

**Chartered Institute of
Management Accountants**

CIMA

**February 2017 Strategic case study examination
Pre-seen materials**



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You are the senior manager in Evestar, a large company in Teeland which is quoted on the Teeland Stock Exchange. You report directly to the Board and advise on special projects and strategic matters.

Teeland uses International Financial Reporting Standards.

Teeland's currency is the T\$.

Reality television

Evestar is Teeland's largest producer of "reality" television, when measured by revenue from programme sales.

Reality television is a generic title for programmes that are largely unscripted and put participants in "real-life" situations that may be simulated. Several different programme types could fall under this heading. For example, quiz shows, competitions involving skills or talents and certain types of documentary can be classified as reality television.

Personal conflict is a significant element of reality television. The conflict may be created by interpersonal competition or it may involve stressful situations arising in daily life. For example, some reality television programmes are little more than edited recordings of people whose everyday jobs involve confrontation. The programme "Debt Collector" follows the working lives of actual debt recovery agents as they go about their business. Broadcast-quality cameras are sufficiently small and lightweight that it is relatively easy for a single operator to travel with the recovery agents and to record the action. The programme shows the reactions of debtors to requests for payment, with a voice-over added to the edited footage to explain what is happening.

Evestar does not produce low cost programmes but concentrates on prime time viewing for the major television networks.

Evestar's programming tends to feature studio-based competitions, with the entertainment value often derived from the contestants' responses to stress and rejection rather than the skill element itself. These have high production costs. For example, Evestar's flagship programme, "Teeland Variety", offers members of the public the opportunity to perform in front of a live audience before receiving feedback from a celebrity panel. Many of the contestants are very talented and some go on to become successful stars. However, the programme's production team also mixes in a proportion of untalented individuals because the viewing public takes pleasure in watching the celebrity panel make negative comments about poor performances, particularly when the contestants react in an angry and disrespectful manner.

Teeland's television industry

Teeland's television industry underwent major changes during the late 1990s. Previously, television was broadcast using analogue signals that required a lot of bandwidth. Teeland's government licensed a new frequency range in order to enable digital television signals, which dramatically increased the number of channels that could be broadcast simultaneously. The new channels were acquired by a mixture of both traditional broadcasting companies and newcomers to the industry. After a transitional period, the analogue frequencies were switched off.

Historically there were four major television broadcasters in Teeland during the analogue broadcast era and they are under pressure to retain their market dominance:

	Background	Programming	Digital Channels
National Television	Established in 1950. Funded by Teeland's government as a public service (all other television companies are profit led).	National Television offers a wide range of programming, including some very popular serial dramas such as City Neighbours and Accident Ward. It is also noted for its major historical dramas such as Manor House.	National Television broadcasts on five channels. Mainstream programmes are shown on NT1 and NT2, while NTNews, NTArt and NTYouth are more specialized.
IndTV	Founded in 1963. IndTV was the first commercial station in Teeland. Revenue comes from advertising.	IndTV has several highly popular programmes, including Cobbled Streets, Teeland's longest-running television serial. IndTV broadcasts Evestar's principal programme, Teeland Variety.	The company has four channels. Mainstream programmes are broadcast on IndTV and are repeated an hour later on IndTV+1. IndClassic repeats old programmes from the company's archives and IndGossip carries a mix of chat shows and music and is aimed at viewers in their 20s.
Gravitas	Founded in 1988 to provide an alternative to National Television by offering high quality programming that will appeal to viewers of all ages. Revenue comes from advertising.	Gravitas commissions informative documentary programmes, drama starring leading actors and its news coverage is regarded as comprehensive and unbiased.	Gravitas has three channels: GDocumentary, GDrama and GNews.
Peeps	Founded in 1994. Revenue comes from advertising.	Peeps aims to attract viewers by offering light-hearted and inexpensive programmes that are often deliberately controversial so that they can attract free publicity.	Peeps has four digital channels.

The launch of digital broadcasting created capacity for 35 channels in Teeland. 16 of these were acquired by the four major broadcasters. The remaining 19 were purchased by new broadcasters, most of whom purchased a single channel. These new channels offer a diverse range of programming, including channels devoted to repeats of old programmes and hobby channels that focus on leisure activities such as fishing or art.

