

Caribbean Broadcasting Corporation

Financial Statements

December 31, 2008

(expressed in Barbados dollars)

INDEPENDENT AUDITORS' 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, 2008, and the income statement, 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.

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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 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 auditors' 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 auditors consider 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, 2008, 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 in the financial statements which indicate that as of December 31, 2008 the Corporation has an accumulated deficit of \$75,358,677 its total liabilities exceed its total assets by \$32,777,807. 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.



Chartered Accountants
October 23, 2009
Bridgetown, Barbados

Caribbean Broadcasting Corporation

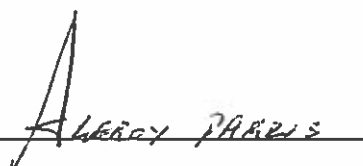
Balance Sheet

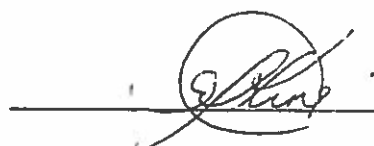
As at December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Assets		
Current assets		
Cash on hand and at bank (note 5)	1,333,041	279,747
Accounts receivable (note 6)	7,899,225	5,609,856
Inventories (note 7)	4,538,904	1,868,806
Prepaid expenses	134,381	926,614
	<u>13,905,551</u>	<u>8,685,023</u>
Property, plant and equipment (note 8)	27,225,343	30,214,541
Available-for-sale financial assets (note 9)	26,287	26,287
	<u>26,287</u>	<u>26,287</u>
Total assets	<u>41,157,181</u>	<u>38,925,851</u>
Liabilities		
Current liabilities		
Bank overdraft (note 5)	2,938,095	2,478,974
Accounts payable and accrued liabilities (note 10)	15,579,526	14,209,410
Current portion of long term loans (note 11)	17,675,000	18,525,000
	<u>36,192,621</u>	<u>35,213,384</u>
Long term loans (note 11)	15,632,227	17,596,988
Pension fund obligation (note 12)	22,110,140	19,889,676
	<u>73,934,988</u>	<u>72,700,048</u>
Equity		
Capital contributed by Government of Barbados (note 13)	30,339,001	30,339,001
Revaluation surplus (note 14)	12,241,869	12,241,869
Accumulated deficit	(75,358,677)	(76,355,067)
	<u>(32,777,807)</u>	<u>(33,774,197)</u>
Total liabilities and equity	<u>41,157,181</u>	<u>38,925,851</u>

Approved by the Board of Directors on October 23, 2009

 Director

 Director

Caribbean Broadcasting Corporation

Statement of Changes in Equity

For the year ended December 31, 2008

(expressed in Barbados dollars)

	Capital contributed by Government of Barbados \$	Revaluation surplus \$	Accumulated deficit \$	Total \$
Balance at December 31, 2006	21,539,281	12,241,869	(75,547,261)	(41,766,111)
Conversion of long-term loan	8,799,720	—	—	8,799,720
Deficit for the year	—	—	(807,806)	(807,806)
Balance at December 31, 2007	30,339,001	12,241,869	(76,355,067)	(33,774,197)
Income for the year	—	—	996,390	996,390
Balance at December 31, 2008	30,339,001	12,241,869	(75,358,677)	(32,777,807)

Caribbean Broadcasting Corporation

Statement of Income

For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Operating revenue (note 15)	46,403,379	46,785,748
Government grant - GIS advertising	4,906,322	5,241,787
Direct expenses (note 17)	(30,495,062)	(33,232,230)
Administrative expenses (note 17)	(17,844,114)	(16,108,455)
Operating surplus	2,970,525	2,686,850
Interest and finance charges	(1,974,135)	(3,494,656)
Income/(deficit) before taxation	996,390	(807,806)
Taxation (note 18)	-	-
Income/(deficit) for the year	996,390	(807,806)

