

RADIO JAMAICA LIMITED 1996.

NOTES TO THE FINANCIAL STATEMENTS

31 December 1996

1. Principal Activity and Consolidation

The principal activity of the company is the operation of a commercial radio station and turnover represents the sale of airtime, programme material and rental of equipment.

The group financial statements present the results of operations and financial position of the company and its wholly-owned subsidiary Reditech Services Limited.

The financial statements are expressed in Jamaican dollars.

2. Significant Accounting Policies

(a) Depreciation

Depreciation is calculated on a straight line basis at rates which will write-off the carrying value of the assets over the period of their expected useful lives. Annual rates are as follows:-

Freehold buildings	-	2.5%
Furniture	-	10%
Office machinery	-	15% for the first six years
	-	10% in the seventh year

Motor vehicles	-	25%
Station equipment	-	15% for the first six years
	-	10% for the seventh year
Equipment on or for rental	-	15% for the first six years
	-	10% for the seventh year
Computer Equipment	-	33%

(b) **Valuation of stores**

Stores are stated at the lower of average cost and net realisable value.

(c) **Deferred taxation**

Deferred taxation is not recognised in these financial statements because the timing differences are not expected to reverse in the foreseeable future.

3. Profit Before Taxation

	1996	1995
	\$'000	\$'000
This is arrived at after charging/(crediting):		
Depreciation	12,941	10,888
Directors' emoluments -		
Fees	29	25
Management remuneration	5,119	3,402
Auditors' remuneration -		
Current year	910	803
Prior year	(20)	
Profit on disposal of fixed assets	(639)	(448)
Interest income	(14,052)	(5,368)

4. Taxation

(a) Taxation charged in the financial statements is based on the group profit for the year, as adjusted for taxation purposes, and comprises:

	1996	1995
	\$'000	\$'000
Income tax at 33%	15,749	16,256
Prior year overprovision	(422)	-
Special tax credit arising from the issue of bonus shares	(3,787)	(2,854)
	11,540	13,402

(b) Special tax credit claimed amounting to \$3,787,000 is based on a bonus issue of shares amounting to \$15,981,000

which was approved at an Extraordinary General Meeting held on 19 December 1996.

5. Earnings Per Ordinary Stock Unit

This calculation of earnings per 50 cents ordinary stock unit is based on net profit less preference dividends and 77,619,824 ordinary shares in issue after the bonus issue made during the year (note 10). The earnings per stock unit for the prior year has been adjusted accordingly.

6. Fixed Assets

The Group

Freehold Land	Freehold buildings	Furniture, Fixtures Equipment	Motor Vehicles	Total
\$'000	\$'000	\$'000	\$'000	\$'000

At cost or valuation -					
At 1.1.96	711	25,019	61,753	6,006	93,489
Additions	-	2,121	16,418	3,723	22,262
Disposals	-	-	(131)	(795)	
(926)					
At 31.12.96	711	27,140	78,040	8,934	114,825
Depreciation -	-	13,218	36,624	2,635	52,477
At 1.1.96	-				
Charge for the year	-	580	10,131	2,230	12,941
On disposals	-	-	(122)	(395)	
(517)					
At 31.12.96	-	13,798	46,633	4,470	64,901
Net book value -					
31.12.96	711	13,342	31,407	4,464	49,924
31.12.95	711	11,801	25,129	3,371	41,012

The Company

	Freehold Land \$'000	Freehold buildings \$'000	Furniture, Fixtures Equipment \$'000	Motor Vehicles \$'000	Total \$'000
At cost or valuation -					
At 1.1.96	711	25,021	58,250	5,987	89,969
Additions		1,840	15,808	3,723	
21,371					
Disposals (926)	-	-	(131)	(795)	
At 31.12.96		13,798	44,245	4,451	
62,494					
Net book value -					
31.12.96	711	13,063	29,682	4,464	
47,920					
31.12.95	711	11,803	23,510	3,368	
39,392					

Freehold land was professionally valued as at 31 December 1972. Freehold buildings were professionally revalued on the basis of replacement cost as at 31 December 1986 and 31 December 1990. All other assets and subsequent additions are stated at cost. The gain arising on the above revaluations has been credited to capital reserve (note 11).

7. Deferred Expenditure

This relates to professional fees incurred in negotiations with respect of the proposed merger between The Jamaica Broadcasting Corporation, application for Cable Television licence and the proposed acquisition of Source Technology Limited.

8. Investments

	The Group		The Company	
	1996 '000	1995 '000	1996 '000	1995 '000
Unquoted at cost:				
Caribbean News Agency 1,224 shares @ Bds. \$10 each	7	7	7	7
Private Sector Organisation of Jamaica - 10% debenture stock	10	10	10	10
20% debenture stock	20	20	20	20
Reditech Services Ltd. - 50,000 shares @ \$1 each	-	-	50	50
Caribbean Communications Network - 196,875 units of \$1 each	804	804	804	804
Helicon Limited - 200 ordinary shares	242	240	240	240
12% debenture stock	1,132	960	1,132	960
	2,213	2,041	2,263	2,091

9. Long Term Receivable

This represents the amount receivable in respect of the background music equipment transferred to Reditech Services Limited.

10. Share Capital

	1996 \$'000	1995 \$'000
Authorised -		
50,000 5% cumulative participating preference shares of \$2 each	100	100
77,619,824 (1995 - 45,658,720) Ordinary shares of 50 cents each	38,810	22,829
	38,910	22,929
Issued and fully paid -		
9,755 5% cumulative participating preference shares of \$2 each	20	20
77,619,824 (1995 - 45,658,720) Ordinary stock units of 50c each	38,810	22,829
	38,830	22,849

During the year the company increased its authorised share capital by the creation of 31,961,104 ordinary shares of 50 cents each to rank pari passu with the existing share capital. The company then made a bonus issue of seven for each ten stock unit issued to the existing shareholders. The issue was made by utilising \$15,981,000 of the company's retained earnings.

11. Capital Reserve

The Group &
The Company

	\$'000	\$'000
Consisting of -		
Unrealised surplus on revaluation of building	3,494	3,494

12. Finance Lease Obligations

The company, in the ordinary course of business, entered into finance lease arrangements with motor vehicles.

Future payments under these lease commitments are as follows:

	The Group & The Company	
	1996	1995
	\$'000	\$'000
1996	-	382
1997	878	382
1998	878	382
1999	862	367
2000	592	96
2001	124	-
Less: Future finance charge	3,334	1,609
	997	419
Present values of minimum lease payments	2,337	1,190
Less: Current portion	491	193

13. National Housing Trust

Contributions to the National Housing Trust amounting to \$87,000 have been expensed and are recoverable in the years 2001 to 2004.

14. Pension Scheme

The group operates a contributory pension scheme which is open to all employees. The funds are managed by an outside

agency under a deposit administration fund contract and by Trustees. At the date of the latest actuarial valuation

which was as of 30 June 1992, the scheme was considered adequately funded. The scheme is being funded at the level

of 10% of pensionable salaries, being 5% by members and 5% by the group.

Total contributions for the year amounted to \$1,530,561 (1995 - \$1,126,000).

15. Operating Lease Commitments

At 31 December 1996 the company had outstanding operating lease commitments for motor vehicles and equipment as follows:-

	\$'000
1997	381
1998	42

During the year the company made lease payments of \$565,000 (1995 - \$665,000).

16. Proposed Acquisition

The company is currently in negotiations with the Government of Jamaica for a merger with Jamaica Broadcasting

Corporation. The merger is expected to be finalised by 31 May 1997.