All of the digital channels are “free to view”, which means that signals received through a normal television aerial can be viewed on any television without payment of a subscription or fee. With the exception of National Television, all of the channels rely on advertising for their revenue.

NT1 and IndTV remain the two most popular channels, with combined viewing figures of more than 50% of the viewing audience at any given time. Their size means that they can afford to buy more attractive programmes than their competitors. For example, the rights to broadcast major sporting events in Teeland are generally purchased by one or other of these channels because they can afford to pay more than their competitors.

Only the five National Television channels are funded by the government. The expansion of the range of channels on offer has created a problem for commercial broadcasters. There are 30 channels competing for advertising revenues. The rates which can be charged for television advertising vary according to the anticipated viewing figures, both the number of viewers and the audience demographics. For example, a 30-second advertising slot during Cobbled Streets is expensive because the programme is popular with a broad cross-section of viewers, including many with above average spending power. Some programmes have large audiences, but are less attractive to advertisers because their audiences are largely unemployed or retired with little spending power.

The commercial broadcasters are always looking for programmes that will attract good audiences and are relatively inexpensive to buy or produce. This has created opportunities for entrepreneurial companies such as Evestar, which are good at developing programmes that deliver on both counts.

Television viewing figures are reported by an independent agency that conducts surveys on behalf of the commercial channels. A representative cross-section of potential viewers is contacted on a daily basis to establish what programmes they watched during the previous 24 hours. They are asked to provide some demographical information such as gender, age and occupation and also their enjoyment of the programmes they watched, rated on a five-point scale. Each channel receives a detailed daily report on its own audience and a brief summary of the total viewing figures is made freely available on the agency's website.

All of the television companies require programmes. Some programmes are made in-house, but most are bought in from independent programme makers such as Evestar. All of the television companies must attract viewers in order to survive. National Television is funded by the government and must demonstrate that it is delivering value for money through offering high quality programming that is attractive to viewers, otherwise taxpayers' money would be wasted. The commercial channels all depend on advertising revenues, which are driven by viewing figures by target socio-economic groups. Popular programmes attract more viewers and therefore the broadcasting channel can charge more for the advertising slot. Independent programme makers such as Evestar do not receive any direct benefit from the advertising revenues, but they can charge the broadcasters more for their programmes if they are expected to deliver healthy viewing figures.

The television industry is constantly changing. Viewers in Teeland can subscribe to premium television services that are streamed over the internet by companies such as StreamVision. These services generate revenues from viewers' subscriptions and so they do not carry advertising. The channels which offer these services are not particularly interested in reality television as their viewers are primarily interested in films and drama. This may change because StreamVision is about to launch a programme called “Start your Engines” which will

be a light-hearted competition between four famous motoring journalists who will review new cars and demonstrate their driving skills.

Evestar's business model

Evestar is an entertainment company. It was founded in 2006 by Denny White, a major figure in the music industry. The company was floated in 2008. Denny owns 7% of the issued equity.



Denny was already a successful businessman before the creation of Evestar. He has owned a controlling interest in a private company called "How Music" for more than 30 years. How Music operates independently of Evestar.

Denny created Evestar because he believed that the music industry was in

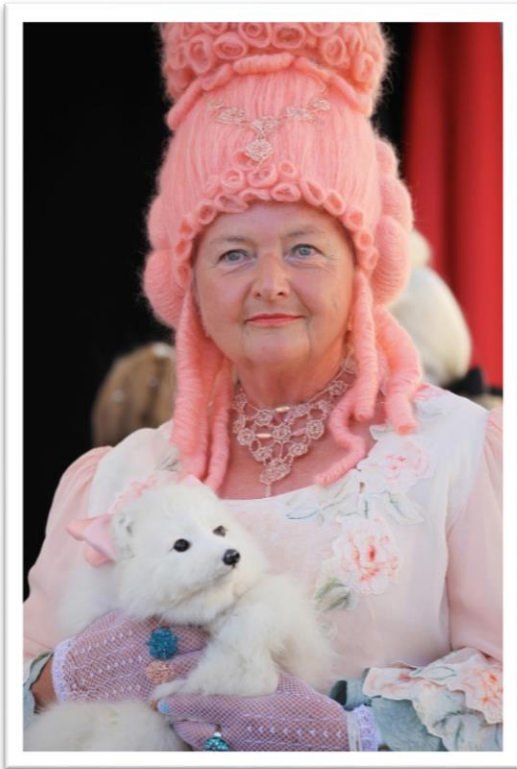
the early stages of decline and he wished to diversify his business portfolio. He saw significant opportunities in the television industry. The new digital channels stimulated demand for new programme formats, such as reality television.