Caribbean Broadcasting Corporation

Statement of Cash Flows

For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Operating activities		
Income/(deficit) before taxation	996,390	(807,806)
Adjustments for:		
Pension expense	2,220,464	1,558,256
Depreciation	6,393,489	8,874,009
Gain on disposal of property, plant and equipment	(22,377)	(14,948)
Interest and finance charges	1,974,135	3,494,656
Operating profit before working capital changes	11,562,101	13,104,167
(Increase)/decrease in accounts receivable	(2,289,369)	498,796
Decrease in prepaid expenses	792,233	1,370,048
(Increase)/decrease in inventories	(2,670,098)	618,888
Decrease/(increase) in accounts payable and accrued liabilities	1,050,437	(1,097,651)
Cash generated from operations	8,445,304	14,494,248
Pension contributions paid	-	(139,371)
Interest and finance charges paid	(1,654,456)	(6,658,933)
Net cash generated from operating activities	6,790,848	7,695,944
Investing activities		
Purchase of property, plant and equipment	(3,404,291)	(3,518,084)
Proceeds from disposal of property, plant and equipment	22,377	14,948
Purchase of available-for-sale financial assets	-	(14,230)
Net cash used in investing activities	(3,381,914)	(3,517,366)
Financing activities		
Long term loan repayments	(2,814,761)	(1,847,738)
Proceeds from borrowings	-	600,000
Net cash used in financing activities	(2,814,761)	(1,247,738)
Net increase in cash and cash equivalents	594,173	2,930,840
Cash and cash equivalents - beginning of year	(2,199,227)	(5,130,067)
Cash and cash equivalents - end of year (note 5)	(1,605,054)	(2,199,227)

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(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 \$75,358,677 during the year ended December 31, 2008 and as of that date liabilities exceeded total assets by \$32,777,807. The ability of the corporation to continue as a going concern is dependent on the continued support of its shareholder.

The Corporation acknowledged the default of the National Insurance loan. However management has been successful in finalizing a balloon payment for the National Insurance loan which is expected to be executed and settled during the financial year 2009.

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.

Standards, interpretations and amendments to published standards effective in 2008

IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction provides evidence on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Corporation's financial statements, as the Corporation is not subject to any minimum funding requirement.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

a) Basis of preparation ...continued

Standards, interpretations and amendments to published standards effective in 2008 ...continued

Management has reviewed the other new standards, amendments and interpretations to published standards that are effective in 2008 but concluded that none are relevant to the Corporation's operations.

They are:

- | | |
|------------------|---|
| IFRIC 11, IFRS 2 | - Group and treasury share transactions |
| IFRIC 12 | - Service concession arrangements |
| IFRIC 13 | - Customer loyalty programmes, operating segments |

Standards, interpretations and amendments to published standards that are not yet effective

The following amendments to existing standards have been published and are mandatory for the Corporation's accounting periods beginning on or after 1 January 2009 or later periods, but the Corporation has not early adopted them:

- | | |
|--------------------|--|
| IAS 1 (Revised) | - Presentation of financial statements |
| IAS 36 (Amendment) | - Impairment of assets |
| IAS 19 (Amendment) | - Employee benefits |
| IAS 16 (Amendment) | - Property, plant and equipment |
| IAS 20 (Amendment) | - Accounting for government grants and disclosure of government assistance |
| IAS 23 (Amendment) | - Borrowing costs |

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

a) Basis of preparation ...continued

Standards, interpretations and amendments to published standards that are not yet effective and may not be relevant for the Corporation's operations

In addition, management has reviewed the new amendments and interpretation to published standards that are not yet effective but concluded that none are likely to be relevant to the Corporation's operations.

