858,793)
Net book value	4,779,578	5,102,632

## 9 Available-for-sale financial assets

	2010	2009
	\$	\$
CANA - 696 shares	6,960	6,960
CCTA - 1,000 shares	5,097	5,097
NSR Ltd - 14,230 preference shares	14,230	14,230
Provision for impairment of investments	26,287	26,287
	(26,287)	-
	-	26,287

## 10 Accounts payable and accrued liabilities

	2010	2009
	\$	\$
		Restated
Trade payables	9,351,703	6,097,241
NIS and other taxes	2,118,838	997,215
VAT	12,808,675	7,098,953
Accrued expenses	2,222,033	671,483
	26,501,249	14,864,892

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 11 Long term loans

	2010 \$	2009 \$
(i) Bank of Nova Scotia loan repayable in quarterly instalments of principal of \$215,000 which commenced on October 31, 2007. Interest is charged at 10% (2009 - 11.25%) per annum.	1,035,000	1,895,000
(ii) Government of Barbados loan repayable over a period of 20 years in semi-annual instalments of blended principal and interest commencing October, 2003. Interest is charged at 7.25% per annum plus 1% annual charge (2009 - 7.5%) on the outstanding balance.	414,623	3,566,131
(iii) Bank loan for a total sum of \$15.5 million of which \$10,500,000 was drawn at year end. Repayable in quarterly instalments of \$175,000 which commenced March 23, 2009. The balance of the loan, accrued interest and all other amounts outstanding under the loan shall be paid on or before the 20 <sup>th</sup> quarter from the aforementioned date. The term of the loan is 5 years and the amortization 15 years. Interest is charged at 9.25% (2009 - 7.25%) per annum.	9,100,000	9,800,000
(iv) Bank loan for a total sum of \$17.1 million drawn at year end. Repayable in monthly instalments of \$95,000 which commenced November 6, 2009. The balance of the loan, accrued interest and all other amounts outstanding under the loan shall be paid on or before the 60 <sup>th</sup> quarter from the date of the initial advance. The term of the loan is 5 years and the amortization 15 years. Interest is charged at 9.25% (2009 - 11%) per annum.	15,865,000	17,005,000
	<u>26,414,623</u>	<u>32,266,131</u>
Less: Current portion	<u>(3,114,623)</u>	<u>(6,266,131)</u>
Long term portion	<u>23,300,000</u>	<u>26,000,000</u>

The fair value of the Corporation's fixed rate borrowings (the Government of Barbados loan) was \$430,272 at the year end.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 11 Long term loans ...continued

Effective January 1, 2007, the Government of Barbados took the decision that all payments due to the Corporation for broadcasting of Government Programmes, will be deducted from the loan and any interest accrued in respect of (ii) above. The deduction for the year was \$3,151,507 (2009 - \$5,427,126) plus interest of \$126,511 (2009 - \$428,425).

The Government of Barbados has provided a Comfort Letter in respect of all loans and any interest accrued thereon in respect of (i) and (iii) above. In respect of (iv) above, the loan is guaranteed by the Government of Barbados.

## 12 Pension fund obligation

The Corporation's defined benefit pension plan is managed through the Statutory Corporations' Pension Fund administered by the Insurance Corporation of Barbados Inc. An actuarial valuation is carried out every three years. The most recent valuation was carried out as at January 1, 2010. An interim valuation was carried out at December 31, 2010. The next full triennial valuation is due on January 1, 2012.

The amounts recognised in the balance sheet are as follows:

	2010 \$	2009 \$
Present value of funded obligation	(27,427,682)	(26,850,182)
Fair value of plan assets	9,366,082	6,666,868
	<u>(18,061,600)</u>	<u>(20,183,314)</u>
Unrecognised actuarial losses	82,937	2,107,351
Pension fund obligation at end of year	<u>(17,978,663)</u>	<u>(18,075,963)</u>

Movement in the pension fund obligation recognised in the balance sheet is as follows:

	2010 \$	2009 \$
Pension fund obligation - beginning of year	(18,075,963)	(22,110,140)
Contributions paid during year	3,273,170	6,928,189
Net expense recognised in the statement of comprehensive income	<u>(3,175,870)</u>	<u>(2,894,012)</u>
Pension fund obligation - end of year	<u>(17,978,663)</u>	<u>(18,075,963)</u>

