

# Radio Jamaica Limited 1997

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 1997

### 1. Identification and Principal Activities

The company is incorporated in Jamaica. The group's primary activities are the operation of a commercial television station and radio stations.

The group financial statements present the results of operations and financial position of the company and its wholly owned subsidiaries, Reditech Services Limited and RJR Interim Management Services Limited. The subsidiaries are incorporated in Jamaica

### 2. Significant Accounting Policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) 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	-	2.50%
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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 1/3%

(c) Inventories

Inventories are stated at the lower of average cost and net realizable value, cost being determined on a weighted average basis.

(d) Deferred taxation

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

(e) Foreign currencies

Foreign currency balances outstanding at the balance sheet date are translated at notes of exchange ruling on that date.

Transactions in foreign currencies are converted at the rate of exchange ruling on the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

### 3. Turnover

Turnover represents the sale of air time, programme material and the rental of studios and equipment.

### 4. Profit Before Taxation

	1997	1996
	\$'000	\$'000

This is arrived at after		
Depreciation	22,109	12,941
Directors' emoluments -		
Fees	29	29
Management remuneration	6,233	5,199
Auditors' remuneration -		
Current year	1,455	910
Prior year	15	-20
Interest expense	36	-
Exchange loss	132	-
Profit on disposal of fixed assets	(295)	(639)
Interest income	<u>(6,697)</u>	<u>(14,052)</u>

## 5. Taxation

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

	1997	1996
	\$'000	\$'000
Income tax at 33 1/3%	4,136	15,749
Prior year overprovision	(570)	(422)
Special tax credit arising from the issue	-	(3,787)
	<u>3,566</u>	<u>11,540</u>

- (b) The tax charge relates to the company and is disproportionate to the company's reported profit because capital allowances are in excess of depreciation by \$6,550,000. However, a subsidiary incurred tax losses of \$15,655,000 which are carried forward indefinitely against its future taxable income, subject to agreement with the Commissioner of Income Tax.
- (c) In the prior year the special tax credit claimed amounting to \$3,787,000 was 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.

## 6. Ordinary Dividends Proposed

The dividend proposed includes an amount of S431,000 being the dividend on 8,624,424 ordinary shares of 50 cents each to be issued to the Government of Jamaica as part of the consideration of the purchase of the assets of The Jamaica Broadcasting Corporation. These dividends will be paid when the shares are issued (note 15).

## 7. Earnings Per Ordinary Stock Unit

The calculation of earnings per stock unit is based on net profit less preference dividends and 86,244,248 (1996 - 77,619,824) ordinary shares to be issued (note 6 and 15).

## 8. Fixed Assets

	The Group				
	Freehold Land \$'000	Freehold Buildings \$'000	Furniture, fixture & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
At Cost or Valuation -					
At 1.1.97	711	27,140	78,040	8,934	114,825
Additions	-	9,750	76,115	3,345	89,210
Disposals	-	-	(75)	(37)	(112)
At 31.12.97	<u>711</u>	<u>36,890</u>	<u>154,080</u>	<u>12,242</u>	<u>203,923</u>
Depreciation -					
At 1.1.97	-	13,798	46,633	4,470	64,901
Charge for the year	-	725	18,726	2,658	22,109
On disposals	-	-	(67)	(32)	(99)
At 31.12.97	<u>-</u>	<u>14,523</u>	<u>65,292</u>	<u>7,096</u>	<u>86,911</u>
Net Book Value -					
31.12.97	<u>711</u>	<u>22,367</u>	<u>88,788</u>	<u>5,146</u>	<u>117,012</u>
31.12.96	<u>711</u>	<u>13,342</u>	<u>31,407</u>	<u>4,464</u>	<u>49,924</u>

	The Company				
	Freehold Land \$'000	Freehold Buildings \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Total \$'000
At Cost or Valuation -					
At 1.1.97	711	26,861	73,927	8,915	110,414
Additions	-	9,750	30,279	2,920	42,949
Disposals	-	-	(75)	(18)	(93)
At 31.12.97	<u>711</u>	<u>36,611</u>	<u>104,131</u>	<u>11,817</u>	<u>153,270</u>
Depreciation -					
At 1.1.97	-	13,797	44,245	4,451	62,493
Charge for the year	-	725	12,080	2,552	15,357
On disposals	-	-	(67)	(13)	(80)
At 31.12.97	<u>-</u>	<u>14,522</u>	<u>56,258</u>	<u>6,990</u>	<u>77,770</u>
Net Book Value -					
31.12.97	<b>711</b>	<b>22,089</b>	<b>47,873</b>	<b>4,827</b>	<b>75,500</b>
31.12.96	<b>711</b>	<b>13,063</b>	<b>29,682</b>	<b>4,464</b>	<b>47,920</b>

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 16).