They are:

IFRS 1 (Amendment)	- First time adoption of IFRS
IFRS 2 (Amendment)	- Share-based payment
IFRS 3 (Revised)	- Business combinations
IFRS 5 (Amendment)	- Non-current assets held-for-sale and discontinued operations
IFRS 8	- Operating segments
IAS 27 (Revised)	- Consolidated and separate financial statements
IAS 28 (Amendment)	- Investments in associates
IAS 29 (Amendment)	- Financial reporting in hyperinflationary economies
IAS 31 (Amendment)	- Interest in joint ventures
IAS 32 (Amendment)	- Financial instruments: Presentation
IAS 38 (Amendment)	- Intangible assets
IAS 39 (Amendment)	- Financial instruments: Recognition and measurement
IAS 41 (Amendment)	- Agriculture
IFRIC 13	- Customer loyalty programmes
IFRIC 16	- Hedge of a net investment in a foreign operation

b) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

c) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment of these receivables. 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 income. When a trade receivable is uncollectible it is written off the provision account and subsequent recoveries of amounts previously written off are credited to the statement of income in direct and administrative expenses.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

3 Significant accounting policies ...continued

d) Inventories

- i) Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis. 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.
- ii) Inventories of tools are valued using the base stock method. Additions are expensed in the year of purchase.

e) Investments

Investments are classified as available-for-sale and 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 income statement.

f) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least every 3 - 5 years, valuation by external independent valuers less subsequent depreciation for buildings. Any accumulated depreciation is eliminated against 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.

Land is not depreciated. Depreciation is calculated on the straight-line basis, so as to allocate the cost or valuation of property, plant and equipment 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%

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 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 revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against the surplus directly in equity; all other decreases are charged to the statement of income.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(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 income. When revalued assets are sold, the amounts included in revaluation surplus are transferred to retained earnings.

g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings using the effective interest method.

Borrowings 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) Taxation

Taxation expense in the statement of income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Corporation's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In the determination of deferred income tax, the Corporation uses the tax rate that is expected to apply when the asset is realized or liability settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 income.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(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 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 company will comply with attached conditions, if any.

Revenue grants are recognized in the income statement 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

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 income statement.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

4 Critical accounting estimates and judgements

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 item which may have the most effect on the Corporation's financial statements is 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.

5 Cash and cash equivalents

This is comprised of:

	2008	2007
	\$	\$
Cash on hand and at bank	1,333,041	279,747
Bank overdraft	<u>(2,938,095)</u>	<u>(2,478,974)</u>
	<u>(1,605,054)</u>	<u>(2,199,227)</u>

The bank overdraft is guaranteed by a letter of comfort from the Government of Barbados. Interest is charged on the overdraft at the rate of 11.00% (2007 - 9.75%) per annum.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

6 Accounts receivable

	2008 \$	2007 \$
Trade receivables	10,933,242	8,429,385
Less: Provision for impairment	<u>(3,408,016)</u>	<u>(2,864,167)</u>
	7,525,226	5,565,218
Other receivables	<u>373,999</u>	<u>44,638</u>
	<u>7,899,225</u>	<u>5,609,856</u>

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

As at December 31, 2008, receivables of \$6,685,296 (2007 - \$5,846,959) were fully performing. Receivables that are less than 4 months past due are not considered impaired. As at December 31, 2008 receivables of \$660,341 (2007 - \$1,531,539) were past due but not impaired. These relate to customers for whom there is no history of default. The ageing analysis of receivables is as follows:

	2008 \$	2007 \$
Under 4 months	6,685,296	5,846,959
4 to 12 months	660,341	1,531,539
Over 12 months	<u>553,588</u>	<u>1,050,887</u>
	<u>7,899,225</u>	<u>8,429,385</u>

The maximum exposure to credit risk on receivables is the carrying value disclosed above. The Corporation does not hold any collateral security on these receivables.