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 12 Pension fund obligation ...continued

The amount recognised in the statement of comprehensive income is as follows:

	2010	2009
	\$	\$
Current service costs	927,289	814,500
Interest costs	1,878,000	1,805,388
Actuarial gains	421,470	336,190
Past service cost	457,294	154,878
Expected return on plan assets	(508,183)	(216,944)
Net pension expense included in staff costs (note 17)	<u>3,175,870</u>	<u>2,894,012</u>
Actual return on plan assets	<u>396,563</u>	<u>255,407</u>

The movement in the present value of funded obligation over the year is as follows:

	2010	2009
	\$	\$
Present value of funded obligation - beginning of year	26,850,182	24,054,830
Interest cost	1,878,000	1,805,388
Current service cost	927,289	814,500
Past service cost - vested benefits	457,294	154,878
Benefits paid	(970,521)	(780,469)
Actuarial (gain)/loss on obligation	(1,714,562)	801,055
Present value of funded obligation - end of year	<u>27,427,682</u>	<u>26,850,182</u>

The movement in the fair value of plan assets is as follows:

	2010	2009
	\$	\$
Fair value of plan assets - beginning of year	6,666,868	263,741
Expected return on plan assets	508,183	216,944
Contributions - total	3,273,170	6,928,189
Benefits paid	(970,521)	(780,469)
Actuarial (loss)/gain on plan assets	(111,618)	38,463
Fair value of plan assets - end of year	<u>9,366,082</u>	<u>6,666,868</u>

The assets of the plan are invested in a deposit administration contract with Insurance Corporation of Barbados Limited.

# Caribbean Broadcasting Corporation

## Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

### 12 Pension fund obligation ...continued

Expected contributions for the year ending December 31, 2011 are \$3,273,170.

The principal actuarial assumptions used for accounting purposes were as follows:

	2010	2009
Discount rate at end of year	7.75%	7.0%
Expected return on assets at end of year	6.50%	6.5%
Future salary increases	2.00%	2.0%
Future inflationary salary increases	3.00%	3.0%
Future pension increases	0.00%	0.0%
Future changes in NIS ceiling	3.50%	3.5%
Percentage of employees opting for early retirement	10.00%	10.0%
Mortality	GAM 94	GAM 94

Amounts for the current and previous three periods are as follows:

	2010 \$	2009 \$	2008 \$	2007 \$
Present value of funded obligation	(27,427,682)	(26,850,182)	(24,054,830)	(19,747,333)
Fair value of plan assets	9,366,082	6,666,868	263,741	725,412
	(18,061,600)	(20,183,314)	(23,791,089)	(19,021,921)
Unrecognised actuarial gains	82,937	2,107,351	1,680,949	867,755
Deficit	(17,978,663)	(18,075,963)	(22,110,140)	(18,154,166)
Experience adjustments on plan liabilities	(1,714,562)	801,055	(1,595,407)	126,685
Experience adjustments on plan assets	(111,618)	38,463	(7,426)	(7,778)

### 13 Capital contributed by Government of Barbados

This represents the accumulated capital contributions received from the Government of Barbados either by way of cash transfers, loan conversions or transfer of assets to the Corporation.

	2010 \$	2009 \$
Balance - beginning and end of year	30,339,001	30,339,001

# Caribbean Broadcasting Corporation

## Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

### 14 Revaluation surplus

The Corporation's land and buildings at The Pine and Black Rock, St. Michael and Sturges, St. Thomas were revalued by independent real estate valuers in 2009. Valuations were done on the basis of fair market value. The excess of the revaluation over the carrying value of land and buildings was credited to revaluation surplus.

