



ÚDARÁS
CRAOLACHÁIN
NA hÉIREANN

BROADCASTING
AUTHORITY
OF IRELAND

ANNUAL REPORT AND ACCOUNTS 2010



The Broadcasting Authority of Ireland was established on 1st October 2009.

Further to Section 38 of the Broadcasting Act 2009, the Broadcasting Authority of Ireland shall make a report to the Minister on the performance of its objectives, functions and its activities during the preceding year.

This report covers the period of 1st January 2010 to 31st December 2010.

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Highlights

- The BAI Strategy Statement 2011-2013 was completed and published in December following extensive consultation with stakeholders throughout the year.
- The first review of public funding of both RTÉ and TG4 was completed and the report submitted to the Minister for Communications, Energy and Natural Resources at the end of December 2010.
- Funded through the BAI Broadcasting Funding Scheme, the animation project "*The Secret of Kells*" was nominated for an Oscar at the 2010 Academy Awards. During the year the Scheme offered over €9.1million in funding towards the production of 259 television and radio projects.
- Through the introduction of revised codes on General and Children's Commercial Communications, the BAI gave legal effect to the requirement to transpose into Irish law new European television regulations included in the Audiovisual Media Services Directive (AVMS). The BAI also revised the Rules on Daily and Hourly Advertising Limits to assist broadcasters to continue to provide quality programming to Irish audiences.
- The Levy was implemented and three financial statements were completed (BCI, BAI and Broadcasting Funding Scheme).
- Sectoral Impact Assessments on proposed new public service channels by RTÉ were also completed and a report submitted to the Minister.
- A total number of 623 complaints were processed during the year.
- Through the effective and efficient operation of the Authority and the two Statutory Committees, supported by the Executive, the BAI completed its first full year in operation.

Background, Functions and Objectives of the Authority, including an overview and remit of each Statutory Committee.

The Broadcasting Authority of Ireland ("BAI") was established on the 1st October 2009 and is responsible for a number of key areas of activity with regard to television and radio services in Ireland further to the provisions of the Broadcasting Act 2009 ("the Act"). The BAI incorporates work previously undertaken by the Broadcasting Commission of Ireland ("BCI") and the Broadcasting Complaints Commission ("BCC").

The BAI consists of an Authority and two Statutory Committees which support its work; namely the Contract Awards Committee and the Compliance Committee. The objectives and functions of the Authority and committees are set out under Sections 25 to 28 of the Act.

Objectives of the BAI:

The objectives of the Authority and Statutory Committees are set out in Section 25(1) of the Act. In performing their functions, the Authority and statutory Committees shall endeavour to ensure –

- (a) *"that the number and categories of broadcasting services made available in the State by virtue of this Act best serve the needs of the people of the island of Ireland, bearing in mind their languages and traditions and their religious, ethical and cultural diversity;"*
- (b) *"that the democratic values enshrined in the Constitution, especially those relating to rightful liberty of expression, are upheld;*
- (c) *"the provision of open and pluralistic broadcasting services."*

Section 25(2) of the Act further expands:

Without prejudice to the generality of subsection (1), the Authority, and the statutory committees, shall -

- (a) *Stimulate the provision of high quality, diverse and innovative programming by commercial, community and public service broadcasters and independent producers,*
- (b) *Facilitate public service broadcasters in the fulfilment of their public service objects as set out in the Act,*
- (c) *Promote diversity in control of the more influential commercial and community broadcasting services,*
- (d) *Provide a regulatory environment that will sustain independent and impartial journalism,*
- (e) *Protect the interests of children taking into account the vulnerability of children and childhood to undue commercial exploitation,*

- (f) Promote and stimulate the development of Irish Language programming and broadcasting services,*
- (g) Provide a regulatory environment that will facilitate the development of a broadcasting sector in Ireland that is responsive to audience needs and in particular is accessible to people with disabilities, and*
- (h) Promote and stimulate the development of Irish language programming and broadcasting services.*

Section 25(3) of the Act requires that in performing its functions, the Authority and statutory committees seek to ensure that measures taken -

- (a) Are proportionate having regard to the objectives set out in this section,*
- (b) Are applied across the range of broadcasting services taking account of the degree of influence that the different types of broadcasting services are able to exert in shaping audience views in the State,*
- (c) Are mindful of objects, functions and duties set for public service broadcasters in Parts 7 and 8 of the Act,*
- (d) Will produce regulatory arrangements that are stable and predictable, and*
- (e) Will readily accommodate and encourage technological development, and its application, by the broadcasting sector.*

The principal functions of the Authority and statutory committees are set out from Sections 26 to 28 of the Act. In the case of the Authority, these include the preparation of a strategy for the provision of broadcasting services; the preparation of a three-year strategy statement; the making of a levy order; the preparation of codes and rules and a scheme for the exercise of a right of reply; an advisory and guidance role in respect of public service broadcasters, including the making of recommendations in respect of public funding; the implementation of schemes for the granting of funds and the operation of a range of ancillary functions.

The Contract Awards Committee is responsible for the operation of application processes for broadcasting services and multiplex operations.

The Compliance Committee is responsible for the monitoring and enforcement of compliance, the investigation of complaints and a number of reporting functions.

Membership of the Authority and the Statutory Committees, including attendance.

Section 8 of the Act sets out the appointment procedures of the Authority, Contract Awards and Compliance Committees.

Authority:

The Authority has nine members. Five of these were appointed by the Government on the nomination of the Minister. The remaining four members were appointed in February 2010 by the Government on the nomination of the Minister having regard to the advice of, and nominations of, the Joint Oireachtas Committee on Communications, Energy and Natural Resources.

BAI Authority Members at 31st December 2010:



Mr. Bob Collins
(Chairperson)

Chief Commissioner of
the Northern Ireland Equality
Commission and a former
RTÉ Director-General



Mr. Larry Bass

CEO
Screentime ShinAwiL



Ms. Paula Downey

Partner at Downey Youell
Associates, creators of
CultureWork



Professor Colum Kenny

Lecturer, DCU



Dr. Maria Maloney

A lawyer and a former
representative for
Northern Ireland on the
UK Independent Television
Commission (London)



Ms. Michelle McShortall

Chief Learning Architect with Intuition, a knowledge services company that helps clients grow and share knowledge across their organisation.



Mr. Michael Moriarty

General Secretary
Irish Vocational
Education Association



Ms. Siobhán Ní Ghadhra

Head of Production,
Telegael Teo



Mr. John Waters

Author and Journalist

There were 11 Authority meetings held during 2010, attended as follows:

Meetings attended	
Mr. Bob Collins (Chairperson)	11
Mr. Larry Bass*	10
Ms. Paula Downey	10
Professor Colum Kenny*	10
Ms. Michelle McShortall	9
Dr. Maria Maloney	8
Mr. Michael Moriarty*	9
Ms. Siobhán Ní Ghadhra*	8
Mr. John Waters	11

**appointed February 2010*

Contract Awards Committee:

The Contract Awards Committee has eight members. Four of these members were appointed by the Government on the nomination of the Minister. The remaining four appointments were made by the Authority comprising of two members of the Authority and two members of the BAI Executive.



Ms. Siobhán Bourke
(Chairperson)

Director of Saffron Pictures
and the Irish Theatre Institute



Mr. David Barniville SC
Barrister-at-law



Mr. Neil Leyden

Chairperson of the
Digital Media Forum



Ms. Eimear McGovern
CFO of Thirdforce plc.

Authority Nominees:

Mr. Michael Moriarty
Professor Colum Kenny

BAI Staff Nominees:

Ms. Celene Craig
Ms. Anne O'Brien

The Contract Awards Committee met six times during 2010.

Meetings Attended

Committee Member	Meetings Attended in 2010
Ms. Siobhán Burke (Chairperson)	6
Mr. David Barnville, Abhcóide Sinsearach	6
Mr. Neil Leyden	6
Ms. Eimear McGovern	6
Ms. Paula Downey	0 (Replaced in April 2010)
Professor Colum Kenny	3 (Appointed in April 2010)
Dr. Maria Moloney	1 (Replaced in April 2010)
Mr. Michael Moriarty	4 (Appointed in April 2010)
Ms. Celene Craig	4 (Appointed in April 2010)
Ms. Anne O'Brien	4
Mr. Neil O'Brien	2 (Replaced in April 2010)

Compliance Committee:

The Compliance Committee has eight members. Four of these members were appointed by the Government on the nomination of the Minister. The remaining four appointments comprise of two members of the Authority and two members of the BAI Executive.



Professor Chris Morash
(Chairperson)

Head of the School of English,
Media and Theatre Studies
at NUI Maynooth, where he
founded the Centre for
Media Studies



Ms. Aidine O'Reilly

Managing Director of
Real Event Solutions



Ms. Edel Hackett

Communications Consultant



Ms. Paula Mullooly

Partner at Simon
McAleese, Solicitors

Authority Nominees

Mr. John Waters
Ms. Paula Downey

BAI Staff Nominees

Dr. Ciarán Kissane
Mr. Neil O'Brien

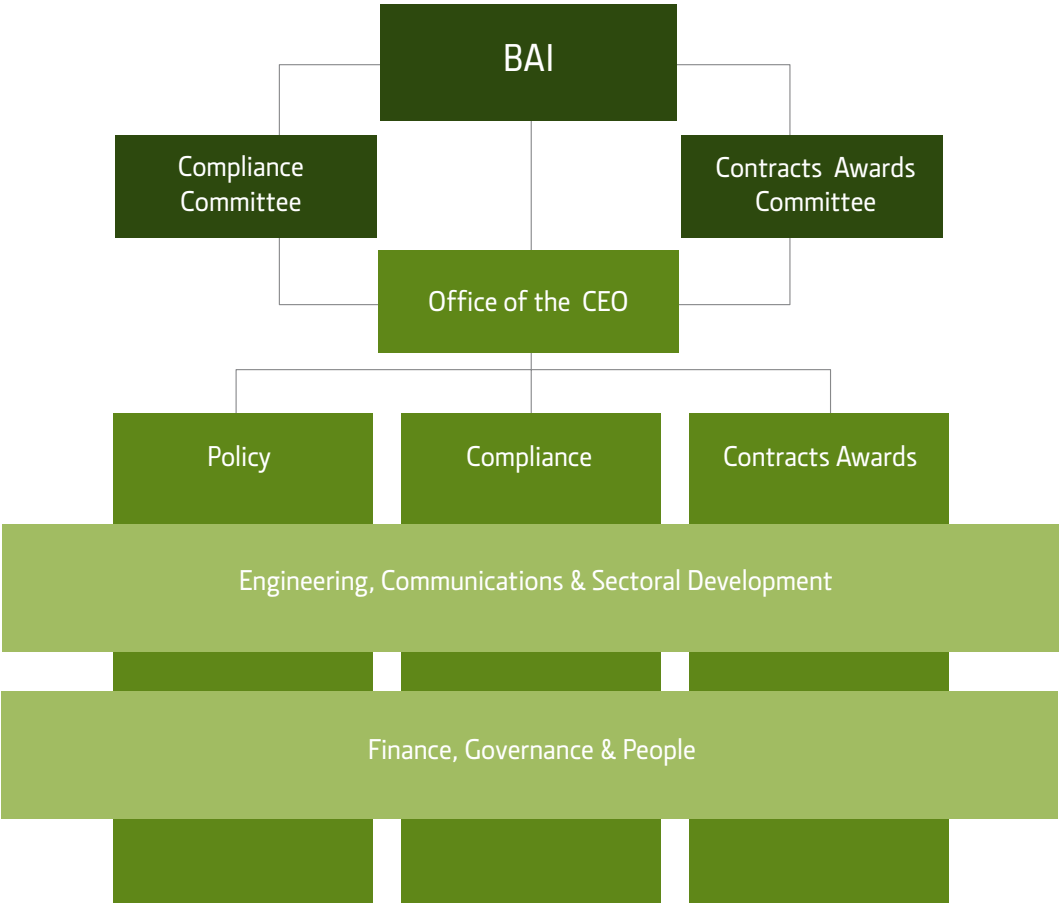
There were 10 meetings of the Compliance Committee held during 2010, attended as follows:

Meetings Attended

Committee Member	Meetings Attended in 2010
Professor Chris Morash (Chairperson)	10
Michelle Mc Shortall* (replaced in April)	3
Mr. John Waters	8
Ms. Paula Downey* (appointed in April)	3
Ms. Aidine O'Reilly	9
Ms. Edel Hackett	9
Ms. Paula Mullooly* (appointed in March)	8
Ms. Celene Craig* (replaced in March)	3
Dr. Ciarán Kissane	9
Mr. Neil O'Brien* (appointed in March)	7

Organisational Structure and Staff of the BAI.