Evestar develops and produces programmes and sells them to broadcasters. New programme formats are developed and sold before they are made. A pilot episode is generally produced to demonstrate what the programme will look like and to enable broadcasters to conduct test screenings. Most of Evestar's programmes are remade on an annual basis, with broadcasters generally renewing their contracts and so becoming associated with popular programmes. Evestar always insists on retaining the intellectual property in its programmes and so there would be nothing to prevent a programme that had been broadcast on one channel one year from being broadcast by another the next, unless the buyer pays for exclusivity.

Evestar's first programme was Teeland Variety, which was first broadcast on IndTV in 2007. The programme was developed by Denny. There has been a series of this programme every year since. Each series comprises two phases:

Audition phase

The audition phase involves hiring a concert hall in each of eight cities spread across Teeland, one per week for eight weeks. Members of the public are invited to audition for the programme, with any form of entertainment being considered. There are usually thousands of hopeful participants. The production crew select twenty acts from those queuing to audition, ten of whom are potential winners and ten who are expected to fail but who might offer some interest or entertainment value on a personal level. Each of the twenty acts is then recorded on stage in front of a live audience. Each act lasts up to five minutes, but audience members can text a number to stop the act prematurely. If half of the audience casts this vote then the stage lights are switched off and a siren sounds.



There is a panel of three judges, generally comprising Denny White and two celebrity judges who are signed up for the series. The celebrity judges for the 2016/2017 series are Dawnelle, a successful singer, and Billy Banter, a comedian. The members of the judging panel discuss the act and vote as to whether it should go forward to the second round.

The weaker acts are often unhappy at the audience reaction and the judges' comments. There are sometimes angry outbursts that are often included in the broadcast version of the programme, such as the pink haired lady with the dancing dog who called Denny a rogue.

Each episode is edited down to 45 minutes, which will run to an hour when broadcast because of advertising breaks. The edited version shows six or seven of the acts from that week's live episode, typically alternating strong and weak acts. Each show concludes with the best act so that the episode ends on a high note.

At the conclusion of each episode, the viewers are invited to ring a premium-rate number to vote for their favourite act. Each call costs T\$2.00, which is charged to the caller's phone bill and remitted to Evestar, after deduction of the phone company's commission. Evestar usually keeps the whole of the net receipt, although a revenue split might be negotiated with the broadcaster.



The act that receives the most votes receives a cash prize of T\$5,000 and the viewers who vote are automatically entered into a prize draw for T\$10,000.

Competition phase

The second phase comprises six episodes in which the acts selected to progress from the audition phase perform in front of a live audience and the panel of three judges. The format is the same as for the audition phase.

The competition phase culminates in a two-hour final that is broadcast live. Each of the winning acts from the previous six episodes performs on stage. Once all six acts have performed, the telephone lines are opened for home viewers to vote for their favourite act. Each act has a different number and the calls are logged electronically. The celebrity judges perform on stage and on camera while the voting takes place. The results are announced at the end of the episode. There is a cash prize for the winner and winning acts often go on to have

successful careers in show business.

Teeland Variety established a formula that has since been applied to other programmes created by Denny White:

- Firstly, the programme is relatively cheap to make, because none of the acts are paid a fee for performing at the audition phase. The live audience pays to attend, although the ticket prices are low in order to ensure a crowded hall. The costs of this type of programme are significantly lower than for other types of programmes such as quality drama.
- Secondly, the programme fills a significant amount of airtime for broadcasters. Each episode is broadcast on a Saturday night and then repeated on the following Sunday afternoon. There are various spin-off programmes, such as the hour-long “behind the scenes” programme in which a presenter talks to hopefuls who are auditioning and to performers who have just come off stage. There is another programme in which the winner of that week’s telephone vote is announced and the winning act is profiled. Spin-off programmes attract relatively small audiences compared to the Saturday night programme, but they cost very little to produce and so are commercially viable. IndTV broadcasts several hours of these programmes every week on its IndGossip channel.
- Thirdly, the programme is very popular with viewers whose disposable incomes make them attractive to advertisers. Official figures indicate that a wide cross-section of the general public watches Teeland Variety. Furthermore, it costs T\$2.00 to vote and the numbers of votes cast has increased year-on-year since the programme was first broadcast. This leads advertisers to believe that the audience for the commercial breaks has money to spend.
- Finally, the programme can be promoted at relatively little cost because Teeland’s tabloid newspapers generally carry stories about the programme and the final winner often appears on the front pages of the newspapers. IndTV has always been happy to commission further series of the programme. The demand for access to the programme’s stars and panelists also gives Denny some influence over newspaper editors which he can use to promote Evestar’s other programmes.

