

# Radio Jamaica Limited 1998

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## Notes to the Financial Statements

31 December 1998

### 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 Television Jamaica Limited (formerly 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	-	2.5%
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 1/3%

(c) Inventories

Inventories are stated at the lower of average cost and net realisable 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 rates 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. (Loss)/Profit Before Taxation

	1998	1997
	\$'000	\$'000
This is arrived at after charging/(crediting):		
Depreciation	35,647	22,109
Directors' emoluments		
Fees	29	29
Management remuneration	6,376	6,233
Auditors' remuneration		
Current year	2,150	1,455
Prior Year	525	15

Interest expense	151	36
Exchange (gain)/loss	( 257)	132
Gain on disposal of fixed assets	( 261)	( 295)
Interest income	<u>(1,710)</u>	<u>(6,697)</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:

	1998	1997
	\$'000	\$'000
Income tax at 33 1 /3%	-	4,136
Prior Year under/(over) provision	<u>80</u>	<u>(570)</u>
	<u>80</u>	<u>3,566</u>

(b) Subject to agreement with the Commissioner of Income Tax, the group incurred tax losses of \$41,524,000 (1997 - \$17,111,000) which are carried forward indefinitely and available for offset against its future taxable profits.

#### 6. Ordinary Dividends Proposed

In the prior year, dividends proposed include an amount of \$431,000 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 16).

#### 7. (Loss)/Earnings Per Ordinary Stock Unit

The calculation of (loss)/earnings per stock unit is based on net (loss)/profit plus/(less) preference dividends and 86,244,248 (1997- 86,244,248) ordinary stock units in issue and ordinary shares to be issued (notes 6,15 and 16).

#### 8. Fixed Assets

The Group  
Furniture,

	Freehold land \$'000	Freehold Buildings \$'000	Fixtures & Equipment \$'000	Motor Vehicles \$'000	Work in Progress \$'000	Total \$'000
At Cost or Valuation -						
1 January 1998	711	36,890	154,080	12,242	-	203,923
Additions	-	-	43,852	3,664	1,123	48,639
31 December 1998	<u>711</u>	<u>36,890</u>	<u>197,932</u>	<u>15,906</u>	<u>1,123</u>	<u>252,562</u>
Depreciation -						
1 January 1998	-	14,523	65,292	7,096	-	86,911
Charge for the year	-	825	31,403	3,419	-	35,647
31 December 1998	<u>-</u>	<u>15,348</u>	<u>96,695</u>	<u>10,515</u>	<u>-</u>	<u>122,558</u>
Net Book Value -						
31 December 1998	<u>711</u>	<u>21,542</u>	<u>101,237</u>	<u>5,391</u>	<u>1,123</u>	<u>130,004</u>
31 December 1997	<u>711</u>	<u>22,367</u>	<u>88,788</u>	<u>5,146</u>	<u>-</u>	<u>117,012</u>

	Freehold land \$'000	Freehold Buildings \$'000	The Company Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Work in Progress \$'000	Total \$'000
At Cost or Valuation -						
1 January 1998	711	36,611	104,131	11,817	-	153,270
Additions	-	-	2,616	2,844	1,123	6,583
31 December 1998	<u>711</u>	<u>36,611</u>	<u>106,747</u>	<u>14,661</u>	<u>1,123</u>	<u>159,853</u>
Depreciation -						
1 January 1998	-	14,522	56,258	6,990	-	77,770
Charge for the year	-	825	13,439	3,149	-	17,413
31 December 1998	<u>-</u>	<u>15,347</u>	<u>69,697</u>	<u>10,139</u>	<u>-</u>	<u>95,183</u>
Net Book Value -						
31 December 1998	<u>711</u>	<u>21,264</u>	<u>37,050</u>	<u>4,522</u>	<u>1,123</u>	<u>64,670</u>
31 December 1997	<u>711</u>	<u>22,089</u>	<u>47,873</u>	<u>4,827</u>	<u>-</u>	<u>75,500</u>

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 17).