The Authority has an Executive staff of 30 full time and 7 part time staff. The organisational structure of the Executive is represented in the following diagram:



The work of the Authority is guided by the Office of the Chief Executive and supported by a strategic management team. The BAI operates a matrix structure. Staff work flexibly across all areas of activity according to business need. This allows for the effective and efficient deployment of resources where they are needed.

A list of all staff is outlined below:

Members of the Executive:

Office of the CEO: Michael O'Keeffe **Chief Executive**
Celene Craig **Deputy Chief Executive**

Senior Managers: Stephanie Comey, Anne O'Brien, Neil O'Brien,
Ciarán Kissane, Margaret Tumelty

Managers: Diarmaid Breathnach, Aoife Clabby, Brian Furey,
Sally Kennedy, Declan Mc Loughlin, Clare O'Sullivan,
Ruth-Blandina Quinn, Andrew Robinson, Roger Woods

Executive and Clerical Support Staff: Jill Caulfield, Rachel Casey, Gillian Collins, Philip Cooper,
Jean Crampton, Tim Flynn, Teresa Kearns, Patricia Kelly,
Joanna Laskowska, Louise Mc Loughlin, Marie Murphy,
Sinead Owens, Jessica Scott, Sarah Traynor

Monitoring Staff: Barry Casey, Simon Conneally, Andrea Leonard,
Deborah Molloy, Fionnuala Murphy, Annette Stone,
Jeanne Spillane

Chairperson's Statement

The year 2010 was the first full year in the life of the Broadcasting Authority of Ireland and, a few months into the year, it saw the welcome completion of the membership of the Authority with the appointment of the four members who had been nominated by the Joint Oireachtas Committee. The early months of its existence had been something of a conundrum for the initial five members of the Authority who were conscious of the statutory requirements to act but wished to ensure that the full membership that the law envisaged would be available to determine issues of strategic import. I believe a good balance was struck. The statutory committees in respect of Compliance and Contract Awards also became, in their turn, fully operational during the year. They engaged in their respective ways with the responsibilities that the statute lays down for them.

In my foreword to the report on the period to 31 December 2009, I noted the distress caused by the lack of progress in relation to the advancement of commercial DTT. That distress grew in the period under review and despite the best efforts of the Authority and the Executive no progress was possible. The Authority was disappointed that its attempt to encourage the parties, whose negotiations had stalled, to agree to mediation was not acceptable to both. Because the applicant was unable to satisfy the BAI that it could bring forward the service it had contracted to provide, the Authority felt compelled to withdraw the contract from it. The only remaining applicant declined an invitation to become involved in the project.

There was intense disappointment on the part of the Authority that commercial DTT would not be an integral part of the new developments from the outset. The Authority conveyed to the Minister its clear views on the future development of DTT including its conviction that a means must be provided whereby it has a formal and statutory engagement with the network provider as well as with the contractor.

Later in the year the BAI was happy to respond to a request from the Minister to undertake a sectoral impact assessment of RTÉ's digital service proposals and to contribute to the Minister's public value review of these proposals. While welcoming the progress that was subsequently made towards the launch of the Public Service multiplexes operated by RTÉ, the Authority continues to be of the view that an early renewed approach to introducing a commercial dimension to the digital services offered to the audience will be an important means of ensuring diversity of programme sources and of encouraging an increased range of Irish-made content.

Among the tasks set for the Authority by the legislation is the preparation of a Statement of Strategy and a Broadcasting Services Strategy. These are no mere formalities to address some administrative tidiness. They are among the most significant long-term decisions that the current Authority will take. The development of the Statement of Strategy for the 2011-2013 period was concluded in December and presented an opportunity for the Authority to make a clear and unambiguous statement of its approach to its responsibilities, of its view of the social and cultural importance of broadcasting in our society, of its commitment to the public purpose that all broadcasting serves and of its insistence that plurality of providers and diversity of content will be the touchstone for broadcasting development.

Work had commenced at executive level on the Broadcasting Services Strategy which will set out the range of services (additional to the public broadcasting services) that the Authority believes is appropriate for Ireland.

The Authority continued to be acutely conscious of the economic environment and the impact it has for all broadcasters. Enormous credit is due to public and commercial broadcasters for the innovative and imaginative way in which they have responded to the downturn, ensuring continuity of services to audiences while dealing with, in some cases, substantial reductions in revenue. While firmly of the view that the current circumstances cannot determine its long-term approach, the Authority responded sympathetically to a number of broadcasters in facilitating measures to cope with the stark realities that confronted them. To the extent that such measures involved adjustments to programme commitments, they are temporary in character and will be reviewed regularly so as to return to the fullest services as soon as possible.

The BAI is also conscious of its own responsibilities and has managed its finances prudently and sensitively. The Authority greatly appreciated the responsible manner in which broadcasters responded to the levy funding arrangements that the 2009 Act requires. In almost all cases, payments were made in full and on time. As the law requires the Authority prepared a three-year budget which reflected its careful approach to expenditure. It would be remiss not to note that the moratorium on recruitment has had its consequences; and the capacity to engage the range of skills to deal properly with the new responsibilities that the legislation places on the BAI has not been available to the Authority.

The year under review saw the beginning of the Authority's engagement with the two public service broadcasters, RTÉ and TG4, on the review of their Statements of Commitments and on the evaluation of the adequacy of their public funding. This statutory role will be a continuing and central part of the Authority's work and the initial shared engagements will help to ensure that a firm foundation will have been laid for the future. It is one of the very significant responsibilities placed on the Authority and is a valuable mechanism for the public broadcasters to set out their commitments, their achievements and their views on the future shape of their funding requirements.

The Sound and Vision Fund represents that part of television licence revenue that comes within the responsibility of the BAI. Its introduction was a very important initiative when taken by the government in 2002 and, whatever views there may have been at the time, there can be few who doubt the efficacy of the scheme in practice. It has resulted in the production of a range of high quality radio and television programmes. The vast majority of the money goes directly to independent producers rather than broadcasters (other than in the community sector) but their schedules – and their audiences' enjoyment – are greatly enhanced as a result of the output of the independent producers whose work the fund encourages and sustains. It is entirely proper that a fund that is part of the charge on every household in the state should be returned to those households through the wide range of programme content to which, as a result, they have access. The Authority will shortly begin a comprehensive review of the operation of the scheme, subject to the Irish law and European disciplines that govern it.

Among the other areas of significance in this first full year for the BAI were the alteration of advertising limits for commercial television broadcasters; the development of a Right of Reply scheme; the publication of preliminary rules in relation to product placement; the initiation of a comprehensive review of advertising and other commercial communications to children; and the preparation of guidance on the format of a Code of Fair Trading that will serve to guide the relations between public service broadcasters and independent producers.

All of this work has significance. All of it will, in one way or another, have an impact on the services available to audiences in Ireland. In approaching its work the Authority will continue to offer broadcasters a regulatory environment that is fair and strategically focussed; will offer assurance to the public in respect of the compliance of broadcasters with their obligations and in respect of the processes by which contracts are awarded; and will ever be guided by the commitment to the public purpose it serves.

Bob Collins
Chairperson

CEO Review.

Following the establishment of the Authority in October 2009, the priority for the remainder of that year was getting systems up and running with particular emphasis on key financial and corporate governance requirements. 2010 was the first full year of operations for the Authority and its Statutory Committees, which was extremely busy in a whole range of areas.

This report and accounts details the activities of the BAI throughout 2010. The work programme for the year was wide ranging, with the implementation of the new statutory functions covering a range of activities in the areas of policy, compliance and contract awards, and continued focus on financial and corporate governance to ensure the effective operation of the Authority and its Committees. A key focus of the new Authority in all developments was on the maximisation of stakeholder engagement.

Four new Authority Members were appointed in March and the Contract Awards Committee held its first meeting in January. Significant work was undertaken early in the year in the area of corporate governance including the development of a risk management framework and implementation plan and the provision of workshops for Authority and Committee Members on their duties and responsibilities in the area of governance.

Operationally, the Authority also continued to put in place the necessary policies and procedures for the BAI to be self-financing. The BAI Levy Scheme was implemented in early 2010 and the Authority ensured clear and effective budgeting processes and procedures were in place to produce expenditure forecasts which are reliable, accurate and transparent. A major piece of work in this area covering the BCI, BAI and Broadcasting Funding Scheme was the completion of three separate financial statements for 2009.

The development of the BAI's three-year Strategy Statement was the most important activity undertaken during the year. The document, which was completed in December, offers an outline of what the Authority hopes to achieve over the next three years. The priority is to make sure that Irish audiences can enjoy high quality and innovative indigenous broadcasting content. The Strategy sets out the BAI's mission to regulate, to shape and to support the broadcasting environment, so that broadcasting reflects Ireland's diverse and democratic nature. The Statement also outlines a range of strategic goals and objectives to be achieved over the lifetime of the Strategy. These goals and objectives will shape yearly work plans for the organisation.

A key priority in 2010 was the development and revision of a range of new codes and rules. In May, the BAI gave legal effect to the requirement to transpose into Irish law new European television regulations included in the Audiovisual Media Services Directive through the introduction of revised codes on General and Children's Commercial Communications. A proposal to increase the permitted daily and hourly advertising limits on commercial television was approved following public consultation in July.

Another key feature of the Act was the introduction of new areas of responsibility for the BAI in the context of the regulation of public service broadcasters. During 2010, two major pieces of work were completed in this regard; the first review of public funding of both RTÉ and TG4 was completed and a report with recommendations was sent to the Minister for Communications, Energy and Natural Resources in December. The second major piece of work was a request from the Minister to undertake a sectoral impact assessment of a number of new channels proposed by RTÉ to be carried on the RTÉ DTT multiplex. The Minister also requested the BAI to input into the public value review of these services. This was a significant exercise both from a resources and timeframe perspective.

The BAI continued to award grants for the making of programmes to broadcasters and independent producers under the Sound & Vision Scheme. The annual value of the fund was increased to 7% of the TV Licence fee, equating to just under €14million per annum. Programmes emerging from the scheme continued to attract acclaim from both a critical and audience perspective.

Licensing activity was relatively quiet in 2010 although this will change in 2011 when the Broadcasting Services Strategy and subsequent licensing plan will be developed. There was activity in the area of contractual variation and modifications primarily around programming and ownership and control.

The BAI implemented a monitoring, compliance and complaints regime for Irish broadcasting in line with the provisions of the Act. This was done through the combined work of the Compliance Committee and the Executive, as detailed in this report. Sectoral development work continued in 2010 through sponsorship, research and community broadcasting support schemes, as well as continued funding of relevant networks.

The BAI continues to play a central role in the process for the switchover from analogue to digital television in Ireland. While the commercial DTT project ended in disappointment, with no applicants in a position to conclude contracts for a variety of reasons, the BAI worked closely with the steering group established by the Department of Communications, Energy and Natural Resources in this area. The primary objectives of establishing a free-to-air multiplex to be operated by RTÉ in 2011 and the switch off of analogue television in 2012 were significantly advanced. Meetings with the UK/Ireland analogue switch-off ("ASO") group continued during 2010 and are expected to intensify throughout 2011 as we move closer to ASO which is scheduled for October 2012 in both the Republic of Ireland and Northern Ireland.