Evestar also produces three programmes in addition to Teeland Variety:

Choirwars



Choirmasters apply to compete in this programme. A production crew is sent to record a performance by each selected choir. Extracts from each performance are edited together with footage of a panel of expert choirmasters discussing their opinions of each performance.

Each series has six first-round episodes, each with four choirs performing. Viewers can then phone in to vote for their favourite choir after each episode is broadcast.

There is a live final, in which the six selected choirs sing in a concert hall in front of a live audience. Viewers can then vote for their favourite choir at the conclusion of the episode.

Choirwars is less popular than Teeland Variety, but it has been very successful in attracting a solid core of viewers. The programme has been running for seven years.

Choirwars is broadcast on NT1.

Starmaker



Each of six successful singing stars, all with different musical styles, is paired with two students who share that musical style.

Over a six-week period, each star's style is showcased and all of the stars must train their students to perform a song from that style. Each of the students will therefore perform a different song from, say, musical theatre one week and rap the next.

The stars evaluate each student's performance in turn. Given that the stars are effectively competing with one another through their students, these discussions can become quite heated. The resulting arguments drive up viewing figures.

Viewers vote for their favourite student after each episode is broadcast. The student who receives the fewest votes is eliminated from the competition. If a star loses both of his or her students then he or she is eliminated too.

The seventh episode is a final, with each of the remaining six students performing a song of his or her choice. Viewers vote for the winner, who receives a cash prize of T\$50,000.

Starmaker is broadcast on IndTV. Starmaker has been running for six years.

The Cavern



Twenty contestants agree to be locked in a section of an underground cavern for up to 14 days. They have no contact with the outside world, apart from a computer screen that is used to relay instructions. There are several cameras in the cavern and therefore very little privacy.

The conditions are designed to create tensions between the inhabitants. For example, one contestant is selected at random to choose each day's menu and every contestant receives that choice, regardless of individual preferences. The menu selections avoid contestants' known food allergies, but they make no other allowances. A contestant might use this choice as an opportunity to provoke others, perhaps selecting curry if other inhabitants dislike spicy food or meat dishes if some are vegetarians.

Also, contestants must complete challenges, with rewards for everyone in the cavern if they succeed and penalties for all when they fail. For example, a contestant might be asked three general knowledge questions. Three correct answers could be rewarded by granting each contestant a hot shower in the private shower room. An incorrect answer could lead to the shower room being locked electronically for 24 hours. As the series progresses the challenges become more demanding and the rewards and penalties become more substantial.

There is an edited episode each night for the duration of this competition. This comprises an hour of highlights, showing the interactions between the contestants and analysing any alliances and ill feeling that emerge. At the conclusion of each episode, the viewing audience votes to remove a contestant. By the final night, when seven contestants remain, the viewers vote on their favourite contestant. The winner receives a cash prize of T\$50,000.

Again, there are spin-off programmes. There is a second hour of analysis and comment each night, with commentators drawn from the evicted contestants. There is a "highlights" programme every Sunday afternoon. There is even a live feed from the cameras that runs from midnight until 10.00 am.

The Cavern is broadcast on Peeps, with the spin-off programmes and the live-feed going out on its sister channel PeepsMoMo. The Cavern has been running for three years.

Evestar makes a new series of each of these programmes every year and schedules production so that the programmes are broadcast at different times of year. Therefore they do not compete with one another for viewers and reduce the risk that viewers will realise that they are spending a lot on voting.

Evestar's programmes are significantly cheaper to make than, say, drama or comedy. For example, it costs IndTV1 four times more to make an episode of Cobbled Streets than it does to buy an episode of Teeland Variety from Evestar.