The movement in the provision for impairment is as follows:

	2008 \$	2007 \$
Balance - beginning of year	2,864,167	2,417,824
Impairment charge	<u>543,849</u>	<u>446,343</u>
Balance - end of year	<u>3,408,016</u>	<u>2,864,167</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

6 Accounts receivable ...continued

The Corporation has recognised a loss of \$543,849 (2007 - \$783,063) for the impairment of its trade receivables during the year. This loss has been included in direct expenses in the income statement and is made up as follows:

	2008 \$	2007 \$
Increase in provision for impairment	543,849	446,343
Trade receivables written off directly to income	—	336,720
	<u>543,849</u>	<u>783,063</u>

7 Inventories

	2008 \$	2007 \$
MCTV boxes, antennae and installation materials	4,266,008	1,776,238
Other	272,896	92,568
	<u>4,538,904</u>	<u>1,868,806</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

8 Property, plant and equipment

	Land and buildings \$	Plant and equipment \$	Motor vehicles \$	Furniture and equipment \$	Total \$
As at December 31, 2006					
Cost	19,378,953	73,970,427	1,941,877	10,420,762	105,712,019
Accumulated depreciation	(905,207)	(59,833,844)	(1,634,923)	(7,767,579)	(70,141,553)
Net book value	18,473,746	14,136,583	306,954	2,653,183	35,570,466
Year ended December 31, 2007					
Opening net book value	18,473,746	14,136,583	306,954	2,653,183	35,570,466
Additions	2,640	2,895,331	—	620,113	3,518,084
Depreciation	(339,886)	(7,088,168)	(253,985)	(1,191,970)	(8,874,009)
Closing net book value	18,136,500	9,943,746	52,969	2,081,326	30,214,541
As at December 31, 2007					
Cost	19,381,593	76,865,758	1,862,489	11,040,875	109,150,716
Accumulated depreciation	(1,245,093)	(66,922,012)	(1,809,521)	(8,959,549)	(78,936,175)
Net book value	18,136,500	9,943,746	52,968	2,081,326	30,214,541

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

8 Property, plant and equipment ...continued

	Land and buildings \$	Plant and equipment \$	Motor vehicles \$	Furniture and equipment \$	Total \$
Year ended					
December 31, 2008					
Opening net book value	18,136,500	9,943,746	52,968	2,081,326	30,214,541
Additions	-	2,651,499	-	752,792	3,404,291
Depreciation	(339,886)	(4,960,456)	(13,067)	(1,080,080)	(6,393,489)
Closing net book value	<u>17,796,614</u>	<u>7,634,789</u>	<u>39,901</u>	<u>1,754,038</u>	<u>27,225,343</u>
As at					
December 31, 2008					
Cost	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	<u>17,796,616</u>	<u>7,634,789</u>	<u>39,900</u>	<u>1,754,038</u>	<u>27,225,343</u>

The Corporation's buildings at Black Rock, St. Michael with a carrying value of \$130,554 (2007 - \$140,061) 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:

	2008 \$	2007 \$
Cost	10,864,531	10,864,531
Accumulated depreciation	<u>(4,973,250)</u>	<u>(4,717,498)</u>
Net book value	<u>5,891,281</u>	<u>6,147,033</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

9 Available-for-sale financial assets

	2008	2007
	\$	\$
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
	<hr/>	<hr/>
	26,287	26,287

10 Accounts payable and accrued liabilities

	2008	2007
	\$	\$
Trade payables	6,106,844	4,556,304
NIS and other taxes	4,334,844	5,853,015
Accrued expenses	1,973,565	955,497
Accrued interest	3,164,273	2,844,594
	<hr/>	<hr/>
	15,579,526	14,209,410

Caribbean Broadcasting Corporation

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December 31, 2008

(expressed in Barbados dollars)

11 Long term loans

	2008 \$	2007 \$
(i) National Insurance Board loan repayable in semi-annual instalments of \$750,000 over 10½ years commencing from the third year of the agreement. Interest is charged at 6.25% per annum.	12,000,000	12,000,000
(ii) Bank of Nova Scotia loan repayable in quarterly instalments of principal of \$215,000 which commenced on October 31, 2007. Interest is charged at 11.25% per annum.	2,755,000	3,615,000
(iii) Government of Barbados loan repayable over a period of 20 years in semi-annual instalments of blended principal and interest commencing October, 2003. Interest at 7.25% per annum plus 1% annual charge on the outstanding balance.	8,652,227	10,606,988
(iv) Bank of Nova Scotia demand loan repayable in full within 18 months of the date of original drawdown. Interest is payable monthly calculated at the bank's base lending rate plus 1¼% interest currently 11.25%.	9,900,000	9,900,000
	<u>33,307,227</u>	<u>36,121,988</u>
Less: Current portion	<u>(17,675,000)</u>	<u>(18,525,000)</u>
Long term portion	<u>15,632,227</u>	<u>17,596,988</u>

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 (iii) above.