The achievement of the BAI's objectives in 2010 would not have happened without the strong support of the Executive and staff of the organisation. Like many other public sector bodies, the BAI has seen reductions in the resources available and, indeed, we now have less staff than existed within the BCI (which had less statutory responsibilities). In order to address this issue, the organisation continues to implement a matrix structure with emphasis placed on enhancing internal processes and procedures to enable maximum efficiency in the use of resources.

This included the development of an I.T. strategy specifically addressing the requirement to deliver efficiencies in terms of staff utilisation, with work commencing on delivering this functionality in 2011. The BAI also strongly supports the implementation of the Croke Park Agreement (Public Service Agreement 2010 – 2014) on transforming the public service.

I would like to express my appreciation to the continued support and commitment of the Executive and staff towards the achievement of the BAI organisational objectives. Their contribution is valued enormously.

Michael O’Keeffe
Chief Executive

Policy and Codes & Standards activities, including a report by the Authority on the performance of its functions.

The Authority

The Authority has overall responsibility for the operation and functioning of the BAI, which includes setting the strategic direction of the organisation. In advance of the completion of its first Strategy Statement, the Authority adopted a range of strategic objectives for 2010, reflecting its range of statutory functions, duties and obligations.

Central to the Authority's role is the development of policy. Key functions in this respect include the preparation of a Broadcasting Services Strategy, the development and implementation of Codes and Rules for standards in broadcasting (both programming and commercial communications), and the preparation and implementation of schemes for the granting of funds under the Broadcasting Funding Scheme. Protecting public investment in public service broadcasting by increasing and strengthening the transparency and accountability of public service broadcasters in their use of public funds is also a vital part of the Authority's role under Irish and European legislation.

The Authority received its full complement of members by February 2010, with four appointments by Government on the nomination of the Minister for Communications, Energy and Natural Resources and the advice of the Joint Oireachtas Committee on Communications, Energy and Natural Resources. The Authority met eleven times during the period under review, having agreed procedures for the regulation of its meetings through the adoption of standing orders.

Key activities undertaken in 2010 included: development and completion of the BAI's Strategy Statement 2011-2013; a range of activities in respect of public service broadcasting; transposition of elements of the European Audio Visual Media Services (AVMS) Directive; a review of the daily and hourly advertising limits; the drafting of a statutory Right of Reply Scheme; and a Code on Coverage of Elections.

The Authority provided for the financing of the organisation through the adoption of a statutory Levy Order. The development and implementation of new financial management and corporate governance policies and procedures were also a priority during the period and central to the achievement of the Authority's objectives in this regard was the establishment of its Finance, Audit and Risk Committee.

Strategy Statement 2011-2013

Strategy Statement was completed. The work was informed by a number of activities, including extensive consultation with stakeholders and an economic and environmental review commissioned by the Authority and undertaken by Athena Media. The Statement outlines what the Authority hopes to achieve over the three-year period covered by the Strategy, with the overarching aim of ensuring that Irish audiences enjoy high quality and innovative indigenous broadcasting content which reflects the democratic nature of Irish society. The BAI's mission, vision and operational values are reflected in its eight strategic goals for the period, which provide a focus for the organisation in serving Irish society by regulating, shaping and supporting the broadcasting environment.

PUBLIC SERVICE BROADCASTING

2010 was a significant year for the BAI in implementing new statutory areas of responsibility in the regulation of public service broadcasters ("PSBs"). These were significant exercises for the BAI in terms of both the time and resources required to support the work.

Public Funding Reviews

The Authority completed its first reviews of the extent to which each of the PSBs (RTÉ and TG4) had fulfilled their commitments in respect of their public service objectives and the adequacy of public funding for the broadcasters. The Authority submitted its report and recommendations to the Minister in December 2010.

Sectoral Impact Assessments

On request from the Minister during 2010, the BAI undertook sectoral impact assessments in respect of four new television channels proposed by RTÉ for carriage on its DTT multiplex. The Minister also consulted with the BAI in respect of the public value of RTÉ's proposals, in advance of making a final determination in respect of the services. The Minister's work in this regard was concluded and decisions arising were published by the Department of Communications, Energy and Natural Resources in December 2010.

Annual Statement of Performance Commitments

In fulfilment of their statutory obligation under Section 102 of the Act, RTÉ and TG4 each consulted with the BAI on their 2010 Annual Statement of Performance Commitments ("ASPCs"). The BAI facilitated a review of the statements and made a formal response to the broadcasters. Work was undertaken by the Executive and Authority to devise guidance for the PSBs in relation to the ASPC process. This work continued in 2011.

Guidance on the Format of a Code of Fair Trading Practice

Under Section 112 of the Act, the Authority is required to issue guidance to public service broadcasters on the format of a code of fair trading practice for the commissioning of programming material from independent producers. In line with the statutory provisions, the Authority commenced extensive and complex consultations with relevant stakeholders in 2010. The process continued into 2011.

Public Service Statements

The BAI responded to a Ministerial consultation on the Public Service Statements of RTÉ and TG4 in October in 2010. The response was sent to the Minister for his consideration.

CODES AND STANDARDS

In addition to the significant work in the area of public service broadcasting during 2010, the BAI also carried out work on the EU Audiovisual Media Services Directive and conducted a range of consultations.

Implementation of the Audiovisual Media Services (“AVMS”) Directive

In 2010, in line with the BAI’s obligations under statute, the BAI facilitated the transposition of the commercial communications elements of the Audiovisual Media Services Directive. The General Commercial Communications Code and the Children’s Commercial Communications Code replaced the BCI General Advertising Code and the BCI Children’s Advertising Code respectively. The new codes reflect a number of new elements of the AVMS Directive, with which all television services must comply. A key feature of the General Commercial Communications Code in 2010 was the introduction of rules permitting television product placement (unpaid) in limited circumstances. Paid product placement remained prohibited, although the Authority agreed to review the prohibition within 12 months.

On-Demand Audiovisual Services Group “ODAS”

Statutory Instrument No. 258 of 2010 entitled “European Communities (Audiovisual Media Services) Regulations 2010, gave effect to the transposition of the elements of the Audiovisual Media Services Directive relating to on-demand audiovisual services.

The S.I. provides that on-demand audiovisual media service providers shall, in co-operation with the BAI and other relevant bodies, develop codes of conduct for on-demand audiovisual media services and also provides that the BAI approves any proposed Code of Conduct.

In order to comply with the requirements of the S.I., the On-Demand Audiovisual Services Group (“ODAS”) was established. Members of the group include representative bodies of the advertising industry, broadcasters, telecommunications companies and other on-demand service providers. ODAS submitted a copy of their draft Code of Conduct to the BAI which was considered and approved in August 2010.

Rules on Advertising and Teleshopping (Daily and Hourly Limits)

In July 2010, the BAI held a public consultation setting out proposals to increase daily and hourly advertising limits for independent commercial television services (e.g. TV3, Setanta Ireland and City Channel) and, arising from this consultation, revised the Rules on Advertising and Teleshopping (Daily and Hourly Limits) accordingly.

The maximum amount of advertising permitted on these services under the revised rules increased from 10 minutes to 12 minutes per hour from 15% per day to 18% per day. However, The rules restrict the amount of advertising permitted during children’s programmes to 10 minutes per hour. Following careful consideration, the BAI concluded that increasing the amount of advertising permitted would assist these broadcasters in continuing to provide quality programming to Irish audiences.

BAI Broadcasting Code on Coverage of Elections

In December, the BAI issued the draft BAI Broadcasting Code on Coverage of Elections proposing a range of standards with which Irish broadcasters must comply when covering any election held in the Republic of Ireland, including local, European and General Elections.

Right of Reply Scheme

A Right of Reply, as set out under the Act under Section 49, provides for the correction of incorrect facts or information which has been broadcast about a person, where the assertions of such incorrect facts or information have impugned that person's honour or reputation. A draft Right of Reply Scheme envisaged under the legislation was approved by the Authority in December 2010, in preparation for public consultation to be held in early in 2011.

The purpose of the Scheme is to provide a basis for any person wishing to exercise his/her right to the correction of incorrect facts or information, to provide speedy redress without having to have recourse to legal proceedings.

Spectrum Planning and Management for DTT and Analogue Switch Off (ASO)

In the course of 2010, the BAI worked with the Commission for Communications Regulation (ComReg) and RTÉNL to ensure the effective and efficient use of spectrum in the licensing of analogue radio services as well as Digital Terrestrial Television (DTT) in order to facilitate Analogue Switch Off (ASO) in Ireland as planned for 2012. The BAI participated in technical discussions with UK agencies to agree common approaches to FM planning and radio frequency inference assessment. The development of plans for the re-allocation of DTT multiplex frequencies to facilitate the digital dividend was ongoing through bi-lateral negotiations with the relevant UK authorities.

SECTORAL DEVELOPMENT

During 2010, the BAI continued to ensure the provision of a regulatory environment that facilitates and promotes the development of a broadcasting sector in Ireland that is responsive to audience needs, operates in a culture of compliance and promotes skills development.

Following an examination of the sectoral development functions of the BAI under the Act, a strategy and activity plan for this area of activity was developed for 2010. The Authority approved a total of €557,000 to be allocated to activities covering a range of training and developmental events, activities and initiatives to promote a culture of excellence in the independent broadcasting sector. Activities included sponsorship, research and community broadcasting support schemes as well as continued funding of relevant industry networks. The proposals stemming from this examination are also reflected in the themes and objectives developed during 2010 in the BAI Strategy Statement 2011-2013.

Network Funding

In 2010, seven industry networks were provided with BAI funding totalling €295,000 to deliver a BAI-approved workplan for the year. Funding was allocated to networks to organise training and development events, and in some cases, included funding towards operational costs of the network. Work in the area of Irish language development was also delivered by a number of networks as part of their funding in 2010.

Network audits are carried out during the year to ensure that networks funded by the BAI are in compliance with the terms of their funding agreements and are operating satisfactorily. Annually, two networks are selected for audit purposes. In 2010, Learning Waves and the Association of Independent Radio Producers of Ireland were audited.

Support Schemes

In 2010, the BAI ran its 'Community Broadcasting Support Scheme'. Using funding from this Scheme, community radio and television broadcasters can evaluate and review key development requirements. Such evaluations can assist the station's performance and build capacity within the sector. Eight applications were received by the BAI to fund internal and external evaluations. All eight submissions were successful, subject to some revisions in the submitted text or budget. An Assessment Panel awarded funding of €35,000 to applicants.

Research

Research is an important element of the work of the BAI and the Act recognises the importance of research in guiding and planning across all areas of work. Through the research it undertakes and funds, the BAI aims to inform debate on broadcasting-related matters, with a view to facilitating informed, evidence-based decision-making.

In 2010, the BAI supported the completion and launch of three reports emerging from the 2009 BCI Media Research Funding Scheme. In April, two of these reports were launched with a third report was launched in June:

- *"Irish broadcasting and the "New Ireland". Mapping and visioning cultural diversity"* by Dr. Gavan Titley (NUI Maynooth);
- *"Promoting Cultural Diversity in the Irish Broadcasting Sector. An assessment of international standards and best practices"* by Dr. Tarlach McGonagle (University of Amsterdam);
- *Drivers of Change? An Assessment of Plurality within Community Radio in Ireland"* Dr. Niamh Gaynor.

BAI OPERATIONS

Functioning of the Authority and Statutory Committees

Early in the year, processes were put in place to support the effective operation of the Authority and the Statutory Committees. A Finance and Audit and Risk Committee was appointed. In order to facilitate effective communication between the Authority and Statutory Committees and to secure the achievement of the BAI's statutory and strategic objectives, a Forum was established consisting of the BAI Chairperson, the Chairpersons of the statutory committees and the BAI Chief Executive.

Application and Utilisation of BAI Resources

The change programme which had been implemented during the final 18 months of the BCI/BCC had prepared the organisation well for the transition to BAI. Initiatives introduced over that period, such as the commitment to cross-functional working, the enhancement of data and file management, and the development of an I.T. strategy, continued to receive priority. Regular reviews were undertaken of the deployment of staff and other resources throughout the year to ensure that organisational resources were deployed in a manner that is as efficient and effective as possible and that is consistent with the BAI's strategic objectives and priorities.