How Music



Denny began his career as a record producer. He founded How Music, which is now one of the world's leading music labels. How Music has been responsible for developing many of the most popular stars since its foundation in the 1980s.

Denny's key skill has been in the area of Artists and Repertoire ("A&R"). Denny is good at identifying acts that will appeal to the music-buying public. Some of his biggest success stories have been very novel. For example, Denny signed up an opera singer, Brynn Morgan, and produced many best-selling albums of him singing popular songs in an operatic style.

Denny owns 75% of How Music, with the remainder held by the company's other board members. How Music is a private company and little is known about it. Teeland's Companies Act does not require private companies to publish much information in their annual reports. It is believed that Denny is an extremely wealthy individual, worth hundreds of millions of T\$.

There is no formal link between Evestar and How Music, other than Denny's interest in both companies. Apart from Denny, none of Evestar's board has any interest in How Music.

Evestar's Board

Denny White	Chief Executive Officer (CEO) and Chairman
Ed Lanson	Finance Director
Alana Duprey	Creative Director
Magda Xi	Production Director
Julien Ricco	Health and Safety Director
Paula Danvers	Human Resources Director
Martin Wyper	Non-executive director
Susan Kwan	Non-executive director
Donna Marsh	Non-executive director

The Teeland Code of Corporate Governance is based on a “comply or explain principle”, which means that the Teeland Stock Exchange requires companies to either confirm that they are fully compliant with the Code or to explain any failure to comply with the Code’s requirements. There is no formal sanction for failing to comply.

Evestar is not compliant with The Teeland Code of Corporate Governance in respect of the requirement that the roles of Chief Executive Officer and Chairman be kept separate. The Board of Evestar explains this in its annual report by arguing that Mr White is uniquely qualified to act as both CEO and Chairman. He founded the company and has been the driving force behind its growth and development. He has a lifetime’s experience of the entertainment industry.

Teeland's reality television industry

Evestar's most immediate rival is Bonchant, which also makes programmes that are targeted to be broadcast at prime times on Teeland's commercial channels. Bonchant's programme line-up is more varied than Evestar's. Bonchant presently has seven programmes in production, the three most popular of which are:

Hear my Song	<p>Each contestant performs the song of his or her choice in front of a panel of successful musical artistes.</p> <p>Each panel member is permitted to select one contestant during each episode.</p> <p>Prior to the final episode in each series, each panel member nominates one of the contestants that he or she selected during the earlier episodes. The selected contestants then compete in front of a studio audience that is equipped with electronic voting pads. The studio audience votes for the winner, who receives a recording contract.</p> <p>Hear my Song is broadcast on NT1. The programme has been running for 5 years.</p>
Celebrity Restaurant	<p>Each episode has a different team of six celebrities who must work together to staff a real restaurant, three acting as serving staff and three working in the kitchen. The diners are members of the public, who score their experiences. Each episode is recorded over a single evening, with the resulting footage being edited down to a one-hour programme.</p> <p>Celebrity Restaurant is broadcast on Peeps. The third series is currently being broadcast.</p>
Put On a Party	<p>Members of the public apply to compete in this programme. Each contestant must organise a party for a group of 40 people who are known to one another but not to the contestant. For example, the party could be for the members of a drama club or mothers whose children attend a kindergarten. At the end of the party, each participant has to rate the invitations, decorations, entertainment, drinks and food. Contestants have to pay for their parties, but the contestant with the highest overall score wins T\$100,000.</p> <p>Put on a Party is Broadcast on Gravitass. The programme is in its second year.</p>

Many of the new channels that came into being with the launch of digital services saw the opportunity presented by reality television for anyone to make programmes as well as broadcast them. For example, the most popular programme on Teeland Fishing is Capital City Canal. This is effectively a documentary showing the presenter fishing from a canal bank, while offering advice on catching different species of fish. It only requires one person to operate the camera and the editing is done by an independent media company. These programmes often attract sufficient viewing figures to enable low-budget channels to sell advertising slots, albeit at significantly reduced rates.