	2010 \$	2009 \$
Balance - beginning of year	21,523,748	12,241,869
Surplus	—	9,281,879
	<hr/>	<hr/>
Balance - end of year	21,523,748	21,523,748

### 15 Revenue

	Television \$	Radio \$	STV & MCTV operations \$	Other \$	2010 \$	2009 \$
Advertising Agency and representative commissions	5,622,002	4,178,489	—	115	9,800,606	7,663,317
	(391,866)	(191,130)	—	—	(582,996)	(581,580)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net advertising revenue	5,230,136	3,987,359	—	115	9,217,610	7,081,737
Subscriptions	—	—	32,587,255	—	32,587,255	32,935,091
Other revenue (note 16)	254,286	71,769	1,487,815	256,276	2,070,146	1,285,777
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating revenue	5,484,422	4,059,128	34,075,070	256,391	43,875,011	41,302,605

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 16 Other revenue

	Television \$	Radio \$	STV & MCTV operations \$	Other \$	2010 \$	2009 \$
Installations and reconnections	-	-	891,319	-	891,319	460,593
Commercial productions and programme materials	33,990	31,355	-	-	65,345	53,775
Gain on disposal of property, plant and equipment	-	-	-	5,450	5,450	1,300
Pay per view	-	-	304,129	-	304,129	220,048
Miscellaneous	220,296	40,414	292,367	250,826	803,903	550,061
	<u>254,286</u>	<u>71,769</u>	<u>1,487,815</u>	<u>256,276</u>	<u>2,070,146</u>	<u>1,285,777</u>

## 17 Expenses by nature

	2010 \$	2009 \$
Advertising	276,838	965,535
Staff costs	20,859,376	20,097,881
Depreciation	4,061,159	5,537,079
Charge for impairment of receivables	655,356	275,595
Local and imported programmes	14,115,860	11,911,620
Royalties and rights	408,282	487,667
Other expenses	14,075,582	8,826,926
Total direct and administrative expenses	<u>54,452,453</u>	<u>48,102,303</u>
<b>Staff costs</b>		
Salaries, wages and allowances	15,321,137	15,105,812
National insurance	1,168,819	1,272,361
Pension costs	3,175,870	2,894,012
Other	1,193,550	825,696
	<u>20,859,376</u>	<u>20,097,881</u>
Number of persons employed	<u>273</u>	<u>288</u>



# Caribbean Broadcasting Corporation

## Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

### 18 Taxation

The tax on the net (loss)/income for the year differs from the theoretical amount that would arise using the basic rate of corporation tax for the following reasons:

	2010	2009
	\$	\$
Net (loss)/income for the year	<u>(8,834,477)</u>	<u>1,780,308</u>
Tax calculated at tax rate of 25% (2009 - 25%)	(2,208,619)	445,077
Expenses not deductible for tax purposes	269,956	113,981
Increase/(decrease) in deferred tax asset not recognised	1,988,363	(509,058)
Tax effect of commercial building allowance	(50,000)	(50,000)
Prior year under provision of deferred tax	<u>300</u>	<u>-</u>
	<u>-</u>	<u>-</u>

There is a potential deferred tax asset which has not been recognised in the financial statements since it is uncertain that taxable profits will be unavailable against which the deferred tax asset can be utilised.

	2010	2009
	\$	\$
Delayed tax depreciation	45,929,484	45,973,767
Unutilized tax losses (note 19)	16,611,554	8,516,520
Taxed provisions	2,173,231	2,173,231
Pension liability	<u>17,978,663</u>	<u>18,075,963</u>
	<u>82,692,932</u>	<u>74,739,481</u>
Deferred tax asset at 25% (2009 - 25%)	<u>20,673,233</u>	<u>18,684,870</u>

The expiry dates for the unutilised tax losses are disclosed in note 19.

# Caribbean Broadcasting Corporation

## Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

### 19 Tax losses

The following tax losses are available for set off in the future against otherwise taxable income for corporation tax purposes. The losses have to date not been confirmed nor disputed by the Commissioner of Inland Revenue.

Income year	Losses b/forward \$	Adjustment \$	Incurred \$	Losses c/forward \$	Expiry date
2003	585,637	(1,201)	-	584,436	2012
2004	3,075,054	-	-	3,075,054	2013
2005	610,525	-	-	610,525	2014
2006	477,631	-	-	477,631	2015
2008	3,767,673	-	-	3,767,673	2017
2010	-	-	8,096,235	8,096,235	2019
	<u>8,516,520</u>	<u>(1,201)</u>	<u>8,096,235</u>	<u>16,611,554</u>	

### 20 Commitments and contingencies

#### a) Commitments

At December 31, 2010 the Corporation was committed to the rental of television programmes and broadcast rights in the amount of \$1,191,753 (2009 - \$1,314,242).

