Radio Jamaica Limited 1999

Notes to the Financial Statements

1. Identification and Principal Activities

   The company is incorporated and resident 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. The subsidiaries are incorporated in Jamaica.

   These financial statements are presented in Jamaican dollars.

2. Significant Accounting Policies

   (a) Basis of preparation

   The financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

   (b) Use of estimates

   The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Revenue recognition

Sales are recognised upon delivery of products. Interest income is recognised as it accrues unless collectibility is in doubt.

(d) 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%

(e) Inventories

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

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(g) Deferred taxation

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

(h) 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.

(i) Fair value of financial statements

Financial instruments carried on the balance sheet include cash and bank balances, deferred expenditure, investments, long term receivables, receivables, payables and finance leases.

The fair values of the group's financial instruments are discussed in Note 25.

(j) Leases

Leases of fixed assets where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised and recorded as assets and liabilities at the estimated present value of the underlying lease payments. Each lease payment is allocated between the reduction of the liability and finance charges. The finance charges are allocated to the periods during the lease term so as to achieve a constant rate on the remaining balance outstanding. The finance charges are charged to the profit and loss account over the lease periods. The fixed assets acquired under finance lease contracts are depreciated over the useful lives of the assets.

(k) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3.29 - Financial Instruments: Disclosure and Presentation
(ii) JSSAP 3.30 - Presentation of Financial Statements

3. Turnover

Turnover represents the sale of air time, programme material and the rental of studios and equipment, net of General Consumption Tax.

4. Operating Profit/(Loss)

The following items have been charged/ (credited) in arriving at operating profit:

	1999 $'000	1998 $'000
Depreciation	34,056	35,647
Gain on sale of fixed assets	-	(261)
Directors' emoluments -		
Management remuneration	6,833	6,376
Directors' fees	23	29
Auditors' remuneration -		
Current year	2,208	2,150
Prior year	(30)	525
Staff costs (note 10)	**160,568**	**167,955**

5. Finance (Costs)/Income

	1999 $'000	1998 $'000
Interest income	630	1,710
Net foreign exchange (losses)/ gains	(4,796)	109
Interest expense		
- bank borrowings	(3,847)	(203)
- finance leases	(401)	-
	(8,414)	**1,616**

6. Exceptional Item

This represents redundancy costs incurred due to the reorganisation of the group.

7. Taxation

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

	1999	1998
	$'000	$'000
Income tax at 33 1/3%	8,296	-
Prior year under provision	-	80
Tax credit on issue of bonus shares	(2,144)	-
	6,152	80

(b) Subject to agreement with the Commissioner of Income Tax, the group incurred tax losses of $24,245,000 (1998 - $41,524,000) which are carried forward indefinitely and available for offset against its future taxable profits.

8. Net Profit and Retained Earnings

i) The net profit/ (loss) is dealt with in the financial statements as follows:

	1999	1998
	$'000	$'000
Holding company	19,298	(2,846)
Subsidiaries	9,888	(23,099)
	29,186	**(25,945)**

ii) The retained earnings is dealt with in the financial statements as follows:

	1999	1998
	$'000	$'000
Parent company	120,661	114,302
Subsidiaries	(21,943)	(31,830)
	98,718	82,472

9. Earnings/(Loss) Per Ordinary Stock Unit

The calculation of earnings/(loss) per stock unit is based on net profit/(loss) (less)/plus preference dividends for the year of $29,186,000 (1998 - ($25,945,000)) and 112,117,522 ordinary stock units in issue after the bonus issue and ordinary shares to be issued (notes 17 and 18). Comparative figures have been restated accordingly.

10. Staff Costs

	1999 $'000	1998 $'000
Wages and salaries	135,662	140,204
Statutory deductions	15,989	15,246
Pension Costs	2,002	2,959
Other	6,915	9,546
	160,568	167,955
	2,656	-
Termination costs	**163,224**	**167,955**

Average number of persons employed by the group during the year:

	1999 No.	1998 No.
Full-time	178	218
Part-time	150	147
	328	365

11. Fixed Assets

THE GROUP

	Freehold Land $'000	Freehold Buildings $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
Cost or Valuation -	711	36,890	197,932	15,906	1,123	252,562

1 January 1999	-	-	8,138	2,612	4,176	14,926
Additions	-	-	-	(706)	-	(706)
Disposals	711	36,890	206,070	17,812	5,299	266,782
31 December 1999						
Depreciation -	-	15,348	96,695	10,515	-	122,558
1 January 1999	-	807	30,007	3,242		34,056
Charge for the year	-	-	-	(700)		(700)
Relieved on disposals	-	16,155	126,702	13,057		155,914
31 December 1999						
Net Book Value -	**711**	**20,735**	**79,254**	**4,755**	**5,299**	**110,868**
31 December 1999	**711**	**21,542**	**101,237**	**5,391**	**1,123**	**130,004**
31 December 1998						