A review of business processes continued into 2010 towards maximising efficiencies in the use of resources. Particular emphasis was put on the area of I.T. where a strategy and roadmap was developed with new I.T. infrastructure scheduled to be put in place in 2011.

Stakeholder Management and Co-operation

In support of the achievement of the BAI's strategic objectives, a Stakeholder Management Plan was agreed and implemented throughout 2010. The aim of the plan was to maintain and enhance the BAI's strategic relationships with its key stakeholders, in a structured manner. The plan, which was a dynamic document, was continually reviewed throughout the year.

Co-operation with broadcasting bodies outside the State was ongoing in the year with the BAI continuing to build and develop relationships with relevant broadcasting bodies at European and international levels. The focus of engagements was primarily on co-operation and knowledge-building.

FINANCIAL MANAGEMENT AND GOVERNANCE

The organisation's strategic objectives for 2010 included the implementation of financial, accounting and business practices and systems which ensure that the BAI meets its statutory and corporate governance obligations.

The BAI levy scheme was implemented in early 2010, following the enactment of Statutory Instrument (No. 7 of 2010) by the Authority. This facilitated the BAI in becoming self-financing, as envisaged by the provisions of the 2009 Act, allowing the Authority to meet its own expenses and those of the Contract Awards Committee and the Compliance Committee.

The Authority completed three separate sets of financial statements for the BCI, BAI and Broadcasting Funding Scheme, for the 2009 financial year as well as undertaking three-year budget forecasts for the period 2010-2013.

Governance workshops for Authority and Committee Members were conducted in early 2010. The process involved Authority Members receiving induction on their duties and responsibilities under the 2009 Act and other relevant statutes in order to ensure the operations and activities of the BAI are consistent with best corporate governance practice in the State sector.

Also consistent with its approach to good corporate governance, the Authority appointed Authority Members to the Finance, Audit and Risk Committee, which met on five occasions during 2010. Membership in the period included Larry Bass, Chairperson of the Committee, Dr. Maria Maloney, Ms. Michelle McShortall, Siobhán Ní Ghadhra.

During the year, the Authority also developed a Risk Management Framework and Implementation Plan to identify and to actively manage the BAI's exposure to risk across the organisation, while maximising organisational opportunity.

COMMUNICATIONS

The BAI's strategic objectives for the year included a commitment to put in place a plan to position the BAI as a respected leader and authority on broadcast regulation, operating in the public interest in an Irish and international broadcasting context.

The BAI's Communications Office acts as the main interface between the organisation and external stakeholders. A Communications Plan was approved by the Authority for 2010 which identified the activity areas to be proactively communicated by the BAI during the year. The Communications Office ensures that the key messages of the BAI are communicated effectively and consistently to the industry and the general public. A variety of communications tools are then used. As with most years, 2010 communications activities involved a significant amount of reactive work.

Media Queries

The nature and scope of the BAI's work results in a significant amount of media queries and contacts which are handled by the Communications Office. The Office liaises with journalists proactively throughout the year informing them on key details of the BAI's ongoing activities within the workplan as well as any other developments emerging during the year. The Office also manages the participation of the BAI Chairperson and Chief Executive in media interviews and events. In 2010, the BAI issued 30 media releases regarding the work of the Authority.

Information Requests

The Communications Office handles all information requests received by the BAI on a daily basis. Such requests range from general information queries from members of the public about broadcasting services in Ireland to more detailed research-related requests from academics and other regulators and broadcasters.

Event Management

The Communications Office provides organisational and logistical support to the organisation in the design and delivery of BAI events. These include consultation launches, media briefings and other BAI events which take place during the year. The Office also manages the representation of the organisation at key industry events, for example, the Galway Film Fleadh, the annual CRAOL Community Broadcasting Conference and the Celtic Media Festival.

BAI Sponsorship

Sponsorship is an important tool that enables the BAI to communicate to a range of stakeholders while also providing vital financial assistance to industry-related events.

In 2010, sponsorship totalling €143,500 was offered to 13 projects. Activities supported in 2010 included: the Irish Film and Television Awards, the PPI Radio Awards, the Student Media Awards, the Radio Advertising Awards, the Stranger than Fiction Film Festival, the Guth Gafa Film Festival, the Cleraun Media Forum, the Galway Film Fleadh, the Radharc Awards, Seachtain na Gaeilge, the Celtic Media Festival, the Cogar website operated by Comhdháil Náisiúnta na Gaeilge, the Gael Linn Secondary Schools radio competition and Glór na nGael Irish Language Radio Competition.

Freedom of Information

The BAI liaises with applicants seeking records under its Freedom of Information Scheme and provides them with information and assistance in completing their request. In 2010, the BAI published an updated reference booklet for information purposes and nine requests were received seeking access to information held by the BAI. The majority of requests were made by media organisations and a total of 8 requests were fully/partially granted.

Digital Television Reports

In line with the BAI's statutory obligation to provide six-monthly reports to the Minister in respect of the take up of digital television across all platforms in the State, the BAI drew up and delivered two reports to the Minister in January and July 2010.

Compliance activities, including a report of the Compliance Committee on the performance of its functions and activities.

The BAI is responsible for ensuring that Irish broadcasters comply with a range of statutory and contractual obligations. The compliance activities are undertaken by the staff of the BAI and a variety of compliance mechanisms is employed. The final assessment and determination on issues arising are the responsibility of the Compliance Committee and/or the Authority.

Compliance Committee

The Compliance Committee is responsible for the monitoring and enforcement of compliance, both broadcast content and contractual, the investigation of complaints and a number of reporting functions.

The Committee met ten times during the period under review; key activities undertaken included complaint consideration and decision, a review of the complaints process, consideration of the annual performance reviews of broadcasters, participation in the development of the BAI's strategy statement and compliance by broadcasters with the broadcasting codes and rules. This included the Access Rules and the requirements of the AVMS Directive concerning independent production.

During 2010, the Compliance Committee considered and made determinations on 206 complaint submissions, the average timeframe for which was 73 days, which is within the timeframe target of 90 days. Of these complaints, 58 were upheld or upheld in part.

Following a review of the complaints process, the Compliance Committee agreed that the BAI Executive would be permitted to give initial consideration to a complaint in certain circumstances and that an Executive Complaints Forum ("ECF") would be established, under Section 28(3) of the 2009 Act. The Committee's decision included consideration of the issues of administrative burden and the efficient use of resources as referenced in Sections 19(b) and 32 (3) and (4) of the 2009 Act. The basic principle of due process for all parties to a complaint was a fundamental premise in the delegation of initial complaint assessment to the Executive. The Committee agreed the principles and the procedures for the operation of the Forum. A review of the workings of the Forum was undertaken in December 2010 and the subsequent report submitted for consideration by the Committee at its meeting in January 2011.

A consultation with broadcasters on the Code of Practice for complaints handling under Section 47 of the 2009 Act was carried out in the period. Guidance notes and a draft template were drafted by the Executive and agreed by the Committee. It is envisaged that the Code will be implemented by all broadcasters in early 2011.

The Committee also agreed to a request from the On Demand Audiovisual Services (“ODAS”) group that it act as an appeals body in respect of complaints relating to content of on-demand audiovisual media services under Sections 1 & 2 of Part 2 of the Code of Conduct for On-Demand Audiovisual Media Services.

Annual Performance Reviews

In 2010, the BAI carried out annual performance reviews (“APRs”) of TV3, 27 commercial and seven community radio services licensed by the BAI. Each APR assesses a broadcaster’s performance in the period under review, with a particular focus on compliance with their statutory and contractual obligations. The emerging reports enable the BAI to review year-on-year trends, compliance issues and track significant developments across the broadcasting sector. The reviews are, in the main, facilitated by a self-reporting structure; the contractor is required to complete a pro-forma annual performance review form and submit specific supporting documentation for each of the areas reviewed. The relevant areas are ownership and control structure; management and staffing; programming; financial performance; and studios and transmission. In 2010, meetings were also held with the national commercial broadcasters and a number of other local and regional radio broadcasters, where meetings were considered necessary. A composite report detailing the main issues arising from all of the reviews will be compiled and presented to the Authority and the two committees of the BAI.

The main issue highlighted by the reviews was the continuing focus on cost control by broadcasters. A notable number of compulsory redundancies and/or recruitment embargos were implemented across the commercial radio sector. The reductions were considered by the BAI in the context of the broadcaster’s overall performance and compliance with their statutory and contractual obligations. Overall, no issues of serious concern arose. Broadcasters were advised that the BAI would consider any future staff reductions having regard to the broadcaster’s original programming and resource commitments, compliance issues and the overall quality of the services. In some services, staffing reductions were approved by the Authority where they arose as a direct consequence of an approved restructuring of operations and/or as a result of a resource-sharing arrangement. TV3 increased its staff in the period, primarily due to an increased investment in home-produced programming. Pay increases remained in suspension for 2010 across the sector.

A positive development in relation to community radio services was the year-on-year increase in the community membership of the services and/or an increase in live broadcasting hours and community programming.

Content Monitoring

The BAI, as part of the monitoring process, reviews the programme content of broadcasters licensed by the BAI during the year to verify their compliance with their statutory and contractual obligations. The RTÉ television and radio services are also monitored to verify their compliance with the relevant statutory requirements. In 2010, TV3 and the radio broadcasters were required to submit recordings of broadcast output for a seven-day period for dates specified by the BAI, along with supporting documentation such as programme schedules, music and advertising logs for the same period. RTÉ and television contractors were required to submit 24 hours of broadcast output.

Compliance issues arising from content monitoring can be summarised as follows:

Access Rules

The BAI's Access Rules ("Rules") outline a range of provisions to promote the understanding and enjoyment of programmes by persons who are deaf or hard of hearing and persons who are blind or partially-sighted. All Irish licensed television broadcasters must meet with targets for subtitling, consultation with user groups and promotion of its access services. RTÉ1 and RTÉ2 have the additional requirements of meeting targets for Irish Sign Language and audio-description and the subtitling of children's programming.

The main issues arising in 2010 from monitoring compliance with the Rules were that the majority of stations did not achieve their respective percentage targets for subtitling and the quality of the subtitling on some stations was not of a sufficient standard. The broadcasters cited difficulties which prevented the achievement of targets. A review of the Rules is scheduled for 2011 and will include assessing the issues arising and the difficulties cited by broadcasters in achieving targets.

News and Current Affairs

News and current affairs requirements for commercial radio broadcasters include a minimum of two hours of news content between 7am and 7pm and 20% across the broadcast day. This requirement was generally complied with.

Advertising, Sponsorship and Commercial Promotions

Commercial radio broadcasters are permitted to broadcast a maximum of 10 minutes of advertising per hour while the limit for community broadcasters is 6 minutes per hour. The advertising limit for commercial television broadcasters was increased to 12 minutes in 2010. Broadcasters must also comply with a range of statutory provisions and rules in relation to advertising content which are codified in the BAI General Commercial Communications Code and Children's Commercial Communications Code.

The monitoring process found a small number of broadcasters to be in breach of the advertising limits and three radio broadcasters were issued with a serious breach due to the high number of breaches recorded. Non-compliance with the rules pertaining

to sponsorship in the BAI General Commercial Communications Code was a contributing factor in this regard. The sponsorship in question contained advertorial content and was, accordingly, re-classified by the BAI as advertising and included in the broadcasters' advertising minutage.

The monitoring of both commercial and community TV and radio services also highlighted non-compliance with the rules pertaining to sponsorship as a matter of concern. The BAI held meetings with broadcasters to provide additional guidance on the rules.