#### 9. Deferred Expenditure

	1997 \$'000	1996 \$'000
(a) Acquisition of assets of the Jamaica Broadcasting Corporation (JBC)	-	559

	1,566	1,440
(b) Application for Cable Television Licence	-	832
(c) Proposed acquisition of Source Technology Limited (STL)	1,566	2,831
(a) Additional professional fees of S1,630,000 were incurred during the year in relation to acquisition of JBC. The total cost amounting to S2,200,000 was capitalized at year end.		
(b) This relates to professional fees incurred in negotiations with respect to the application for a Cable Television Licence.		
(c) This relates to professional fees which have been written-off to the profit and loss account, as the company withdrew its bid.		

#### 10. Investments

	The Group		The Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'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 Limited -				
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	240	240	240	240

12% debenture stock	1,132	1,132	1,132	1,132
RJR Interim Management Services Limited -				
Investment in subsidiary	<u>-</u>	<u>-</u>	<u>20,002</u>	<u>-</u>
	<u>2,213</u>	<u>2,213</u>	<u>22,265</u>	<u>2,263</u>

#### 11. Long Term Receivable

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

#### 12. Inventories

	The Group		The Company	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000
Spares	10,429	8,899	9,335	8,019
Film	3,371	-	-	-
Goods in transit	865	-	-	-
Other	<u>1,395</u>	<u>903</u>	<u>894</u>	<u>903</u>
	<u>16,060</u>	<u>9,802</u>	<u>10,229</u>	<u>8,922</u>

#### 13. Due from Subsidiaries

	1997	1996
	\$'000	\$'000
Reditech Services Limited	2,166	2,166
RJR Interim Management Services Limited	<u>13,055</u>	<u>-</u>
	<u>15,221</u>	<u>2,166</u>

#### 14. Share Capital

	1997	1996
	\$'000	\$'000

Authorised -		
50,000 5% cumulative participating preference shares of \$2 each	100	100
86,244,248 (1996 - 77,619,824) Ordinary shares of 50 cents each	<u>43,122</u>	<u>38,810</u>
	<u>43,222</u>	<u>38,910</u>
Issued and fully paid -		
9,755 5% cumulative participating preference shares of \$2 each	20	20
77,619,824 ordinary stock units of 50c each	<u>38,810</u>	<u>38,810</u>
	<u>38,830</u>	<u>38,830</u>

During the year the company increased its authorised share capital by the creation of 8,624,424 ordinary shares of 50 cents each to rank pari passu with the existing share capital.

#### 15. Unissued Shares

On 12 June 1997 the company acquired the fixed assets of The Jamaica Broadcasting Corporation (JBC) Radio 2 for a sum of \$28,000,000. The purchase price is to be satisfied by the issue of 8,624,424 ordinary shares of 50 cents each to JBC issued at a premium of \$2.75 per share.

Upon the issue of these shares a share premium of \$23,688,000 will be created. However, at year end these shares were not issued.

#### 16. Capital Reserve

	The Group & The Company	
	1997	1996
	\$'000	\$'000
Consisting of -		



Unrealised surplus on revaluation of buildings (Note 8)	3,494	3,494
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**17. Finance Lease Obligations**

The company, in the ordinary course of business, entered into finance lease arrangements for motor vehicles. Future payments under these Lease commitments are as follows:

	The Group & The Company	
	1997 \$'000	1996 \$'000
1997	-	878
1998	1,404	878
1999	1,307	862
2000	777	592
2001	248	124
	<u>3,736</u>	<u>3,334</u>
Less: Future finance charges	949	997
Present value of minimum lease payments	<u>2,787</u>	<u>2,337</u>
Less: Current portion	829	491
	<u><b>1,958</b></u>	<u><b>1,846</b></u>

**18. Long Term Loan**

	1997 \$'000	1996 \$'000
The Jamaica Broadcasting Corporation	<u>22,000</u>	<u>-</u>

This represents a promissory note to be issued to The Jamaica Broadcasting Corporation which will expire on 31 May 2007. The note will attract interest at a rate of 10% per annum computed from the date of the note to the due date of payment of the said principal sum which is 31 May 2007, such interest to be paid annually on 31 March in each year. At year end the note had not yet been issued.

**19. National Housing Trust**

Contributions to the National Housing Trust amounting to S87,000 have been expensed and are recoverable in the years 2001 to 2004.

## 20. 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.

The scheme is being funded at the level of 10% of pensionable salaries, being 5% by members and 5% by the group.

The latest actuarial valuation, which was as at 30 June 1996, revealed a past service deficiency of S1,700,000. Subsequent to the year end, the fund was augmented by an amount of S1,000,000 consisting of assets transferred from the LOJ Supplemental Scheme.

Total contributions for the year amounted to S2,463,000 (1996 - S1,531,000).

## 21. Operating Lease Commitments

At 31 December 1997 the company had outstanding operating lease commitments for motor vehicles and equipment as follows:

	\$'000
1998	42

During the year the company made lease payments of \$215,000 (1996 - \$565,000).

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