#### b) Contingencies

There is pending litigation against the Corporation arising in the normal course of business. No assessment of the likely outcome or estimates of settlement have been made, but it is not anticipated that any material liabilities will arise from these contingencies.

### 21 Related party transactions

#### Key management compensation

Key management comprises directors and senior management of the Corporation. Compensation for these was as follows:

	2010 \$	2009 \$
Salaries and other short term benefits	1,247,695	1,361,839
Post employment benefits	116,355	114,503
Directors' fees	26,040	27,620
	<u>1,390,090</u>	<u>1,503,962</u>

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 22 Financial risk management

The Corporation's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, interest rate risk and liquidity risk. The Corporation's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Corporation's financial performance.

The Corporation's exposure and approach to its key risks are as follows:

### a) Foreign exchange risk

This is the potential adverse impact on the Corporation's earnings and economic value due to movements in exchange rates.

The Corporation's transactions in foreign currencies are mainly for purchases of equipment and programme materials. These transactions are denominated mainly in United States dollars. Since there is fixed exchange rate between the Barbados dollar and the United States dollar there is no significant exposure to foreign exchange risk.

### b) Credit risk

Credit risk arises from the possibility that counterparties may default on their obligations to the Corporation. Credit risk arises from cash and cash equivalents, as well as credit exposures to advertising agencies and domestic customers including outstanding receivables and committed transactions. Cash and cash equivalents are placed with financial institutions with high credit ratings.

The maximum exposure is as follows:

	2010	2009
	\$	\$
Cash and cash equivalents	1,067,011	820,948
Accounts receivable	6,831,125	6,297,386
	<u>7,898,136</u>	<u>7,118,334</u>

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 22 Financial risk management ...continued

### c) Interest rate risk

The Corporation has no interest bearing assets. Interest rate risk arises from long term loans at variable interest rates which expose the Corporation to cash flow risk.

The interest rates on the bank overdraft and long term loans are disclosed in Notes 5 and 11.

At the reporting date, the interest profile of the Corporation's interest bearing financial liabilities was as follows:

	2010 \$	2009 \$
<b>Fixed rate instruments</b>		
Financial liabilities	<u>414,623</u>	<u>3,566,131</u>
<b>Variable rate instruments</b>		
Financial liabilities	<u>26,000,000</u>	<u>28,700,000</u>

### d) Liquidity risk

Liquidity risk refers to the risk that the Corporation will not be able to meet its financial obligations as they fall due.

The Corporation currently settles its financial obligations out of cash and cash equivalents. The ability to do this relies on the Corporation collecting its accounts receivable in a timely manner and maintaining sufficient cash and cash equivalents in excess of anticipated funds. To support the cash flow position, the Corporation has in place a planning and budgeting process to help determine the funds required to support the Corporation's normal operating and capital requirements.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

## 22 Financial risk management ...continued

### d) Liquidity risk ...continued

The table below is an analysis of the Corporation's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying balances. The amounts included in the table below for long term loans and trade and other payables will not reconcile to the balance sheet as they are the contractual cash flows.

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>At December 31, 2010</b>					
Bank overdraft	5,104,103	—	—	—	5,104,103
Accounts payable and accrued liabilities	11,573,736	—	—	—	11,573,736
Long term loans	5,560,423	7,867,544	10,203,738	19,744,464	43,376,169
Total liabilities (contractual maturity dates)	22,238,262	7,867,544	10,203,738	19,744,464	60,054,008
Cash on hand and at bank	1,067,011	—	—	—	1,067,011
Accounts receivable	6,831,125	—	—	—	6,831,125
Assets held for managing liquidity (contractual maturity)	7,898,136	—	—	—	7,898,136

# Caribbean Broadcasting Corporation

## Notes to Financial Statements

December 31, 2010

(expressed in Barbados dollars)