General Programming Compliance

Each contractor is required to comply with a range of programming commitments which are specified in a document entitled "Programme Policy Statement" which forms part of their contract with the BAI. The main issue highlighted from the content monitoring process of the commercial radio services was variances between a broadcaster's contractual commitments in respect of music output and the actual output broadcast. A number of broadcasters made submissions to the BAI to vary their commitments. The BAI approved some of these subject to specified criteria relating to how the proposal might impact on overall PPS commitments, how it might impact on the diversity of services available in the area and how it might impact on the viability of the service or other services in the area. There was generally a good compliance record with respect to broadcasters' Irish music commitments.

Audiovisual Media Services Directive

Article 16 requires Member States to ensure that broadcasters within their jurisdiction reserve the majority of transmission time (50%+) for European Works. Article 17 requires Member States to ensure that broadcasters devote at least 10% of their programming budget or 10% of their broadcasting time to independently produced European works. The BAI is responsible for reviewing TV3's compliance with these requirements. A review of the broadcast output for the two-year period 2008 and 2009 revealed that the station met with the requirements. The next report is due year-end 2011.

Compliance by non-Irish licensed broadcaster's, whose content is aimed wholly or mainly at an Irish audience, with the BAI advertising codes

Under Section 28(5) of the Broadcasting Act 2009, the BAI must report to the Minister on an annual basis the extent to which the television output of broadcasters under the jurisdiction of another Member State which are wholly or mainly directed towards audiences in the State comply with broadcasting codes. The number of such services is 15 and all these broadcasters partake in opt-out advertising for Ireland. The respective programming schedules are common to all jurisdictions into which the services are broadcast and accordingly, the BAI is only required to review the advertising content.

The review for 2010 considered advertising in the context of prohibited content, including a focus on alcohol advertising. Overall, the level of compliance was good with the exception of non-compliance concerning alcohol advertising which exceeds the alcoholic threshold of 25% and time of broadcast, between 6 a.m. and 10 a.m. With regards to advertising on the channels aimed at children, there was no evidence of content that could reasonably be considered exploitative or misleading.

On-site Inspections

Technical audits were carried out on 113 broadcast transmitters for national, regional, local and community stations during the year. General compliance was recorded, with only four breaches being issued. Three of these were for excessive transmitter power and one for the lack of sample point equipment. These issues have been rectified to the satisfaction of the BAI Executive.

Verification of Information Submitted by Contractors

The BAI regularly receives and verifies information from contractors on changes to elements of the contract held, including areas such as programming and ownership and control. This process is important as it can highlight the requirement for contractors to submit a formal proposal to the BAI seeking approval for these changes.

Inspections

Inspections can focus on any relevant area of a contractor's activity and may be used where serious compliance issues or concerns arise. The BAI did not consider it necessary to carry out any such inspections in 2010.

Broadcasting Complaints

In the course of 2010, the total number of complaints fully processed was 623, including 106 carried forward from 2009. The BAI aims to process complaints in a timely manner and in this regard, complaints should be fully processed within 90 days of receipt. In 2010, complaints which were resolved with the broadcaster took, on average, 21 days; complaints requiring consideration by the Executive Complaints Forum, 45 days; and requiring Compliance Committee consideration, 73 days.

The BAI received 547 valid broadcasting complaints during 2010, under the following categories:

Complaints Carried Forward 2009	Total
Still in process year end 2009	106
Outcomes	
Resolved	19
Considered by Compliance Committee	
Upheld	24
Upheld in part	1
Resolved between broadcaster and complainant	2
Rejected	50
Rejected – dnp	4
Invalid	2
No Audio	2
Withdrawn anonymity	2

Complaint Category	Total
Fairness, objectivity & impartiality	261
General Commercial Communications Code	25
Law and Order	8
Privacy of an Individual	6
Taste and Decency	1
The Code of Programme Standards	195
The General Advertising Codes	51
TOTAL	547

Complaint Status Year End 2010	Total
Valid Complaints	547
Outcomes	
Resolved	337
Withdrawn by complainant	4
Still in process at year end	30
Considered by ECF	1
Resolved at ECF	60
Withdrawn anonymity	2
Considered by Compliance Committee	
Upheld	29
Upheld in part	4
Resolved between broadcaster and complainant	1
Rejected	76
Rejected – dnp	1
Withdrawn – Anonymity	1
Closed due to personal circumstance	2
Withdrawn anonymity	2

All decisions are published on the BAI website.

Licensing and contractual activities, including a report of the Contracts Awards Committee on the performance of its functions and activities.

In 2010, the BAI implemented licensing activities in accordance with the BAI's strategies and priorities, in order to facilitate the availability, or continuity, of television, radio, EPG and multiplex services to Irish audiences. The BAI adapted licensing activities as appropriate to reflect the provisions of the Broadcasting Act 2009.

Contracts Awards Committee

There were six meetings of the Contracts Awards Committee during the period. The Committee received its full complement of Members in January 2010 and agreed standing orders and a mode of operation. During 2010, key activities undertaken included the consideration and granting of a number of applications for community sound broadcasting contracts and temporary sound broadcasting contracts and participation in the development of the BAI's Strategy Statement 2011-2013.

Licensing

The Committee considered, and approved in principle, applications for three ten-year community radio services received in respect of the franchise areas South West Donegal (to cover the area of Killybegs to Milltown), East Limerick and Athlone town and its environs. The applicants were:

- Athlone Community Radio Limited
- Boherroe Broadcasting Company Limited
- South West Donegal Community Radio Limited

Temporary broadcasting licences allow contractors to broadcast for up to 30 days in a 12-month period. The 2009 Act also allows applicants who apply for a pilot community radio service to apply for a maximum of 100 days in a 12 month period.

During 2010, the BAI received 41 applications for temporary radio broadcasting services. The Committee recommended that the Authority enter into contract negotiations with 33 of these applicants and, subsequently, 33 contracts were concluded and the services began broadcasting. These temporary contracts were granted for a diverse range of services including colleges, universities, sporting events and festivals. An example of some of those awarded include Christmas FM, the student service Belfield FM and a new pilot community service Cavan Community Radio and Voluntary Forum Ltd.

In April, the Committee also considered the report on an oral hearing held between members of the Executive and WLCR FM Ltd., which operates a community sound broadcasting contract in the West Limerick area. The Committee decided to recommend the Authority enter in contract negotiations with this group. In September, the Committee approved an application for a provision of content contract from United Christian Broadcasters (Ireland) Ltd. under Section 71 of the Broadcasting Act 2009.

During 2010, sound broadcasting contract negotiations were concluded with Q102, Radio Nova and Spirit AM. Five community radio contracts were signed in 2010 and two services began broadcasting during this period.

Temporary licensing applications signed in 2010

	Contractor	Date of Signing
1	City of Dublin VEC – Ballyfermot College of Further Education	23rd April 2010
2	University College Dublin – Belfield FM	27th October 2010
3	Blackrock College	17th November 2010
4	Wicklow VEC – Bray Institute of Further Education	5th March 2010
5	Carrick On Shannon Community School, Co. Leitrim	4th May 2010
6	Cavan Community and Voluntary Forum Limited	21st June 2010
7	Christmas Radio Limited	22nd November 2010
8	City of Cork VEC – Coláiste Stiofáin Naofa	17th November 2010
9	Leeside Communications Limited	12th May 2010
10	The Digital Hub Development Agency	5th March 2010
11	Dublin Institute of Technology	23rd April 2010
12	Dún Laoghaire VEC – Dún Laoghaire College of Further Education	8th February 2010
13	Earagail Arts Festival Management Company Limited	8th July 2010
14	Ionad Ealaíona Iorras Teoranta	7th July 2010
15	Bellerophon Limited – t/a Griffith College Dublin and Griffith College Cork	11th February 2010
16	Ingen Media Limited – Heartbeat FM	28th September 2010
17	Irish Rugby Football Union	17th September 2010
18	Institute of Technology Tallaght	14th September 2010
19	Kairos Communications Limited	10th January 2010
20	Knock Holidays Limited	9th August 2010
21	City of Dublin VEC – Liberties College Dublin	23rd March 2010
22	Open FM Limited	9th June 2010
23	Raidió X Teoranta	25th February 2010
24	City of Dublin VEC – Rathmines College of Further Education	27th April 2010
25	Rineanna Radio Limited	9th June 2010
26	Setanta Screens Limited	8th October 2010
27	Shannon and District Community Radio Limited	23rd April 2010
28	SOS Kilkenny Limited	15th January 2010
29	Sound Decisions Limited	31st March 2010
30	St. Peter's College Wexford	29th April 2010
31	Tallaght Community Arts Centre Limited	22nd July 2010
32	Trinity College Dublin	29th January 2010
33	Watchtower Bible and Tract Society of Ireland	23rd July 2010

Assessment of Proposals for Contractual Changes

During 2010, the BAI received a number of requests for contractual changes in the areas of Ownership and Control (Board of Directors, management and shareholding structure) and Programme Policy Statements.

Ownership and Control

During 2010, the BAI approved changes to the shareholding structures of the following contractors:

- 4FM
- Phantom FM
- Sunshine 106.8
- East Coast FM
- iRadio North-West agus iRadio North-East

The contractual schedules containing details of the ownership and control structures of all broadcasters are public documents and are available to the public on request.

There were a high number of submissions from community radio broadcasters in relation to changes to their Board and management membership.

A number of broadcasters were found to be in breach of their contractual obligation to notify the BAI of contractual changes.

Programme Policy Statement (PPS)

The BAI considers proposals from a contractor to amend its Programme Policy Statement with reference to three criteria: (i) how the proposal might impact on overall PPS commitments; (ii) how it might impact on the diversity of services available in the area; and (iii) how it might impact on the viability of the service or other services in the area.

The BAI approved a number of submissions to make minor amendments to the music programming commitments of commercial broadcasters. A number of community radio services also made submissions to amend and/or replace specific special interest speech programming owing, primarily, to a change in volunteer presenters. The majority of these submissions were approved by the BAI in accordance with the relevant criteria.

Summary/Overview of the Broadcasting Funding Scheme ("BFS") and Report on activities for the year.

The BAI operates a number of funding schemes to support the development of new television and radio programming in the Irish broadcasting sector. The BCI developed the broadcasting funding scheme "Sound and Vision" which has been operational since 2005 and a Broadcast Archiving Scheme which still awaited EU approval at end of 2010.

Along with some other changes to the existing scheme, the 2009 Broadcasting Act saw an increase in the annual value of the funding scheme from 5% to 7% of the TV Licence Fee revenue. The changes introduced in the revised scheme reflect the provisions of the Broadcasting Act 2009 and the outcomes of an operational review undertaken in 2008.

2010 was the first year where funding was allocated under the provisions as outlined in Part 10 of the Act. It was operated as "Sound and Vision II" throughout the year and continued to support the development of new television and radio programming to Irish audiences.

Sound & Vision II ('the Scheme')

The core objective of Sound & Vision II is to increase public access at national, local and community level to high-quality television and sound broadcasting (radio) programmes in English and Irish which explore the themes of Irish culture, heritage and experience, in contemporary or historic contexts.

The objectives of Sound & Vision II are derived from the statutory provisions and include:

Quality

To support the production of high-quality television and sound broadcasting programmes based on Irish culture, heritage and experience.

Irish Language

To develop such programmes in the Irish language.

Additionality

To increase the availability of programmes on Irish culture, heritage and experience to audiences in the State and support programmes that aim to explore these themes in innovative ways.

Diversity

To support programmes which represent the diversity of Irish culture and heritage.

Heritage

To record oral Irish heritage, or aspects of Irish heritage, which are disappearing, under threat or have not previously been recorded.

Local and Community Broadcasting

To develop local and community broadcasting through support for the production of programmes by this sector.

Adult Literacy or Media Literacy

To support programmes aimed at improving Adult Literacy or Media Literacy.

Global Issues

To support programmes which raise public awareness and understanding of global issues impacting on the State and countries other than the State.