The Bank of Nova Scotia demand loan fell due on September 30, 2008. On December 31, 2008, the Corporation entered into a term loan facility of \$10,500,000 at an interest rate of base lending rate plus 1.25% per annum. The loan facility was fully drawn on January 2009.

The Government of Barbados has provided a Comfort Letter in respect of all loans and any interest accrued thereon in respect of (i), (ii) and (iv) above.

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

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, 2006. An interim valuation was carried out at December 31, 2008.

The amounts recognised in the balance sheet are as follows:

	2008 \$	2007 \$
Present value of funded obligation	(24,054,830)	(19,747,333)
Fair value of plan assets	263,741	725,412
	<u>(23,791,089)</u>	<u>(19,021,921)</u>
Unrecognised actuarial losses/(gains)	1,680,949	(867,755)
Pension fund liability	<u>(22,110,140)</u>	<u>(19,889,676)</u>

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

	2008 \$	2007 \$
Net liability at beginning of year	(19,889,676)	(18,470,791)
Contributions paid during year	-	139,371
Net expense recognised in the income statement	<u>(2,220,464)</u>	<u>(1,558,256)</u>
Net liability at end of year	<u>(22,110,140)</u>	<u>(19,889,676)</u>

The amount recognised in the income statement is as follows:

	2008 \$	2007 \$
Current service costs	582,014	528,130
Interest costs	1,534,154	1,426,215
Actuarial gains	(173,551)	(340,019)
Past service cost	309,216	-
Expected return on plan assets	<u>(31,369)</u>	<u>(56,070)</u>
Net pension expense included in staff costs (note 17)	<u>2,220,464</u>	<u>1,558,256</u>
Actual return on plan assets	<u>23,943</u>	<u>48,292</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

12 Pension fund obligation ...continued

The movement in the defined obligation is as follows:

	2008	2007
	\$	\$
Present value of obligation - beginning of year	19,747,333	17,818,807
Interest cost	1,534,154	1,426,215
Current service cost	582,014	528,130
Past service cost - vested benefits	309,216	-
Benefits paid	(485,614)	(510,362)
Actuarial loss on obligation	2,367,727	484,543
	<u>24,054,830</u>	<u>19,747,333</u>

Present value of obligation - end of year

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

	2008	2007
	\$	\$
Fair value of plan assets - beginning of year	725,412	1,048,112
Expected return on plan assets	31,369	56,070
Contributions - total	-	139,371
Benefits paid	(485,614)	(510,362)
Actuarial loss on plan assets	(7,426)	(7,779)
	<u>263,741</u>	<u>725,412</u>

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

Expected contributions for the year ending December 31, 2009 are \$2,443,575. The next full triennial valuation is due on January 1, 2009.

	2008	2007	2006
	\$	\$	\$
Present value of defined benefit obligation	24,054,830	19,747,333	17,818,806
Fair value of plan assets	<u>(263,741)</u>	<u>(725,412)</u>	<u>(1,048,112)</u>
Deficit	<u>23,791,089</u>	<u>19,021,921</u>	<u>16,770,694</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

12 Pension fund obligation ...continued

The principal actuarial assumptions are:

	2008	2007
Discount rate at end of year	7.5%	7.75%
Expected return on assets at end of year	6.5%	6.5%
Future salary increases	2.0%	2.0%
Future pension increases	0.0%	0.0%
Future changes in NIS ceiling	3.5%	3.5%
Percentage of employees opting for early retirement	10.0%	10.0%
Mortality	GAM 94	GAM 94

13 Capital contributed by Government

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.