9. Deferred Expenditure

	1998	1997
	\$'000	\$'000
Application for Cable Television Licence	<u>1,713</u>	<u>1,566</u>

This relates to professional fees incurred in negotiations with respect to the application for a Cable Television Licence.

10. Investments

	The group		The Company	
	1998	1997	1998	1997
	\$'000	\$'000	\$'000	\$'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
Television Jamaica Limited -				
Investment in subsidiary	-	-	<u>20,002</u>	<u>20,002</u>
	<u>2,213</u>	<u>2,213</u>	<u>22,265</u>	<u>22,265</u>

11. Long Term Receivable

This represents the amount receivable in respect of the background music equipment transferred in

Reditech Services Limited.

12. Inventories

	The Group		The Company	
	1998 \$'000	1997 \$'000	1998 \$'000	1997 \$'000
Spares	9,772	10,429	8,240	9,335
Film	11,524	3,371	-	-
Goods in transit	896	865	896	
Other	<u>1,322</u>	<u>1,395</u>	<u>799</u>	<u>894</u>
	<b><u>23,514</u></b>	<b><u>16,060</u></b>	<b><u>9,935</u></b>	<b><u>10,229</u></b>

13. Due from Subsidiaries

	1998	1997
	\$'000	\$'000
Reditech Services Limited	2,754	2,166
Television Jamaica Limited	<u>34,408</u>	<u>13,055</u>
	<b><u>37,162</u></b>	<b><u>15,221</u></b>

14. Dividends Payable

	1998	1997
	\$'000	\$'000
Ordinary	438	4,319
Cumulative preference	2	2
Participating preference	<u>1</u>	<u>2</u>
	<b><u>441</u></b>	<b><u>4,323</u></b>

15. Share Capital

	1998	1997
	\$'000	\$'000
Authorised - 50,000 5% cumulative participating		

preference shares of \$2 each	100	100
86,244,248 Ordinary shares of 50 cents each	<u>43,122</u>	<u>43,122</u>
	<b><u>43,222</u></b>	<b><u>43,222</u></b>

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>
	<b><u>38,830</u></b>	<b><u>38,830</u></b>

#### 16. 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 yet issued.

#### 17. Capital Reserve

	The Group & The Company	
	\$'000	\$'000
Consisting of -		
Unrealised surplus on revaluation of buildings (Note 8)	<b><u>3,494</u></b>	<b><u>3,494</u></b>

#### 18. 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	
	1998	1997
	\$'000	\$'000
1998	-	1,404

1999	2,273	1,307
2000	1,669	777
2001	991	248
	<u>4,933</u>	<u>3,736</u>
Less: Future finance charges	(1,017)	(949M)
Present value of minimum lease payments	3,916	2,787
Less: Current portion	(1,648)	(829)
	<u><b>2,268</b></u>	<u><b>1,958</b></u>

19. Long Term Loans

	1998	1997
	\$'000	\$'000
(a) The Jamaica Broadcasting Corporation	22,000	22,000
(b) CIBC Jamaica Limited	<u>30,044</u>	<u>-</u>
	52,044	22,000
Less: current portion	(7,997)	-
	<u><b>44,047</b></u>	<u><b>22,000</b></u>

(a) This represents a promissory note to be issued to The Jamaica Broadcasting Corporation, which will mature 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 date of maturity, such interest to be paid annually on 31 March in each year. At year end the note had not yet been issued. No interest has been accrued in these financial statements

(b) This represents the balance on a loan amounting to US\$900,000 received on 1 June 1998. The loan is denominated in United States dollars and attracts interest at a rate of 12% per annum and is repayable over 48 months. The loan is secured by a bill of sale over certain transmission equipment.

20. 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.

21. 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 \$1,700,000. The fund was subsequently augmented by an amount of \$1,000,000 consisting of assets transferred from the LOJ Supplemental Scheme.

Total contributions for the year amounted to \$2,959,000 (1997 - \$2,463,000).

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