Operation of the Scheme, 2010

The Scheme operates on a competitive funding rounds system. Guidelines are laid down by the BAI and made available on its website, outlining the types of programmes that can attract funding. Applications are invited from programme makers on a regular basis, as new funding rounds are announced. Closing dates for three radio and three television funding rounds under Sound and Vision II were announced in February 2010 with an allocation over two years of €25.5m. Unlike previous years, these were announced as open rounds with a maximum allocation per round of €7m for television and €1.5m for radio. Therefore, the potential amount of funding available for 2010 was €10m for two radio and one television round. Special Schemes had access to 5% of this allocation.

Competitive Funding Rounds

One new television round, two new radio rounds, and two television 'special schemes' were run in 2010 and allocated funding this year.

Grant Payments Issued

Decisions on funding for television projects were announced in June 2010. 39 television projects were offered funding grants totalling just over €7m with almost all the funding going directly to the independent production sector and community television broadcasters. This was out of a total amount requested of €22m for 106 projects.

Funding allocations for the two radio rounds were announced in February and November. The February round allocated €965,000 to 88 projects, and the November round was €1.2m for 131 projects. The total amount sought for radio proposals this year was approx. €6.5m.

Two television 'special schemes' projects were also run during 2010, with an additional €178,000 being awarded.

The total awarded therefore in 2010 amounted to approx. €9.4m out of a total requested amount of €28.6m.

The Fund Accounts:

Sections 156 and 157 of the Broadcasting Act 2009 deal with the financial arrangements for the operation of the Broadcasting Funding Scheme by the BAI. These provide for the operation of two accounts (current and investment) and the recoupment of expenses incurred by the BAI in administering the Fund. Further information on the operation of these accounts is contained in the Accounts Section of this report.



Broadcasting Authority of Ireland.

Financial Statements

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
31ST DECEMBER 2010

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Statement of Responsibilities of the Broadcasting Authority of Ireland

Pursuant to the terms of the 2009 Act, the Broadcasting Authority of Ireland is responsible for preparing financial statements for the year 1st January 2010 to 31st December 2010, so as to give a true and fair view of the state of affairs of the Broadcasting Authority of Ireland as at 31st December 2010 and of its income and expenditure for the year then ended.

In preparing those financial statements, the Authority is required to:

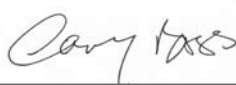
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Broadcasting Authority of Ireland is responsible for:

- Keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Authority and enable it to ensure that the financial statements comply with paragraph 37(2) of the Schedule to the Broadcasting Act, 2009 and are in a form approved by the Minister for Communications, Energy and Natural Resources after consultation with the Minister for Finance.
- Safeguarding the assets of the Broadcasting Authority of Ireland and taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chairperson



Member of Authority

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

On behalf of the Broadcasting Authority of Ireland, I acknowledge the Authority's responsibility for ensuring that an effective system of internal financial control is maintained and operated as required under the Code of Practice for the Governance of State Bodies.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The Authority has taken steps to ensure an appropriate control environment by:

- Clearly defining management responsibilities;
- Establishing formal procedures for reporting significant control failures and ensuring corrective action.

The Authority has established processes to identify and evaluate business risks by:

- Identifying the nature, extent and financial implication of risks facing the body, including the extent and categories which it regards as acceptable.
- Assessing the likelihood of identified risks occurring.
- Assessing the Authority's ability to manage and mitigate the risks that do occur.

The system of internal financial control was based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it included:

- A comprehensive budgeting system with an annual budget which was reviewed and agreed by the Authority.
- Regular reviews by the Authority of periodic and annual financial reports, which indicated financial performance against forecasts.
- Setting targets to measure financial and other performance.
- Clearly defined capital investment control guidelines.

An internal audit function is operated, the work of which is informed by analysis of the risk to which the body is exposed. The annual audit plan is based on this analysis.

The audit plan for 2010 included an examination of internal financial controls and this exercise was carried out in November/December 2010.

The Authority's monitoring and review of the effectiveness of the system of internal financial control was informed by the work of the internal auditor, the Finance, Audit & Risk Committee which oversaw the work of the internal auditor, the executive managers within the Broadcasting Authority of Ireland who had responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports..

Annual Review of Controls

I confirm that for the year ended 31st December 2010, the Authority conducted a review of the effectiveness of the system of internal financial control.

Signed on behalf of the Broadcasting Authority of Ireland.



Chairperson



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Broadcasting Authority of Ireland

I have audited the financial statements of the Broadcasting Authority of Ireland for the year ended 31 December 2010 under the Broadcasting Act 2009. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Broadcasting Authority of Ireland affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Authority's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

Matters on which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Andrew Harkness

For and on behalf of the
Comptroller and Auditor General

30 June 2011

Statement of Accounting Policies

Accounting Convention

The Financial Statements for the Authority, which are in the form approved by the Minister for Communications, Energy and Natural Resources with the consent of the Minister for Finance, have been prepared on an accruals basis, except as stated below, under the historical cost convention and in accordance with Generally Accepted Accounting Principles. Financial reporting standards recommended by the recognised accountancy bodies are adopted as they become applicable. The unit of currency in which the financial statements are denominated is the euro.

Income

Levy

The Authority's main source of income is generated from levies raised on public service broadcasters and broadcasting contractors as required under s33(1) of the Broadcasting Act, 2009. The levies are used to fund the cost of the operation of the Authority and are based on budgeted expenditure for a given financial year.

Any surplus of levy income over the actual expenses incurred by the Authority in the discharge of its functions in a particular financial year shall be offset against levy obligations for the subsequent year as required under s33(5)(a) of the Broadcasting Act, 2009.

The basis of the calculation of the levy is detailed in the Broadcasting Act, 2009 (Section 33) Levy Order 2010.

Licence Fee Income

Further to the provisions of the Broadcasting Act 2009, the BAI is responsible for the awarding of contracts for television and radio services on a variety of platforms. In general, the BAI enters into two kinds of contracts with broadcasting operators as follows:

- Broadcasting Contracts
- Content Provision Contracts

Applicants for broadcasting contracts or content provision contracts must pay an application fee to the BAI. These fees are set by the BAI and vary depending on factors such as the nature of the service in question; the duration of the contract applied for; the size of the franchise area and the nature of the service being provided.

Other Income

Other Income is brought to account over the period to which it relates.

Fixed Assets & Depreciation

Depreciation is provided in respect of all tangible fixed assets and is calculated to write down the cost of each asset to its estimated residual value over its estimated useful life by equal annual instalments as follows:

- Computer Equipment	33%
- Office Equipment	20%
- Fixtures and Fittings	10%
- Leasehold Improvements	10%
- Audio/Technical Equipment	33%
- Motor Vehicles	25%

A rate of 10% has been provided for in respect of improvements carried out to the Authority's offices at 2-5 Warrington Place as it is envisaged that the Authority will retain its tenure on these offices without the need for significant improvement for at least 10 years. The lease on these premises expires in 2021.

Capital Account

The Capital Account represents the unamortised amount of income used to purchase fixed assets.

Pensions

The Broadcasting Authority of Ireland operates a defined benefit pension scheme. The Authority has an arrangement with the Department of Communications, Energy & Natural Resources under which the Authority will be reimbursed all monies required to settle the pension obligations when they fall due. In return, the Authority is required to pay DCENR an amount equal to employee contributions for the year plus an employer contribution at rates set by the Department of Finance.

Pension costs comprise the employer's contribution in respect of the year.

Pension liabilities represent the present value of future pension payments earned by staff to date. An asset, equal in amount to this liability and which represents the amounts to be reimbursed in future periods by DCENR for pensions as they fall due for payment, is recognised based on the pension funding arrangement in place.

Leasing

Rental payments under operating leases are dealt with in the Income and Expenditure Account as incurred.

Taxation

The Authority is not liable for Corporation Tax. Income raised by the Authority is subject to VAT.

Income and Expenditure Account

for the year ended 31st December 2010

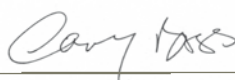
	Notes	12 Months to Dec 2010	3 Months to Dec 2009
Income		€ '000	€ '000
Levy	1	5,655	-
Licensing Fees	2	10	1
Other Income	2	397	67
Gross Income		6,062	68
Transfer (to) / from Capital Account	8	332	67
Net Income		6,394	135
Expenditure			
Staff Costs	3	1,837	433
Pension Costs		248	69
BAI Members Fees	10	107	16
Consultancy Fees		579	167
Legal Expenses		283	51
Advertising		46	17
Administrative Expenses		337	89
Auditors' Remuneration		15	6
Grant and Development Payments		480	32
Premises and Related Expenses		896	178
Depreciation		372	106
Loss on Disposal of Fixed Assets		3	-
		5,203	1,164
Surplus/(Deficit) In Income over Expenditure		1,191	(1,029)
Refund of Levy	6	(997)	-
Surplus after Refund of Levy		194	(1,029)
Balance at beginning of the year	15	548	1,577
Balance at the end of the year		742	548

The Statement of Accounting Policies and Notes 1-14 form part of these Financial

Statements The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



Chairperson



Member of Authority



Chief Executive

Balance Sheet

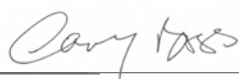
as at 31 st December 2010

	Notes	2010 € '000	2009 € '000
Fixed Assets			
Tangible Assets	4	744	1,076
Current Assets			
Debtors	5	1,160	278
Cash at Bank and on Hand		2,552	165
Short Term Deposits	7	-	879
		3,712	1,322
Current Liabilities			
Creditors (amounts due within one year)	6	(2,470)	(774)
Loan Facility	14	(500)	-
Net Current Assets		742	548
Deferred Pension Funding	12a	4,251	3,236
Pension Liabilities	12a	(4,251)	(3,236)
Net Assets		1,486	1,624
Represented by			
Income and Expenditure Account		742	548
Capital Account	8	744	1,076
		1,486	1,624

The Statement of Accounting Policies and Notes 1-14 form part of these Financial Statements. The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



Chairperson



Member of Authority



Chief Executive

Cashflow Statement

for the year ended 31 st December 2010


	12 Months to Dec 2010 € '000	3 Months to Dec 2009 € '000
Reconciliation of Operating Surplus to Net Cash Inflow/(Outflow) from Operating Activities		
Surplus/(Deficit) for the Year	194	(1,029)
Returns on Investments	-	(5)
Depreciation Charge	372	106
(Profit)/Loss on Sale of Tangible Fixed Assets	3	-
Transfer to/(from) Capital Account	(332)	(68)
(Increase)/Decrease in Debtors	(882)	571
Increase/(Decrease) in Creditors	1,696	(281)
Net Cash Inflow/(outflow) from Operating Activities	1,051	(706)
Cashflow Statement		
Net Cash Inflow/(Outflow) from Operating Activities	1,051	(706)
Return on Investments		
Interest Received	0	10
Capital Expenditure		
Payments to Acquire Tangible Fixed Assets	(43)	(39)
Sale of Tangible Fixed Assets	-	-
Management of Liquid Resources		
Loan Drawdown	500	-
Withdrawn/(Invested) in Short-term Deposits	879	(10)
Increase/(Decrease) in Cash Balances	2,387	(745)

The Statement of Accounting Policies and Notes 1-14 form part of these Financial

Statements. The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



Chairperson



Member of Authority



Chief Executive



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31ST DECEMBER 2010

Notes to the Financial Statements

for the year ended 31st December 2010

1. Levy

Section 33 of the Broadcasting Act 2009 requires the Authority to recoup the expenses properly incurred by the Authority and the statutory committees in the performance of their functions through the imposition of a levy or charge on public sector broadcasters and broadcasting contractors. The terms of this levy, including method of calculation, are set out in the Broadcasting Act 2009 (Section 33) Levy Order 2010.

On 22 January 2010, in exercise of the powers conferred on it by Section 33 of the Broadcasting Act 2009, the Authority published the Levy Order 2010 (Statutory Instrument No 7 of 2010). The Order came into operation on the 17th January 2010.