	2008	2007
	\$	\$
Balance - beginning of year	30,339,001	21,539,281
Conversion of long-term loan to equity	—	8,799,720
Balance - end of year	<u>30,339,001</u>	<u>30,339,001</u>

14 Revaluation surplus

The Corporation's land and buildings at the Pine, St. Michael and Sturges, St. Thomas were revalued by independent real estate valuers in 2005. Valuations were done on the basis of fair market value. The excess of \$12,241,869 of the revaluation over the carrying value of land and buildings has been credited to revaluation surplus.

	2008	2007
	\$	\$
Balance - beginning and end of year	<u>12,241,869</u>	<u>12,241,869</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

15 Revenue

	Television \$	Radio \$	STV & MCTV operations \$	Other \$	2008 \$	2007 \$
Advertising	8,055,830	4,247,190	-	1,656	12,304,676	12,157,311
Agency and representative commission	(963,128)	(421,746)	-	-	(1,384,874)	(1,035,236)
Net advertising revenue	7,092,702	3,825,444	-	1,656	10,919,802	11,122,075
Subscriptions	-	-	33,956,344	-	33,956,344	32,491,727
Other revenue (note 16)	156,276	39,318	1,068,482	263,157	1,527,233	3,171,946
Operating revenue	7,248,978	3,864,762	35,024,826	264,813	46,403,379	46,785,748

16 Other revenue

	Television \$	Radio \$	STV & MCTV operations \$	Other \$	2008 \$	2007 \$
Installations and reconnections	-	-	661,439	-	661,439	1,143,284
Commercial productions and programme materials	6,973	34,914	-	-	41,887	1,128,897
Gain on disposal of property, plant and equipment	20,974	-	1,000	403	22,377	14,948
Pay per view	-	-	205,077	-	205,077	177,563
Miscellaneous	128,329	4,404	200,966	262,754	596,453	707,254
	156,276	39,318	1,068,482	263,157	1,527,233	3,171,946

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

17 Expenses by nature

	2008	2007
	\$	\$
Advertising	604,836	298,462
Staff costs	17,844,114	16,369,065
Depreciation	6,393,489	8,874,009
Charge for impairment of receivables	543,849	783,063
Local and imported programmes	13,574,951	13,670,868
Royalties and rights	688,428	898,810
Other expenses	8,689,509	8,446,408
Total direct and administrative expenses	<u>48,339,176</u>	<u>49,340,685</u>
Staff costs		
Salaries, wages and allowances	13,733,062	12,609,954
National insurance	1,112,510	1,062,706
Pension costs	2,220,464	1,558,256
Other	778,078	1,138,149
	<u>17,844,114</u>	<u>16,369,065</u>
Number of persons employed	<u>260</u>	<u>263</u>

18 Taxation

The tax on deficit before taxation differs from the theoretical amount that would arise using the basic rate of corporation tax for the following reasons:

	2008	2007
	\$	\$
Profit/(deficit) before taxation	<u>996,390</u>	<u>(807,806)</u>
Tax calculated at tax rate of 25% (2007 - 25%)	249,098	(201,952)
Expenses not deductible for tax purposes	84,972	84,972
(Decrease)/increase in deferred tax asset not recognised	(284,047)	165,748
Tax effect of commercial building allowance	(50,000)	(48,750)
Prior year over provision - deferred tax	(23)	(18)
	<u>-</u>	<u>-</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

18 Taxation ...continued

The potential deferred tax asset that has not been recognized is comprised of the following:

	2008	2007
	\$	\$
Delayed tax depreciation	40,892,614	48,567,598
Unutilized tax losses (note 19)	10,525,815	6,751,332
Taxed provisions	3,408,016	2,864,167
Pension liability	22,110,140	19,889,676
	<u>76,936,585</u>	<u>78,072,773</u>
Deferred tax asset at 25% (2007 - 25%)	<u>19,234,146</u>	<u>19,518,193</u>