### 22 Financial risk management ...continued

#### d) Liquidity risk ...continued

	Less than 1 year \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Total \$
<b>At December 31, 2009</b>					
Bank overdraft	4,752,311	—	—	—	4,752,311
Accounts payable and accrued liabilities	7,475,316	—	—	—	7,475,316
Long term loans	8,852,751	4,970,000	12,924,288	23,886,598	50,633,637
Total liabilities (contractual maturity dates)	21,080,378	4,970,000	12,924,288	23,886,598	62,861,264
Cash on hand and at bank	820,948	—	—	—	820,948
Accounts receivable	6,274,891	—	—	—	6,274,891
Assets held for managing liquidity (contractual maturity)	7,095,839	—	—	—	7,095,839

#### e) Cash flow and fair value interest rate risk

As the Corporation has no significant interest-bearing assets, the Corporation's income and operating cash flows are substantially independent of changes in market interest rates.

The Corporation's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Corporation to cash flow interest rate risk. Borrowings issued at fixed rates expose the Corporation to fair value interest rate risk. During 2011 and 2010 the Corporation's borrowings at variable rates were denominated in Barbados dollars. To manage against interest rate risk, the Corporation negotiates the best rates possible.

At December 31, 2010, if interest rates on variable rate borrowings had been 1% higher or lower, with all other variables held constant, net income for the year would have been \$281,000 (2009 - \$125,000) lower or higher, mainly as a result of higher or lower finance costs on floating rate borrowings.

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 22 Financial risk management ...continued

### f) Fair values

Fair value amounts represents estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. The fair value of the Corporation's cash and bank balances, accounts receivable and accounts payable are not considered to be materially different from their carrying values, due to the short term nature of these items. The Corporation has no significant available-for-sale financial assets.

The fair value of the long term loans is not considered to be significantly different from their carrying values as the current interest rates on these debts are similar to market rates existing at the balance sheet date.

### g) Capital risk management

The Corporation's objective is to provide returns for the benefit of its stakeholders and to reduce the cost of capital.

## 23 Retrospective restatement of errors

During the year the company restated its 2009 financial statements to correct its VAT, and penalties and interest payable thereon as at December 31, 2009. This was to certain VAT, penalties and interest adjustments that had not been accrued in previous years. The effect on the 2009 financial statements is as follows:

	Effect on December 31, 2009 \$	Effect on December 1, 2009 \$
<b>Effect on Balance Sheet</b>		
Increase in accounts payable and accrued liabilities	658,084	497,214
<b>Effect on the Statement of Changes</b>		
Increase in accumulated deficit	(658,084)	(497,214)
<b>Effect on the Statement of Comprehensive Income</b>		
Increase in direct expenses	160,870	-
Decrease in income before taxation	(160,870)	-

# Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2010

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(expressed in Barbados dollars)

## 24 Subsequent events

On November 25, 2011 it was resolved in the Senate of Barbados that Parliament approve the guarantee by the Minister responsible for Finance for the payment of the principal and interest in the respect of loans in the sum of \$40,600,000 to be borrowed by the company from the Bank of Nova Scotia for the purpose of financing the purchase of digital MCTV equipment, consolidating debt obligations to the National Insurance Board and the Value Added Tax Department and assisting with the financing of the 2011 to 2014 capital expenditure programme.





# **Caribbean Broadcasting Corporation**

Additional Information to Financial Statements

**December 31, 2010**

(expressed in Barbados dollars)

# Caribbean Broadcasting Corporation

Index to the Additional Information

For the year ended December 31, 2010

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(expressed in Barbados dollars)

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# Caribbean Broadcasting Corporation

## Statement of Revenue

For the year ended December 31, 2010

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(expressed in Barbados dollars)

	2010 \$	2009 \$
<b>Revenue</b>		
Radio	4,018,714	3,695,152
MCTV	33,782,703	33,615,733
Television	5,264,126	3,437,887
Administration	115	2,472
	<hr/> 43,065,658	<hr/> 40,751,244
<b>Other income</b>		
Gain on disposal of asset	5,450	1,300
Other income	803,903	550,061
	<hr/> 809,353	<hr/> 551,361
	<hr/> 43,875,011	<hr/> 41,302,605