Some very low cost programmes do attract sizeable audiences. For example, House Flip records the process of buying run-down properties and their subsequent renovation. Bonchant produces this programme, working with estate agents to contact the buyers of suitable houses. The houses are shown before the work has been undertaken and the buyers are asked to describe their plans. The production team returns after the house has been completed and sold. Production costs are very low because all that is really required is a presenter to interview the house buyers and a camera operator. The programme is very popular despite its low budget. It is broadcast on NT2.

Summary SWOT analysis

An internal project team who were considering a new programme prepared a SWOT analysis:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong expertise of making reality television programmes • Good profits • Strong Board of Directors • New stars are keen to join the programmes 	<ul style="list-style-type: none"> • It may be difficult to keep programmes fresh • High financial gearing • Physical and mental stress of contestants
Opportunities	Threats
<ul style="list-style-type: none"> • Growing market for reality television programmes • Expand into additional overseas markets 	<ul style="list-style-type: none"> • Competition from other production companies • Public often concerned about the harm done to contestants • Broadcasters may move further in the direction of low cost

Evestar's risk register as presented at quarterly board meeting.

Risk	Likelihood 1=Unlikely 5=Very likely	Severity 1=Minor impact 5=Major impact	Risk factor (LxS) Low Risk 1-8 Medium Risk 9-14 High Risk 15-25	Control	Responsibility
Risk of injury					
Production staff may be at risk when setting up equipment in unfamiliar locations.	2	5	10	Venue health and safety rules must be followed in the case of theatres and concert halls. A formal risk assessment is carried out at other locations.	Programme producer
Contestants are subjected to high levels of stress which could lead to serious mental health issues.	3	3	9	Psychological help readily available.	Programme producer
Contestants can be at physical risk because of the location or because of the nature of some acts.	3	5	15	Designated safety officer at each location.	Programme producer
Angry contestants may threaten violence.	4	5	20	Trained security officers on hand to maintain order.	Programme producer
Staffing					
Panellists and judges may leave to work for other production companies.	2	3	6	Ensure competitive contractual terms.	Board
Presenters and other key employees may resign mid-series.	3	4	12	Strong contracts to minimise threat.	Board



Extracts from financial statements for the last 5 years

Evestar

Statement of profit or loss for the year ended 31 December

	2016	2015	2014	2013	2012
	T\$m	T\$m	T\$m	T\$m	T\$m
Revenue	261	242	218	195	171
Cost of sales	(96)	(79)	(74)	(69)	(64)
Gross profit	165	163	144	126	107
Administrative expenses	(29)	(22)	(17)	(16)	(10)
Advertising and promotion	(21)	(22)	(22)	(21)	(21)
Operating profit	115	119	105	89	76
Finance charges	(20)	(20)	(20)	(20)	(20)
	95	99	85	69	56
Tax expense	(23)	(22)	(21)	(16)	(15)
Profit for year	72	77	64	53	41

Evestar**Statement of financial position as at 31 December**

	2016	2015	2014	2013	2012
	T\$m	T\$m	T\$m	T\$m	T\$m
Non-current assets					
Property	184	188	192	196	200
Plant and equipment	188	173	157	137	120
Intangibles - programme development	46	51	44	48	52
	418	412	393	381	372
Current assets					
Trade receivables	26	24	22	20	17
Cash and cash equivalents	14	18	31	44	56
	40	42	53	64	73
Total assets	458	454	446	445	445
Equity					
Shares and share premium	50	50	50	50	50
Retained earnings	124	121	118	119	120
	174	171	168	169	170
Non-current liabilities					
Bonds – secured by floating charge	250	250	250	250	250
Current liabilities					
Trade payables	10	9	8	7	7
Tax	24	24	20	19	18
	34	33	28	26	25
	458	454	446	445	445

Extracts from financial statements for the last 2 years of Evestar's closest competitor