19 Tax losses

The following tax losses are available for set off in the future against otherwise taxable income for corporation tax purposes. They 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	2,588,122	6,810	2,594,932	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
	<u>6,751,332</u>	<u>3,774,483</u>	<u>10,525,815</u>	

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

20 Commitments and contingencies

a) Commitments

At December 31, 2008 the Corporation was committed to the rental of television programmes and broadcast rights in the amount of \$3,472,531 (2007 - \$299,083).

b) Contingencies

- i) There are pending litigations 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.
- ii) There are guarantees held by the Bank of Nova Scotia for \$105,306 on behalf of Comptroller of Customs and US\$300,000 (2007 - US\$600,000) on behalf of Nagravision for the supply of set top boxes.

21 Related party transactions

Key management compensation

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

	2008	2007
	\$	\$
Salaries and other short term benefits	1,249,705	1,721,886
Post employment benefits	91,450	41,545
Directors' fees	15,400	20,680
	<u>1,356,555</u>	<u>1,784,111</u>

Caribbean Broadcasting Corporation

Notes to Financial Statements

December 31, 2008

(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

a) Foreign exchange risk

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

The Corporation's maximum exposure to credit risk is indicated by the carrying value of its financial assets. Credit risk on accounts receivable is not considered to be significant, as provisions are made for the non-recovery of any balances. Cash, cash equivalents and short term deposits are placed with reputable financial institutions.

c) Interest rate risk

The Corporation has no interest bearing assets. Interest rate risk arises from borrowings at variable interest rates which exposes the Corporation to cash flow risk. A substantial portion of the Corporation's borrowings is at fixed interest rates from Government and Quasi-Government entities, which minimises this risk. The Corporation is however exposed to fair value interest rate risk on the fixed interest loans.

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

At the reporting date, the interest profile of the Corporation's interest bearing financial instruments was:

	2008	2007
Fixed rate instruments		
Financial liabilities	<u>20,652,227</u>	<u>22,606,988</u>
Variable rate instruments		
Financial liabilities	<u>12,655,000</u>	<u>15,993,974</u>

Caribbean Broadcasting Corporation

Additional Information to Financial Statements

December 31, 2008

(expressed in Barbados dollars)

Caribbean Broadcasting Corporation

Statement of Revenue

For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Revenue		
Radio	3,860,358	4,324,980
MCTV	34,822,860	34,079,331
Television	7,099,675	7,925,377
Administration	1,656	—
	<u>45,784,549</u>	<u>46,329,688</u>
Other income		
Gain on disposal of asset	22,377	14,948
Other income	596,453	441,112
	<u>618,830</u>	<u>456,060</u>
	<u>46,403,379</u>	<u>46,785,748</u>

Caribbean Broadcasting Corporation

Statement of Income and Expenditure - STV/MCTV Department

For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Income		
Installations	456,513	643,262
Other income	201,966	266,757
Pay per view	205,077	177,563
Reconnections	204,926	500,022
Subscriptions	33,956,344	32,491,727
	<u>35,024,826</u>	<u>34,079,331</u>
Expenses		
Advertising	4,842	564
Bad debt expense	385,501	436,086
Circuitry	21,884	9,472
Depreciation	4,392,723	5,795,868
Installation expenses	679,105	1,180,130
General expenses	1,652	—
Insurance	800	—
Local travel and entertainment	4,036	715
Membership dues	1,103	—
Office expenses	412,431	368,600
Overseas travel and conferences	—	24,854
Performers' (Freelance & Talent) fees	44,117	20,087
Professional services	351,967	79,909
Programming costs	9,938,115	10,618,092
Rent and accommodation	110,558	111,998
Repairs and maintenance	44,278	501,815
Staff costs	2,377,248	2,183,569
Training	—	4,193
Utilities	336,661	77,795
Vehicle expenses	61,369	76,892
	<u>19,168,390</u>	<u>21,490,639</u>
Operating surplus for the year	<u>15,856,436</u>	<u>12,588,692</u>