THE COMPANY

	Freehold Land $'000	Freehold Buildings $'000	Furniture, Fixtures & Equipment $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
Cost or Valuation -						
1 January 1999	711	36,611	106,747	14,661	1,123	159,853
Additions	-	-	4,124	1,612	4,176	9,912
Disposals	-	-	-	(706)	-	(706)
31 December 1999	711	36,611	110,871	15,567	5,299	169,059
Depreciation -						
1 January 1999	-	15,347	69,697	10,139	-	95,183
Charge for the year		-	807	11,246	2,772	14,825
Relieved on disposals	-	-	-	700	-	(700)
31 December 1999	**-**	**16,154**	**80,943**	**12,211**	**-**	**109,308**
Net Book Value -						
31 December 1999	**711**	**20,457**	**29,928**	**3,356**	**5,299**	**59,751**
31 December 1998	**711**	**21,264**	**37,050**	**4,522**	**1,123**	**64,670**

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 20).

12. Deferred Expenditure

	1999 $'000	1998 $'000
Balance at beginning of year	1,713	1,713
Less: Amortisation	(1,713)	-
	-	1,713

This relates to professional fees incurred in negotiations with respect to the application for a Cable Television Licence. This amount was charged to the profit and loss account during the year.

13. Investments

	The Group		The Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'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
12% debenture stock	-	1,132	-	1,132

Television Jamaica Limited				
Investment in subsidiary	-	-	20,002	20,002
	841	**2,213**	**20,893**	**22,265**

14. Long Term Receivable

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

15. Inventories

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Spares	10,074	9,772	8,044	8,240
Film	5,532	11,524	-	-
Goods in transit	2,228	896	1,977	896
Other	1,898	1,322	93	799
	19,732	**23,514**	**10,114**	**9,935**

16. Due from Subsidiaries

	1999	1998
	$'000	$'000
Reditech Services Limited	(165)	2,754
Television Jamaica Limited	49,162	34,408
	48,997	**37,162**

17. Dividends Payable

	1999	1999
	$'000	$'000
Ordinary	438	438
Cumulative preference	2	2
Participating preference	1	1
	441	**441**

18. Share Capital

	5% Cumulative Participating Preference Shares		Ordinary Shares	
	'000	'000	'000	'000
Authorised -				
Balance at I January 1998 and 31 December 1998	50	100	86,244	43,122
Issue of shares - bonus	-	-	25,873	12,937
Balance at 31 December 1999	**50**	**100**	**112,117**	**56,059**
Issued and fully paid -				
Balance at 1 January 1998 and 31 December 1998	10	20	77,620	38,810
Issue of shares - bonus	-	-	25,873	12,937
Balance at 31 December 1999	**10**	**20**	**103,493**	**51,747**

In December 1999, the authorised share capital of the company was increased to $56,158,761 by the creation of additional 25,873,274 ordinary shares of fifty cents each, to rank pari passu with the existing ordinary shares of the company. The shares were then issued as fully paid bonus shares by the capitalisation of $12,936,637 from retained earnings on the basis of one share for every three ordinary shares held. These additional shares were then converted into stock units.

19. 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 satisified 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.

20. Capital Reserve

	The Group & The Company

	$'000	$'000
Consisting of -		
Unrealised surplus on revaluation of buildings (Note 11)	3,494	3,494

21. 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	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
1999	-	2,273	-	2,273
2000	2,644	1,669	2,198	1,669
2001	1,883	991	1,437	991
2002	445	-	334	-
	4,972	4,933	3,969	4,933
Less: Future finance charges	930	1,017	677	1,017
Present value of minimum lease payments	4,042	3,916	3,292	3,916
Less: Current portion	1,978	1,648	1,718	1,648
	2,064	**2,268**	**1,574**	**2,268**

22. Long Term Liabilities

	1999	1998
	$'000	$'000
(a) The Jamaica Broadcasting Corporation	22,000	22,000
(b) CIBC Jamaica Limited	24,573	30,044
	46,573	52,044
Less: current portion	9,317	7,997
	37,256	44,047

(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 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 since interest will become due on the date the note is issued.

(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.

23. 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.

24. Pension Scheme

The group operates a contributory pension scheme which is open to some 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.

At the date of the latest actuarial valuation, which was as at 30 June 1999, the scheme was considered adequately funded.

25. Financial Instruments

(a) Currency risk

The net foreign currency exposures as at 31 December 1999 are as follows, asset/ (liability).

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000

United States ($):				
Cash	23,345	24,854	3,345	14,854
Other balances	(845,655)	(1,279,532)	35,345	48,468
	(822,310)	(1,254,678)	38,690	63,322

(b) Credit risk

The group has no significant concentrations of credit risk. Cash at bank is placed with substantial financial institutions.

(c) Fair values

The amounts included in the financial statements for cash at bank, receivables and payables reflect their approximate fair values because of the short term maturity of these instruments.

Long term liabilities and finance lease obligations approximate their fair values based on the discounted present value of future cash flows.

26. Borrowings

The interest rate exposure of the borrowings was as follows:

	1999	1998
Total borrowings -		
At fixed rates	**50,615**	**55,960**
Effective interest rates :	%	%
Bank borrowing	12	12
Finance lease obligations	**20**	**20**