Bonchant

Statement of profit or loss for the year ended 31 December

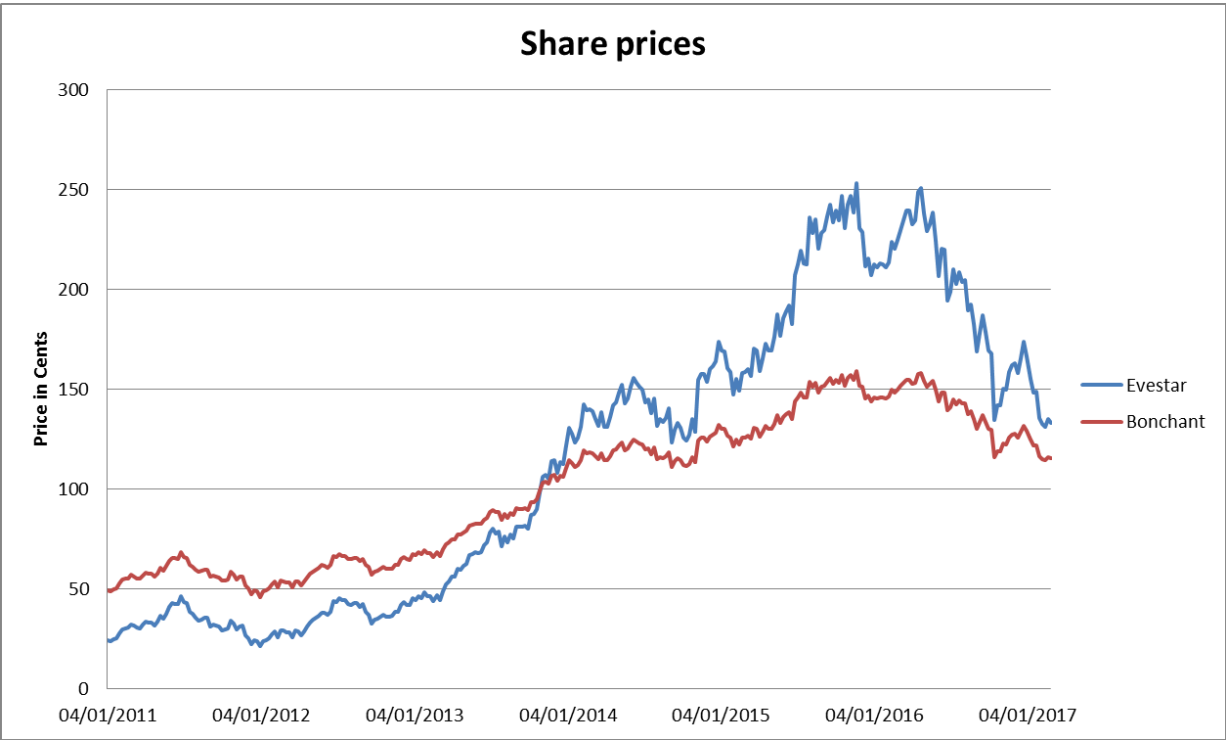
	2016	2015
	T\$m	T\$m
Revenue	175	158
Cost of sales	(68)	(54)
Gross profit	107	104
Administrative expenses	(11)	(11)
Advertising and promotion	(19)	(19)
Operating profit	77	74
Finance charges	(8)	(8)
	69	66
Tax expense	(17)	(15)
Profit for year	52	51

Bonchant

Statement of financial position as at 31 December

	2016 T\$m	2015 T\$m
Non-current assets		
Property	155	143
Plant and equipment	149	140
Intangibles - programme development	83	87
	<u>387</u>	<u>370</u>
Current assets		
Trade receivables	19	17
Cash and cash equivalents	32	28
	<u>51</u>	<u>45</u>
Total assets	<u><u>438</u></u>	<u><u>415</u></u>
Equity		
Shares and share premium	100	100
Retained earnings	211	192
	<u>311</u>	<u>292</u>
Non-current liabilities		
Bonds	100	100
Current liabilities		
Trade payables	8	6
Tax	19	17
	<u>27</u>	<u>23</u>
	<u><u>438</u></u>	<u><u>415</u></u>

Share price trend for Evestar and Bonchant 2011-2017



Press clippings

Daily News

Is Reality TV pushing contestants too far?

Troubled celebrity Charmaine Allan was rushed to hospital last night, suffering from the effects of an overdose of prescription medicines.

Charmaine rose to fame when she established herself as a favourite on IndTV's Starmaker. Stories about her private life started to appear in the press half way through the series. She took the controversial decision to withdraw from the programme final at the very last minute, despite having been widely tipped to win the competition.

Charmaine signed a recording contract with Denny White's How Music immediately after she quit Starmaker. Her debut album quickly became a best-seller.

Charmaine's agent reassured fans that the singer was expected to make a full and speedy recovery and that none of the live concerts in her forthcoming tour would be affected.