# Caribbean Broadcasting Corporation

Statement of Income and Expenditure - STV/MCTV Department

For the year ended December 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
<b>Income</b>		
Installations	770,095	313,533
Other income	292,367	213,112
Pay per view	304,129	220,048
Reconnections	121,224	147,060
Subscriptions	32,587,168	32,935,091
	<u>34,074,983</u>	<u>33,828,844</u>
<b>Expenses</b>		
Advertising	318	10,941
Bad debt expense	511,125	98,069
Circuitry	32,760	32,785
Depreciation	2,650,089	3,626,300
Installation expenses	1,087,932	(265,479)
General expenses	11,630	1,974
Local travel and entertainment	113	34
Membership dues	5,427	3,366
Office expenses	529,570	541,906
Overseas travel and conferences	19,569	7,103
Performers' (Freelance and Talent) fees	1,400	900
Professional services	665,731	388,420
Programming costs	11,934,787	10,361,370
Rent and accommodation	255,082	119,229
Repairs and maintenance	413,205	233,495
Royalties and rights	36,313	52,836
Staff costs	2,570,753	2,568,706
Training	4,814	2,574
Utilities	350,068	270,052
Vehicle expenses	82,775	84,565
	<u>21,163,461</u>	<u>18,139,146</u>
<b>Operating surplus for the year</b>	<u>12,911,522</u>	<u>15,689,698</u>

# Caribbean Broadcasting Corporation

## Statement of Income and Expenditure - Television Department

For the year ended December 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
<b>Revenue</b>		
Airtime	5,622,002	3,762,921
Commercial production	31,460	29,865
Miscellaneous	220,296	258,757
Programme material	2,530	2,652
	<u>5,876,288</u>	<u>4,054,195</u>
Less: Agency and Rep. Comm.	391,866	357,551
	<u>5,484,422</u>	<u>3,696,644</u>
<b>Expenses</b>		
Advertising	272,864	946,822
Bad debt expense	82,265	54,791
Circuitry	4,347	836
Depreciation	116,361	474,418
General expenses	11,735	9,196
Local travel and entertainment	28,691	17,548
Membership dues	7,304	13,337
Office expenses	285,151	153,402
Overseas travel and conferences	90,109	71,903
Performers' (Freelance and Talent) fees	453,727	516,294
Professional services	289,181	272,269
Programming costs	1,968,441	1,314,242
Rent and accommodation	72,354	36,877
Repairs and maintenance	274,494	596,196
Royalties and rights	238,346	261,188
Staff costs	9,348,149	9,147,194
Training	18,802	9,024
Utilities	224,985	175,332
Vehicle expenses	105,690	75,956
	<u>13,892,996</u>	<u>14,146,825</u>
<b>Operating deficit for the year</b>	<u>(8,408,574)</u>	<u>(10,450,181)</u>

**Caribbean Broadcasting Corporation**  
**Statement of Income and Expenditure - Radio Department**  
**For the year ended December 31, 2010**

(expressed in Barbados dollars)

	2010 \$	2009 \$
<b>Revenue</b>		
Airtime	3,320,972	2,965,941
Commercial production	31,205	21,258
Miscellaneous	40,413	3,500
Programme material	150	-
Obituaries	857,518	931,982
	<u>4,250,258</u>	<u>3,922,681</u>
Less: Agency and Rep. Comm.	191,130	224,029
	<u>4,059,128</u>	<u>3,698,652</u>
<b>Expenses</b>		
Bad debt expense	60,887	84,719
Circuitry	8,564	8,482
Depreciation	73,102	88,721
General expenses	80	113
Local travel and entertainment	11	19
Membership dues	8,591	9,372
Office expenses	5,635	2,052
Overseas travel and conferences	949	-
Performers' (Freelance & talent ) fees	111,150	93,890
Professional fees	15,385	72,158
Programming costs	212,631	236,008
Rent and accommodation	225	1,842
Repairs and maintenance	10,028	36,571
Royalties and rights	133,623	173,643
Staff costs	1,262,605	1,264,648
Utilities	26,111	29,482
Vehicle expenses	9,783	2,821
	<u>1,939,360</u>	<u>2,104,541</u>
<b>Operating surplus for the year</b>	<u>2,119,768</u>	<u>1,594,111</u>

# Caribbean Broadcasting Corporation

## Statement of Income and Expenditure - Administration Department

For the year ended December 31, 2010

(expressed in Barbados dollars)