Caribbean Broadcasting Corporation
Statement of Income and Expenditure - Television Department
For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Revenue		
Airtime	8,055,830	8,466,669
Commercial production	5,454	620
Miscellaneous	149,303	19,385
Programme material	1,519	227,218
	<hr/>	<hr/>
	8,212,106	8,713,892
Less: Agency and Rep. Comm.	963,128	768,515
	<hr/>	<hr/>
	7,248,978	7,945,377
Expenses		
Advertising	558,933	320
Bad debt expense	112,610	226,731
Circuitry	743	258
Depreciation	502,202	1,201,663
General expenses	3,733	-
Local travel and entertainment	30,076	22,007
Membership dues	21,508	-
Office expenses	129,565	92,539
Overseas travel and conferences	136,493	81,734
Performers' (Freelance & Talent) fees	538,401	85,756
Professional services	209,871	279,965
Programming costs	3,472,531	3,023,010
Rent and accommodation	69,624	47,133
Repairs and maintenance	278,246	310,676
Royalties and rights	566,330	619,615
Security	6,428	-
Staff costs	8,108,386	3,743,306
Training	13,963	10,820
Utilities	173,391	66,560
Vehicle expenses	37,638	46,520
	<hr/>	<hr/>
	14,970,672	9,858,613
Operating deficit for the year	<hr/> (7,721,694)	<hr/> (1,913,236)

Caribbean Broadcasting Corporation
Statement of Income and Expenditure - Radio Department
For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008 \$	2007 \$
Revenue		
Airtime	3,340,432	3,690,642
Commercial production	17,930	649
Miscellaneous	4,404	-
Programme material	16,984	-
Obituaries	906,758	900,410
	<u>4,286,508</u>	<u>4,591,701</u>
Less: Agency and Rep. Comm.	421,746	266,721
	<u>3,864,762</u>	<u>4,324,980</u>
Expenses		
Advertising	-	9,287
Bad debt expense	40,747	108,700
Circuitry	7,768	7,712
Depreciation	137,301	188,481
General expenses	32	-
Local travel and entertainment	3,190	70
Membership dues	10,353	-
Office expenses	12,599	35,062
Overseas travel and conferences	18,264	1,264
Performers' (Freelance & talent) fees	66,088	41,977
Professional fees	53,286	131,362
Programming costs	164,305	29,677
Rent and accommodation	1,706	2,055
Repairs and maintenance	16,884	21,025
Royalties and rights	122,098	279,395
Staff costs	1,375,874	978,488
Training	1,550	-
Utilities	31,794	37,078
Vehicle expenses	2,889	11,475
	<u>2,066,728</u>	<u>1,883,108</u>
Operating surplus for the year	<u>1,798,034</u>	<u>2,441,872</u>

Caribbean Broadcasting Corporation

Statement of Income and Expenditure - Administration Department

For the year ended December 31, 2008

(expressed in Barbados dollars)

	2008	2007
	\$	\$
Income		
Airtime	1,656	-
Miscellaneous	263,157	-
	<u>264,813</u>	<u>-</u>
Expenses		
Advertising	41,061	288,291
Bad debts	4,991	11,546
Board fees	15,290	20,680
Circuitry	1,462	45,103
Depreciation	1,361,263	1,687,997
Foreign exchange gain	(8,680)	(35)
General expenses	349,716	1,890
Insurance	744,106	810,867
Land tax	149,096	121,489
Local travel and entertainment	67,307	96,816
Membership dues	8,874	201,098
Office expenses	522,040	237,097
Overseas travel and conferences	36,096	30,123
Performers' (Freelance & Talent) fees	208,300	103,460
Professional services	395,162	428,918
Programming costs	-	89
Rent and accommodation	127,729	124,352
Repairs and maintenance	256,010	723,406
Security	450,138	416,899
Staff costs	5,982,606	9,463,682
Training	29,109	72,239
Utilities	1,311,904	1,159,127
Vehicle expenses	79,806	63,321
	<u>12,133,386</u>	<u>16,108,455</u>
Operating deficit for the year	<u>(11,868,573)</u>	<u>(16,108,455)</u>