Financial Daily News

19th February 2017

T\$2.20

Evestar's profits fall

The publication of Evestar's 2016 results saw share prices fall in the face of a 6.5% fall in profits compared to 2015.

The company's board released a statement reassuring shareholders that trading conditions in 2015 had been unusually favourable. Factors such as the 2016 Olympic Games reduced potential viewing figures for Evestar's output.

The markets had a rather mixed reaction to the fact that Evestar has committed itself to maintaining its dividends. The company has always argued that it had little need of fresh equity because it exploited internally-generated intellectual property and so it had no need to retain profits.

Financial Daily News

21st February 2017

T\$2.20

Evestar's Bond Rating Downgraded

Credit rating agencies reduced the rating on Evestar's bonds from their lowest investment grade to the top tier of their non-investment (or "junk") grade.

The move was blamed on concerns about the sustainability of Evestar's business model in an increasingly competitive market. Bondholders are becoming increasingly concerned over the refusal of the Board to introduce equity.

The 6.5% decrease in Evestar's profits since last year is undoubtedly a contributory factor in the downgrade, although Evestar's Board claim that 2015's profit benefitted from favourable market conditions and so the apparent decline in 2016 was illusory.

Daily News

Evestar to sink The Cavern?

Rumours continue to circulate that Evestar plans to revamp its programme The Cavern by modifying a retired navy submarine and mooring it in shallow water off of an uninhabited tropical island.

Viewing figures for The Cavern have been declining steadily, with viewers complaining



that watching people fight over contrived problems was becoming very dull and repetitive. It was also becoming increasingly expensive to make the programme because of subsidence and other problems with the cavern in which the programme was filmed. These problems led to increasing maintenance costs and continual safety inspections.

The new location would make it possible to introduce new elements to the programme. For example, it would be possible to introduce outdoor challenges and competitions and an exotic location might capture some of the audience's interest.

Daily News

Famous for making chips?



Production of the latest series of Bonchant's reality television programme "Celebrity Restaurant" was disrupted last night by protestors, mainly workers from nearby restaurants, who attempted to prevent diners from entering the restaurant.

The programme requires celebrity contestants to cook and serve meals to members of the public who rate their experience.

Each episode is filmed over three evenings. It is understood that each celebrity contestant is paid between T\$20,000 and T\$30,000 for their participation. This angers the protestors, who claim to be paid at the rate of Teeland's minimum wage of T\$8.00 per hour, which would yield a much smaller pay packet than that paid to their celebrity counterparts.

One of the protestors, Fred Smith a chef at another local restaurant, commented that the celebrities were not particularly famous, claiming to have seen a former soccer player, an actor famous for having played a character in the television drama "Cobbled Streets" and a television newsreader all serving meals in the restaurant. "None of them deserve to be paid more than I do. They didn't seem to be working very hard when I saw them."

Bonchant recently announced two further programmes that will have a celebrity theme. "Celebrity Put On a Party" is about to go into production and "Celebrity Sport" will involve teams of celebrities being trained by top athletes before they compete against one another.

Production costs

Denny was keen to understand how Bonchant's cost structure differed from Evestar's, so he recruited a member of Bonchant's administration department and persuaded him to compile a comparative cost schedule for Celebrity Restaurant, one of Bonchant's programmes.

	Teeland Variety T\$000	Celebrity Restaurant T\$000
TV development / Script		
Research	40	15
Story / script / writers fees	10	12
Development Subtotal	50	27
TV production		
Producer fees	12	7
Director fees	15	10
Presenters / actors / talent	240	175
Production staff & crew	110	30
Locations	80	30
Equipment hire	18	5
Wardrobe / make-up	114	17
Travel / accommodations/ living	256	24
Production office / administration	18	11
Cost of food and drink sold		4
Production subtotal	863	313
TV post production		
Music & copyright	46	2
Tape Stock	6	3
Picture post production	16	7
Audio Post Production	14	3
Titles / graphics	4	2
Post production subtotal	86	17
TV marketing & administration		
Marketing / delivery	60	10
Administration / overheads	18	23
Legal	17	12
Insurance	22	28
Marketing / admin Subtotal	117	73
Total costs	1,116	430

These figures are the average costs incurred in making each episode of the programmes in question.