The amount levied on broadcasters in the current year was €5,655k. At year end the amount of levy refundable to broadcasters was €997k

2. Licensing Fees

	12 Months to Dec 2010	3 Months to Dec 2009
	€'000	€'000
Licensing Fees		
Commercial Radio Licensing Fees	0	0
Other Radio Licensing Fees	0	0
Television Licensing Fees	2	0
Other Licensing Fees	8	1
	<u>10</u>	<u>1</u>
	<u><u>10</u></u>	<u><u>1</u></u>
Other Income		
Deposit Interest Income	0	5
Rental Income	117	34
Sundry Income	280	28
	<u>397</u>	<u>67</u>
	<u><u>397</u></u>	<u><u>67</u></u>

Notes to the Financial Statements

for the year ended 31st December 2010

3. Staff Costs

	12 Months to Dec 2010	3 Months to Dec 2009
	€'000	€'000
Wages and Salaries	1,718	403
Social Welfare Costs	119	30
	<u>1,837</u>	<u>433</u>

	Management*	Administration
The average number of staff employed by the Authority during the year, analysed by category was as follows:	<u>17</u>	<u>21</u>

* Management represents grades of Higher Executive Officer and above.

Pension Related Deductions

Pension related deductions of €108,619 were made from staff salaries during the year and were remitted to the Department of Communications, Energy and Natural Resources.

Notes to the Financial Statements

for period ended 31st December 2009

4. Tangible Fixed Assets

	Total	Computer Equipment	Office Equipment	Fixtures & Fittings	Leasehold Improvements	Technical Equipment	Motor Vehicles
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Cost							
At 31.12.2009	4,270	529	105	710	2,673	193	60
Additions	43	21	17	5	-	-	-
Disposals	(204)	(59)	(13)	(36)	(76)	(20)	-
At 31.12.2010	<u>4,109</u>	<u>491</u>	<u>109</u>	<u>679</u>	<u>2,597</u>	<u>173</u>	<u>60</u>
Depreciation							
At 31.12.2009	3,194	479	94	453	1,915	193	60
Charge for Year	372	37	7	68	260	-	-
Disposals	(201)	(59)	(10)	(36)	(76)	(20)	-
At 31.12.2010	<u>3,365</u>	<u>457</u>	<u>91</u>	<u>485</u>	<u>2,099</u>	<u>173</u>	<u>60</u>
Net Book Value							
At 31.12.2010	<u>744</u>	<u>34</u>	<u>18</u>	<u>194</u>	<u>498</u>	<u>-</u>	<u>-</u>
At 31.12.2009	<u>1,076</u>	<u>50</u>	<u>11</u>	<u>257</u>	<u>758</u>	<u>-</u>	<u>-</u>

5. Debtors

	2010	2009
	€'000	€'000
Debtors	888	63
Prepayments	207	200
Broadcasting Fund	52	4
Others	<u>13</u>	<u>11</u>
	<u>1,160</u>	<u>278</u>

Notes to the Financial Statements for period ended 31st December 2010

6. Creditors

(Amounts falling due within one year)

	2010 €'000	2009 €'000
Trade Creditors	155	190
Levy Refundable to Broadcasters	997	-
Superannuation contributions repayable to Department of Communications	771	411
Pension Levy	-	-
Accruals	198	134
VAT/PAYE/PRSI/Withholding Tax	345	39
Others	4	-
	<u>2,470</u>	<u>774</u>

The Levy Refundable to Broadcasters figure of €997k represents a surplus of levy income over actual expenses. This amount will be offset against levy obligations in future years.

7. Short Term Deposits

Balance at 31st December 2009	879	869
Additions	-	10
Withdrawals	(879)	-
Investments are represented by bank deposits at 31st December 2010	<u>-</u>	<u>879</u>

8. Capital Account

Balance at 31st December 2009	1,076	1,143
Transfer to/(from) Income and Expenditure Account:		
Funding of Asset Additions	43	39
Amortisation in line with Asset Depreciation	(372)	(106)
Amounts Released on Asset Disposals	(3)	-
	<u>(332)</u>	<u>(67)</u>
Balance at 31st December 2010	744	1,076

Notes to the Financial Statements

for the year ended 31 st December 2010

9. Employees and Remuneration

The average number of persons employed by the Authority during the year was as follows:-

	2010	2009
Management	17	22
Administration	<u>21</u>	<u>20</u>
	38	42

Chief Executive's Remuneration

By letter of 13th October 2009, the Minister for Communications, Energy and Natural Resources appointed the Chief Executive of the BCI, Mr. Michael O'Keeffe, to the position of interim Chief Executive of the Broadcasting Authority of Ireland, pursuant to section 14(7) of the Broadcasting Act 2009. The appointment was for a period of one year, commencing on 1st October 2009 and ending on 30th September 2010. A contract of employment covering this period was entered into by the Interim Chief Executive and the Broadcasting Authority of Ireland on 15th February 2010.

By letter dated 30th September 2010, the Minister for Communications, Energy and Natural Resources, approved in principle the appointment of the Interim Chief Executive to the position of Chief Executive with the Broadcasting Authority of Ireland, pursuant to section 14(12) of the Broadcasting Act 2009. The approval in principle was for a period of 2.5 years, commencing on 1st October 2010. The approval was subject to the Minister's approval of the terms and conditions of a new contract of employment for Mr. O'Keeffe, which approval would also be subject to the consent of the Minister for Finance, pursuant to section 14(5) of the 2009 Act. The matter of a contract of employment between the Chief Executive and the Broadcasting Authority of Ireland has not, as yet, been concluded.

The Chief Executive was employed at the first point of the Civil Service Assistant Secretary Grade at a rate of €121,208 per annum.

The total value of remuneration of the Chief Executive in the year ended 31st December 2010 was €120,749 and an employer's superannuation contribution was made of €20,125.

The CEO's pension entitlements do not extend beyond those standard entitlements of the Public Sector Model Scheme.

Notes to the Financial Statements for period ended 31st December 2010

10. Board Members

Payment of Fees and Expenses

The Authority paid fees and expenses to its Authority members and to members of the Contracts Awards Committee and Compliance Committee in accordance with Department of Finance regulations and circulars. The Authority applied the decision of the Government of 20th June 2006 in respect of fees for members of State bodies. The following are the fees and expenses paid to BAI Authority members, members of the Contracts Awards Committee and members of the Compliance Committee.

Broadcasting Authority of Ireland	Fees	Expenses
Bob Collins	€8,978	€367
John Waters	€5,985	€201
Paula Downey	€5,985	Nil
Dr. Maria Moloney	€5,985	€4,908
Michelle McShorthall	€5,985	Nil
Michael Moriarty	€5,212	€239
Siobhan Ni Ghadra	€5,212	€2,694
Colum Kenny	€5,212	Nil
Larry Bass	€5,212	Nil
Compliance Committee		
Prof. Chris Morash	€8,978	€423
Aidine O'Reilly	€5,985	Nil
Edel Hackett	€5,985	€202
Paula Mullooly	€5,337	Nil
Contracts Awards Committee		
Siobhan Bourke	€8,978	Nil
David Barnwell SC	€5,985	Nil
Eimear McGovern	€5,985	Nil
Neil Leyden	€5,985	Nil

Notes to the Financial Statements

for period ended 31st December 2009

Disclosure of Transactions

In the normal course of business, the BAI may approve the award of contracts and grants to undertakings in which BAI Authority & Committee members are employed or otherwise interested.

The BAI has adopted procedures in accordance with the provisions of the Broadcasting Act 2009 and the guidelines issued by the Department of Finance in relation to the disclosure of interests by Authority members and those procedures were adhered to by the BAI during the period.

In the year ended 31st December 2010 no contracts or grants were awarded to undertakings in which BAI Authority & Committee members are employed or otherwise interested.

In 2010, BAI Authority & Committee members declared an interest in the following company which was an applicant for sound broadcasting contracts under the Broadcasting Act 2009:

- Kilkenny Community Communications -
Ms. Siobhan Bourke (Contracts Awards Committee)

The BAI complied with the provisions of the Broadcasting Act 2009 and the Department of Finance guidelines covering situations where interests are declared. In each case, the member did not receive documentation on a proposed transaction or licence application, nor did the member participate in or attend decisions on the matter when the member became aware of and declared an interest.

Corporate Governance

The Authority was established pursuant to the provisions of the Broadcasting Act, 2009 (the Act"). It is a body corporate with perpetual succession and a seal and power to sue and be sued in its corporate name and to acquire, hold and dispose of land.

The Authority is a non-commercial semi-state body.

The members of the Authority are committed to the highest standards of corporate governance. The corporate governance policy, or 'Code of Conduct' followed, is based on the 2009 Code of Practice for the Governance of State Bodies published by the Department of Finance.

Notes to the Financial Statements for period ended 31st December 2010

The members of the Authority are appointed by Government on the nomination of the Minister for Communications, Energy and Natural Resources and the nomination of the Joint Oireachtas Commission of Communications and hold office for such terms as the Minister specifies when making the appointment. The Minister determines the level of remuneration for the Authority members. Such remuneration is not linked to performance and is disclosed in Note 10 to the financial statements.

The Authority is accountable to the Minister for Communications, Energy and Natural Resources for good corporate governance.

11. Operating Leases

The Authority occupies premises at 2-5 Warrington Place, Dublin 2, on which it holds a lease entered into in 2001 for 20 years. A five year rent review was carried out in 2006 for the period commencing 8th December 2006. Under this lease, rent payments amounting to €477,000 were made in 2010.

The Authority also holds a lease on 2nd Floor, Marine House, Clanwilliam Place, Dublin 2. This lease was entered into in 1989 for 35 years. A five year rent review was carried out in May 2010 for the period commencing 1st November 2009.

The offices in Marine House were not occupied by the Authority during the year and a sub-let agreement covering the period 15 March 2006 to 14 December 2010 was signed on May 31st 2006. Under this agreement, the Lessor is responsible for all rent, rates and operational costs associated with the Marine House premises for the duration of the lease. Therefore no net payments were made in this period in respect of Marine house.

A new sub-agreement was entered into for the period 15th December 2010 to 31 st March 2011. Under this agreement, the Lessor is responsible for all the operation costs, half the rental costs and half the rate costs for the duration of the lease."

The total amount charged in respect of the operating leases in the Income and Expenditure Account is €614,223.

Lease Commitments

	2010 €	2009 €
Under 1 Year	614,250	614,250
Between 2-5 Years	2,457,000	2,457,000
Over 5 Years	<u>4,097,250</u>	<u>4,711,500</u>
	7,168,500	7,782,750

Notes to the Financial Statements

for period ended 31st December 2009

12. Superannuation

(a) Pension Scheme

The Broadcasting Authority of Ireland is a statutory body, established under the Broadcasting Act 2009. Section 16 of the Act provides that the Authority shall make a scheme or schemes for granting of superannuation benefits to and in respect of its staff members subject to Ministerial approval. The Broadcasting Authority of Ireland's Superannuation Scheme and Spouses & Children's Pension Scheme (compulsory with membership of the main scheme) are being operated on an administration basis pending formal sanction by the Minister for Communications, Energy & Natural Resources with the consent of the Minister for Finance. The former scheme provides retirement benefits (lump sum and pension) to staff members, and death gratuity benefits in respect of death in service. The latter scheme provides pension benefits for the surviving spouses and dependent children of deceased members. Both schemes are unfunded defined benefit superannuation schemes.

As described in the accounting policy, the Broadcasting Authority of Ireland makes an annual contribution to DCENR which has undertaken to provide funding to the Authority to pay pensions as they fall due. The Authority has adapted the treatment and disclosures required by the accounting standard, Financial Reporting Standard 17 (Retirement Benefits) to reflect the arrangements in operation.

The FRS17 pension liability at 31st December 2010 is €4,251,000. Under the arrangement in place, DCENR will reimburse in full the pension liability of the Authority as and when those liabilities fall due for payment. The Authority recognises its right to the reimbursement as a separate asset.

The results are set out below on an actuarial valuation of the pension liabilities in respect of Authority staff as at 31st December 2010. This valuation was carried out by a qualified independent actuary for the purposes of FRS17.