	2010 \$	2009 \$
<b>Income</b>		
Airtime	115	2,473
Miscellaneous	256,363	75,992
	<u>256,478</u>	<u>78,465</u>
<b>Expenses</b>		
Advertising	3,656	7,772
Bad debts	1,079	38,016
Board fees	26,040	27,620
Circuitry	3,323	1,091
Depreciation	1,221,606	1,347,641
Foreign exchange gain	(698)	98
General expenses	76,894	516,994
Impairment of investment	26,287	—
Insurance	881,056	750,131
Land tax	78,491	138,489
Local travel and entertainment	10,714	25,334
Membership dues	2,436	35,807
Office expenses	582,212	496,511
Overseas travel and conferences	5,881	25,077
Performers' (Freelance and Talent) fees	56,280	176,675
Professional services	539,516	355,740
Rent and accommodation	151,248	96,723
Repairs and maintenance	278,235	384,067
Security	373,031	371,406
Staff costs	7,677,868	7,117,333
Training	23,785	59,812
Utilities	1,171,487	1,063,227
Vehicle expenses	60,809	70,456
	<u>13,251,236</u>	<u>13,106,020</u>
<b>Operating deficit for the year</b>	<u>(12,994,758)</u>	<u>(13,027,555)</u>

# Caribbean Broadcasting Corporation

Prior Year Comparative Analysis

For the year ended December 31, 2010

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(expressed in Barbados dollars)

## YEAR IN REVIEW:

### REVENUE:

#### Highlights

There were positive signs from advertising performance for 2010 which resulted in a growth of 33% when compared to prior year. This contributed an additional income of **BD\$2,225,681.80**. However, it should be noted that this growth stemmed from sports events like the 20/20 world cup and FIFA World Cup Football.

#### Low points

There was no growth from obituaries and MCTV revenues. The lack of growth in MCTV's can be attributed to Hurricane Tomas' impact on the Island and the corporation's slow response to the service calls. The unavailability of service to numerous customers resulted in reduced income. Hence, it is apparent that our customer services require improvement.

Additionally, the rates for MCTV were reduced at the beginning of the year which will result in lesser income for the same level of subscriber base.

Overall, MCTV did well and performed on par to prior year resulting in negative variance of **\$166,970.00**.

The grants received for the financial year under review were less than prior year. GIS advertising had a decline of 57% (**\$3,338,640.68**); Pension had a decline of 61% (**\$3,722,196.00**) being reported in the financial statements 2010.

## CORPORATE EXPENDITURE:

### Highlights

Operating expenses performed positively when compared to prior year by 3% (**\$895,673.80**).

### Low points

Programming costs increased by 17% (**\$2,105,862.3**) when compared to the financial year 2010. This was as a result of the corporation investing in TV8 programming content, increased rates for some of the MCTV channel providers and an increased subscriber base.



# Caribbean Broadcasting Corporation

Prior Year Comparative Analysis ...*continued*

For the year ended December 31, 2010

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(expressed in Barbados dollars)

## CONCLUSION:

The Government of Barbados' Loan will be coming to an end during the first quarter of 2011. As a result, the GIS programming grant will be removed from the profit and loss income statement during the financial year 2011. This will result in a lesser income reported in the future.

It is expected that the contribution(s) from the Government as it pertains to the pension grant will not exceed the performance for 2010.

Noting the above and its impact on the financial loss reported by the Corporation for 2010 of \$5,452,816.43; it is in the corporation's interest to seek alternative means of generating additional streams of unexplored income for the future.

Collectively, these two contributors reported \$7,060,836.68 lesser income when compared to the financial year 2009. This implies that the survival of the Caribbean Broadcasting Corporation hinges on the growth of Sales for advertising exceeding 24% and MCTV revenue by 13%.

However, this must be supported by continued control of the operating expenses when compared to prior year.

It is expected that channel 8 will required an injection of financial support but this can be financially success with a collaborative venture between TV8 and sales in the selection of programming content that can be fruitful in its endeavours.

As the corporation enters the financial year 2011, all efforts should be made to maximize revenue wherever possible.

The success of the corporation depends on management's ability to keep cost to a minimum while maximising profit.