

RADIO JAMAICA LIMITED 1996.

DIRECTORS' REPORT

The Forty-ninth Annual Report of Radio Jamaica Limited.

The Directors have pleasure in presenting the 49th Annual Report and Audited Financial Statements for the year ended December 31, 1996.

FINANCIAL RESULTS

	\$'000
Profit before taxation	47,751
Taxation	11,540
Net Profit	36,211
Retained earnings at beginning of year	88,475
	124,686

APPROPRIATIONS

	\$'000	
Ordinary dividend proposed	3,881	
Preference dividend proposed:		
Cumulative (gross)	1	
Participating	1	
Issue of Bonus Shares	15,981	19,864
		104,822

FINANCIAL POSITION

The Group recorded revenue of \$230.4 million in the 1996 financial year, reflecting an increase of 20.3% over the \$191.5 million recorded in the previous year.

Profit after tax was \$36.2 million as against \$29.6 million in 1995, a growth of 22.1%. This was due in part to a reduction in the company's tax liability resulting from a special tax credit of \$3.8 million arising from the issue of bonus shares in December 1996.

Interest income rose by 161.8% to \$14.1 million compared to \$5.4 million in 1995. This accounted for 29% of pre-tax profit (12% in 1995) and is due in large measure to prudent cash management. The government's high interest rate policy which prevailed during the period under review also contributed to the increase in interest earnings.

The return on capital employed for 1996 was 24.3%, down marginally from the 25.6% realized in 1995.

DIVIDENDS/DISTRIBUTION

Your directors have recommended a dividend of 10% or 5 cents per ordinary stock unit. This dividend will amount to \$3,880,991 and has been provided for in the accounts.

STOCK PRICE

Radio Jamaica has emerged the leader of the ten top appreciating stocks for the 12-month period ending February 1997. During the period, the stock price appreciated 146% to \$2.90.

The stock market index closed at year end at 16,615.99 (1995 - 14,266.99). The company's shares at year end traded at \$2.20 (1995 - \$2.43).

INVESTMENTS

(a) Reditech Services Limited

This subsidiary showed a loss of \$0.915 million compared with an almost similar performance (\$1.046m) in 1995.

Further development of this company into electronic services is being evaluated and discussions regarding the possible acquisition of an electronic company are in progress.

(b) **Caribbean Communications Network (CCN), Trinidad**

The company in its 1997 Annual Report recorded an after tax profit of TT\$5.3M and has paid an interim dividend in August 1996 of 3 cents on each stock unit totalling TT\$5,906.25. A final dividend of 3.5 cents on each stock unit amounting to TT\$6,890.62 was paid on March 20, 1997.

The company's shares at year end traded at TT\$2.80 (March 1997 - TT\$3.05).

(c) **Helicon Limited**

Helicon Limited, the operators of a Piston Helicopter in which your company has a 20% stake, has not made a profit since its inception and has been grounded by its operators due to a reduction in usage by its traditional users, other than RJR. This means, therefore, that the helicopter operating as Wise Eye for RJR has not been operational for the greater part of 1996. Normal activity will not be resumed unless the helicopter can be operated as a financially viable business.

**EXTRAORDINARY GENERAL
MEETING - BONUS ISSUE**

The shareholders, at an Extraordinary General Meeting of the company held on December 19, 1996, approved the capitalisation of \$15,980,552 (being part of the amount standing to the credit of the profit and loss account in the books of the Company) and that such sum be capitalised and accordingly the Directors be authorised and directed to appropriate the said sum to the holders of the ordinary shares in the capital of the Company registered at the close of business on December 31, 1996 and to apply such sum in paying up in full at par on behalf of such holders 31,961,104 ordinary shares of \$0.50 each (ranking pari passu in all respects with the existing ordinary shares of the Company) and

that such shares be allotted and distributed credited as fully paid to, and among, the said holders in the proportion of seven (7) fully-paid ordinary shares for every ten (10) stock units of the Company then held but so that no member of the Company shall be allotted any fractional part of a share and that all new shares representing fractions shall either be sold for the benefit of the Company or dealt with in such manner as the Directors may approve pursuant to Article 156 and the Directors shall, in connection therewith, have full power to do such acts and things required to give effect to the said capitalisation, allotment and distribution.