(b) Financial Assumptions

The principal actuarial assumptions were as follows:

	2010	2009
Rate of increase in salaries	4%	4%
Rate of increase in pensions in payment	4%	4%
Discount Rate	5.8%	5.4%
Inflation Rate	2.0%	2.0%

Notes to the Financial Statements

for period ended 31st December 2010

The mortality basis adopted allows for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The table below shows the weighted average life expectancy for members used to determine benefit obligations.

	2010	2009
Male Member age 65 (current life expectancy)	22.6	21.6
Male Member age 40 (life expectancy at age 65)	24.9	22.7
Female Member age 65 (current life expectancy)	24.3	24.7
Female Member age 40 (life expectancy at age 65)	26.8	25.8

(c) Pension Costs

Pension Costs of €248,049 charged to the Income and Expenditure account are in accordance with funding arrangements agreed with DCENR. In the absence of the reimbursement arrangement, the impact on costs would have been:

	2010 € '000s	2009 € '000s
Current Service Cost	188	68
Interest on Pension Scheme Liabilities	227	60
	415	128

Notes to the Financial Statements

for period ended 31st December 2010

13. Cashflow Statement

(a) Analysis of Changes in Net Funds

	At 31/12/2009	Cash Flows	At 31/12/2010
Cash in Hand/Bank	165	2,387	2,552
Deposits	<u>879</u>	<u>(879)</u>	<u>-</u>
Total	<u><u>1,044</u></u>	<u><u>1,508</u></u>	<u><u>2,552</u></u>

(b) Reconciliation of Net Cash Flow to Movement in Net Funds

	2010 € '000s	2009 € '000s
Increase/(Decrease) in cash during the the year	2,387	(745)
Cash lodged/(withdrawn) to/(from) deposits	<u>(879)</u>	<u>10</u>
Change in Net Funds	1,508	(735)
Opening Net Funds	<u>1,044</u>	<u>1,779</u>
Closing Net Funds	<u><u>2,552</u></u>	<u><u>1,044</u></u>

14. Loan Facility

The BAI required a loan facility to maintain operational activities until the levy was implemented. Sanction for the loan facility was obtained from DCENR with approval from the Department of Finance under s35(1) of the Broadcasting Act, 2009.

All drawn funds were repaid in full on the 28th March 2011.



Broadcasting Funding
Scheme (BFS).

Financial Statements

FOR THE PERIOD ENDED
31ST DECEMBER 2010

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Statement of Responsibilities

Pursuant to the terms of the 2009 Act, the Broadcasting Authority of Ireland is responsible for the management and control of the Fund. It is also responsible for preparing financial statements of the Fund for the year 1st January 2010 to 31st December 2010, so as to give a true and fair view of the state of affairs of the Fund as at 31st December 2010 and of its income and expenditure for the year then ended.

In preparing those financial statements, the Authority is required to:

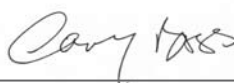
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in operation;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Broadcasting Authority of Ireland is responsible for:

- Keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Fund and enable it to ensure that the financial statements comply with paragraph 157(8) of the Schedule to the Broadcasting Act, 2009 and are in a form approved by the Minister for Communications, Energy and Natural Resources after consultation with the Minister for Finance.
- Safeguarding the assets of the Fund and taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chairperson



Member of Authority



Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Broadcasting Authority of Ireland

I have audited the financial statements of the Broadcasting Authority of Ireland for the year ended 31 December 2010 under the Broadcasting Act 2009. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Broadcasting Authority of Ireland affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Authority's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Authority. The financial statements are in agreement with the books of account.

Matters on which I Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Authority's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



Andrew Harkness

For and on behalf of the
Comptroller and Auditor General

30 June 2011

Statement of Accounting Policies

Accounting Convention

The Financial Statements for the Broadcasting Fund, which are in the form approved by the Minister for Communications, Energy and Natural Resources with the consent of the Minister for Finance, have been prepared on an accruals basis, except as stated below, under the historical cost convention and in accordance with Generally Accepted Accounting Practice. Financial reporting standards recommended by the recognised accountancy bodies are adopted as they become applicable. The unit of currency in which the financial statements are denominated is the euro.

Income

The Fund is funded through monies provided by the Oireachtas, via the Vote for the Minister for Communications, Energy & Natural Resources, for the purposes of grants under a scheme and any administration of or reasonable expenses relating to a scheme, in respect of each financial year, an amount being equal to 7 per cent of net receipts in that year in respect of television licence fees.

Net receipts in relation to the receipt of television licence fees, means the total receipts less any expenses in respect of those receipts certified by the Minister as having been incurred by him or her in that year in relation to the collection of the fees.

This income is accounted for on a cash receipts basis.

Grants

Grants under the Broadcasting Funding Scheme are charged to the Broadcasting Fund Account when the grantee fulfils all conditions attached to the grant. Grant commitments represent funding approvals where the grantee has yet to fulfil the conditions attached to the grant.

Previous Arrangements

The Broadcasting Fund was originally established under the Broadcasting Funding Act, 2003 and was managed by the Broadcasting Commission of Ireland. The Broadcasting Act, 2009 transferred the management of the Fund to the Broadcasting Authority of Ireland.

Income and Expenditure Account

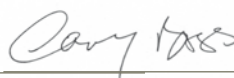
for the year ended 31st December 2010

	Notes	12 Months to Dec 2010 € '000	3 Month s to Dec 2009 € '000
Broadcasting Fund			
Income			
Oireachtas Grant		14,678	4199
Interest Receivable		361	88
Total		15,039	4287
Expenditure			
Grants and Awards		10,614	2,261
Staff Remuneration	2	320	140
Legal Fees		14	59
Administrative Costs		60	2
Audit Fee		5	4
Assessment Costs		64	8
Consultancy Costs		8	3
Total		11,085	2,477
Surplus/(Deficit) of income over expenditure		3,954	1,810
Balance at beginning of year		16,052	14,242
Balance at end of year		20,006	16,052

The Statement of Accounting Policies and Notes 1-7 form part of these Financial Statements. The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



Chairperson



Member of Authority



Chief Executive

Balance Sheet

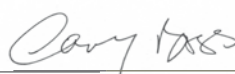
as at 31st December 2010

	Notes	2010 € '000	2009 € '000
Current Assets			
Debtors	3	113	165
Cash at Bank and on Hand		2,432	1,383
Short Term Deposits	5	17,513	14,508
		<u>20,058</u>	<u>16,056</u>
Current Liabilities			
Creditors (amounts due within one year)	4	(52)	(4)
Bank Overdraft		-	-
		<u>-</u>	<u>-</u>
Net Assets		<u>20,006</u>	<u>16,052</u>
Represented by			
Broadcasting Fund		20,006	16,052
		<u>20,006</u>	<u>16,052</u>

The Statement of Accounting Policies and Notes 1-7 form part of these Financial Statements. The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



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Cashflow Statement

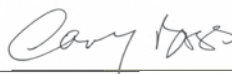
for the year ended 31st December 2010

	12 Months to Dec 2010 € '000	3 Months to Dec 2009 € '000
Reconciliation of Operating Surplus to Net Cash Inflow/ (Outflow) from Operating Activities		
Surplus/(Deficit) for Year	3,954	1,810
Returns on Investments	(361)	(88)
(Increase)/Decrease in Debtors	-	-
Increase/(Decrease) in Creditors	48	(652)
Net Cash Inflow/(outflow) from Operating Activities	3,641	1,070
Cashflow Statement		
Net Cash Inflow/(Outflow) from Operating Activities	3,641	1,070
Return on Investments		
Interest Received	413	34
Management of Liquid Resources		
Invested in Short-term Deposits	(3,005)	(784)
Increase/(Decrease) in Cash Balances	1,049	320

The Statement of Accounting Policies and Notes 1-7 form part of these Financial Statements. The Financial Statements were approved by the Authority on the 20th June 2011 and signed on its behalf by:



Chairperson



Member of Authority



Chief Executive



NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
31ST DECEMBER 2010

Notes to the Financial Statements

for period ended 31st December 2010

1. Broadcasting Funding Scheme

(a) Under the Broadcasting Act 2009, the Authority is required to prepare a scheme or schemes for the payment of grants to support certain television and radio programmes and projects out of an amount of 7% of the net proceeds of television licence fee income.

The current scheme in operation is the Sound & Vision II Scheme. The European Commission originally approved the Sound and Vision scheme in 2005 until the end of 2009 under the Broadcasting Commission of Ireland. The European Commission has approved Sound and Vision II under Article 107(3)(d) of the TFEU (Treaty on the Functioning of the European Union) until the end of 2014, having considered that it constitutes State Aid compatible with the internal market for a 5 year period ending 31st December 2014.

(b)

	€'000
Opening Commitment Figure (31st December 2009)	9,459
Awards made in 2010	9,833
Grants paid in 2010	(10,622)
Grants de-committed in 2010	(58)
Closing Commitment Figure (31st December 2010)	8,612

The expenditure of €10,614m in the Income and Expenditure account is net of a grant refund of €8,000.

2. Staff Costs

	12 Months to Dec 2010	3 Months to Dec 2009
	€'000	€'000
Wages and Salaries	251	110
Social Welfare Costs	27	11
Pension Costs	42	19
	320	140

Notes to the Financial Statements

for period ended 31st December 2010

3. Debtors

	2010	2009
	€'000	€'000
Accrued Interest	113	165
	<u>113</u>	<u>165</u>

4. Creditors

(Amounts falling due within one year)

Broadcasting Authority of Ireland	52	4
	<u>52</u>	<u>4</u>

5. Short Term Deposits

Balance at 31st December 2009	14,508	13,724
Additions	3,005	784
Withdrawals	-	-
Investments represented by bank deposits at 31st December 2010	<u>17,513</u>	<u>14,508</u>

As required under paragraph 157(4&6) of the Broadcasting Act 2009, monies standing to the credit of the current account and not required to meet current liabilities shall be paid into the investment account of the Fund.

Monies in the investment account of the Fund that are not required to meet current and prospective liabilities of that account shall be invested and the investments shall be realised or varied from time to time as occasion requires and the proceeds of any such realisation, and any income received in respect of monies invested shall be paid into the investment account of the Fund.

The Broadcasting Fund was originally established under the Broadcasting Funding Act 2003 and was managed by the Broadcasting Commission of Ireland.

Notes to the Financial Statements

for period ended 31st December 2010

The Commission had a policy of investing surplus funds in various commercial bank accounts as to maximise the interest return. The Broadcasting Act 2009 transferred the management of the Fund to the Broadcasting Authority of Ireland and it provided that the Fund consists of a current account and an investment account.

In the period of account the Authority continued this policy adopted by the Commission and retained the surplus funds on deposits with commercial banks. The Authority is liaising with the Department of Communications, Energy and Natural Resources on the specific requirements of this section of the legislation.

6. Employees and Remuneration

There are no employees directly employed by the Broadcasting Fund. A number of employees employed by the Broadcasting Authority of Ireland (BAI) do, however, spend a proportion of their time working on Fund related matters.

The level of hours worked by staff on the Fund is translated into equivalent full time positions and this equivalent salary cost is allocated from the BAI to the Fund.

7. Cashflow Statement

(a) Analysis of Changes in Net Funds

	At 31/12/2009	Cash Flows	At 31/12/2010
Cash in Hand/Bank	1,383	1,049	2,432
Deposits	<u>14,508</u>	<u>3,005</u>	<u>17,513</u>
Total	<u><u>15,891</u></u>	<u><u>4,054</u></u>	<u><u>19,945</u></u>

Notes to the Financial Statements

for period ended 31st December 2010

(b) Reconciliation of Net Cash Flow to Movement in Net Funds

	2010 €'000	2009 €'000
Increase/(Decrease) in cash during the year	1,049	320
Cash lodged in Deposits	<u>3,005</u>	<u>784</u>
Change in Net Funds	4,054	1,104
Opening Net Funds	<u>15,891</u>	<u>14,787</u>
Closing Net Funds	<u><u>19,945</u></u>	<u><u>15,891</u></u>