FOCUS ON FARRAKHAN

On June 17, the Newsroom in collaboration with other departments under the guidance of the General Manager staged Focus on Farrakhan. The programme was a success showcasing the benefits of the interdepartmental approach to the staging of events. It was described as the most balanced programme done on the Leader of the Nation of Islam Louis Farrakhan throughout his visit.

TECHNICAL

In its continuous quest for improvement in the technical quality of the programmes received by our listeners, the company implemented several innovative projects during the year.

Phase 1 of a Digital Audio System which is fully computerised and utilises the latest technology was acquired to improve our studio operations.

This has resulted in an improvement in the technical quality of commercials, improved reliability of equipment and reduced operational cost.

To further improve the quality of our Outside Broadcast programmes originating from Montego Bay and its environs, the

telephone link between Broadcasting House and Montego Bay was replaced with a high quality Digital Audio link.

Also, the FM transmitter at our Spur Tree site was retrofitted with Solid State Intermediate Power Amplifiers.

The 90.5MHz operating frequency was also changed to a frequency of 94.3MHz in keeping with our new frequency clustering format. This upgrading exercise, apart from providing a better signal for our mid-island listeners, will also ensure a higher degree of reliability as well as reduced operational costs.

RJR THE SUPREME SOUND POLITICS OF CRIME

Radio Jamaica created history by having, for the first time under such circumstances, Prime Minister PJ Patterson, Opposition JLP Leader, Edward Seaga and NDM Leader, Bruce Golding at the studios of RJR to examine Crime and Politics in Jamaica. The political leaders faced a panel comprising Journalists and scholars, and a studio audience of representatives from various sectors of the Jamaican Society. The event was preceded by an aggressive promotion and marketing campaign which included newspaper and radio advertisements.

The programme was aired live on RJR Supreme Sound, KLAS FM 89, JBC TV, WLIB in New York and CANA Radio throughout the Caribbean.

CAYMANAS TRACK LIMITED/RACING COVERAGE

On July 10, 1996 our broadcast of races from Caymanas Park was prematurely terminated after Caymanas Track Limited intervened with threats of expulsion and seizure of equipment. This followed a directive from CTL a few days before to ban live commentary of races from the track.

These restrictions according to CTL, were designed to stifle the operations of illegal bookmakers who make a living off

races, but pay no tax. The suggested broadcast of delayed commentaries was not acceptable to the station as the contractual arrangements with our sponsors were for live coverage and our listeners also expected live coverage as has been the case for nearly thirty years.

Caymanas radio coverage was not intended as a facilitator for gambling, but as a service to the audience as with any other sporting event. Live coverage is therefore considered the only service that would be acceptable to the audience.

SPORTS ZONE

In the absence of racing coverage, the company implemented a new Saturday format on Saturday, July 20, 1996. The programme 'Sports Zone', aired between 1:00 and 6:00 p.m. is the most comprehensive of its kind in the Caribbean. It's a combination of live commentaries on local, regional and international events, pre-packaged interviews and features, the results of races and live studio and telephone guests. Apart from being very informative, the programme has the potential of becoming one of the station's most lucrative slots.

FAME-FM

CRICKET

The game was re-introduced to the station's airwaves in October 1996. An unofficial survey indicated an increase in the station's market share, with a resultant increase in revenue.

The reluctance of listeners to switch bands from FM to AM, while the same programming was available on the FM Band, made the use of break-away on the AM Band less attractive to sponsors.

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

As stated in the 1995 report, the temporary incentives given to the company's employee share scheme expired on March 31, 1996. During the year a draft plan, modified to conform with the requirements of the Act, was submitted to the

ESOP Unit for approval by the Commissioner of Income Tax and based on the latest information from that office, it expects to have approval issued soon.

PRESS ASSOCIATION OF JAMAICA

AWARDS

Radio Jamaica received four awards from the PAJ during its Annual National Journalism Awards. The Award winning programmes were Eye on the Caribbean, Focus on Farrakhan, The Politics of Crime and Sports Call.

INDUSTRIAL RELATIONS

During the period negotiations were concluded with the National Workers' Union and the Heads of Agreement, signed on June 19.

The Agreement is for two years commencing January 1, 1996 and provides for increases in wages in each year as well as improvements in fringe benefits.

SUBSEQUENT EVENTS

RJR WEB SITE

The introduction of the RJR Web Site later this year will add value to nearly all aspects of our operations. In many ways it will represent the hub of the company providing support for News, Sports, Marketing, Public Relations and Training.

Advertisers will have the option of buying packages which will include spots on the Web.

In addition, we will deliver sound bytes from news and sports as well as complete programmes via the Internet.

RJR/JBC MERGER

At the end of the year, negotiations were continuing with the Government of Jamaica following on the announced possible merger of operations between the Jamaica Broadcasting Corporation and this company.

In keeping with the company's strategic plan for growth and development into a highly profitable media house by expanding

into television and STV services, Radio Jamaica Limited (RJR) acquired the Radio 2 and Television assets of the Jamaica Broadcasting Corporation from the Government of Jamaica, for an amount of J\$70 million. A summary of the principal provisions of the agreement is set out below. A full copy of the agreement is available for inspection by stockholders at the offices of RJR at 32 Lyndhurst Road.

Summary of major terms of the purchase of JBC's assets.

These are:

- RJR has bought the studio, engineering and transmission equipment of JBC Radio 2 and JBC TV, along with the transmitter sites owned by JBC
- RJR will also take over leases on leased transmitter sites
- RJR will have access to JBC's video and audio archives for a period of 12 years and may incorporate materials from the archives in its own programmes without being liable for licence fees
- South Odeon Ave has not been bought but RJR will occupy it for 18 months, while new studios are being built.

The purchase price of J\$70 million comprises:

- . a payment of \$20 million upon signing
- . a payment of \$22 million due in June 2007 : an interest rate of 10% will apply and this amount is secured by way of a promissory note
- . issuing 8,624,424 ordinary shares to the Government that will result in them owning 10% of RJR. These shares have a deemed value of \$28 million. A promissory note for \$28 million with principal repayment in 2007 and an interest rate of 10% will be held by Government in the event that shares are not issued to the Government

. so long as Government holds 10% of the shares in RJR, it will have a right to appoint a director to sit on RJR's board of directors

. RJR will provide employment counselling for all JBC employees

. RJR shall provide engineering and transmission services to National Public Radio at cost and no rental charge for shared facilities

. RJR shall establish an ESOP within 180 days for up to 5% of its shares: RJR will not be required to fund the ESOP from its own resources.

You will have already seen changes to JBC, and it is the intention of RJR to create a professional and profitable television station and to move RJR towards creating an electronic media house that will provide television, radio production and engineering services to an increasingly sophisticated audience.

COMMUNITY/DONATION

As it has done for several years, the company gave support to the Citizens Advice Bureau/RJR Basic School and continued to maintain close links with the residents of Cluster "C" of the Golden Age Home. Your company also made significant contributions, both in cash and kind, to a number of charities and organizations including, the Peace and Love in Schools (PALS) and Crime Stop programmes.

DIRECTORS

RETIRING

Directors retiring in accordance with Regulation 98 are Messrs Hector Dietrich, Carl Domville and Dorothy LaCroix. All are eligible for re-election and are willing to serve.

RECOGNITION - AULOUS F. MADDEN

The Members of the Chartered Association of Certified Accountants (ACCA) elected Mr Aulous F Madden on May 9, 1996, to serve on their council. He is the first Accountant from the Caribbean to be elected as an officer of the ACCA.

AUDITORS

The company's Auditors, Price Waterhouse, have indicated a willingness to continue in accordance with the provisions of Section 153 of the Companies Act.

OFFICERS AND STAFF

The Directors wish to place on record their appreciation for the services given by Officers and Staff during the year under review.

FOR AND ON BEHALF OF
THE BOARD OF DIRECTORS

J.A. Lester Spaulding
Chairman and Managing Director