

Radio Jamaica Limited 2000

Notes to the Financial Statements

31 December 2000

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, Multi-Media Jamaica Limited (formerly Reditech Services Limited) and Television Jamaica Limited. The subsidiaries are incorporated in Jamaica.

These financial statements are presented in Jamaican dollars.

2. Summary of 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 and deposits 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) Financial Instruments

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 27.

(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.

3. Turnover

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

4. Operating Profit

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

	2000 \$'000	1999 \$'000
Depreciation	34,920	34,056
Directors' emoluments -		
Management remuneration	8,517	6,833
Directors' fees	28	23
Auditors' remuneration -		
Current year	2,319	2,208
Prior year	(50)	(30)
Staff costs (Note 10)	<u>208,999</u>	<u>160,568</u>

5. Finance Costs

	2000 \$'000	1999 \$'000
Interest income	1,957	630
Net foreign exchange gains/(losses)	383	4,796
Interest expense		
- bank borrowings	(2,906)	(3,847)

- finance leases	(757)	(401)
	<u>(1,323)</u>	<u>(8,414)</u>

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:

	2000	1999
	\$'000	\$'000
Income tax at 33 1/3%	12,778	8,296
Prior year under provision	2,228	-
Tax credit on issue of bonus shares	-	(2,144)
	<u>15,006</u>	<u>6,152</u>

(b) Subject to agreement with the Commissioner of Income Tax, the group incurred tax losses of \$2,925,000 (1999 - \$24,245,000) which are carried forward indefinitely and available for offset against its future taxable profits.

8. Net Profit and Retained Earnings

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

	2000	1999
	\$'000	\$'000
Holding company	23,724	19,299
Subsidiaries	17,601	9,887
	<u>41,325</u>	<u>29,186</u>

(ii) The retained earnings/(accumulated deficit) is dealt with in the financial statements as follows:

	2000	1999
	\$'000	\$'000
Parent company	134,033	120,661
Subsidiaries	<u>4,342</u>	<u>21,943</u>
	<u>129,691</u>	<u>98,718</u>

9. Earnings Per Ordinary Stock Unit

The calculation of earnings per stock unit is based on net profit for the year and ordinary stock units in issue

and ordinary shares to be issued (Notes 20 and 21).

10. staff Costs

	2000	1999
	\$'000	\$'000
Wages and salaries	179,727	135,662
Statutory contributions	17,985	15,989
Pension costs	2,237	2,002
Other	<u>9,050</u>	<u>6,915</u>
	208,999	160,568
Termination costs	<u>489</u>	<u>2,656</u>
	<u>209,488</u>	<u>163,224</u>

The average number of employees by the group in 2000 was 344 (1999 - 328), of whom 124 (1999-150) were employed part-time.

11. Fixed Assets

The Group

Furniture,

	Freehold Land \$'000	Freehold Buildings \$'000	Fixtures & Equipment	Motor Vehicles \$'000	Work in Progress \$'000	Total \$'000
Cost or Valuation -						
1 January 2000	711	36,890	206,070	17,812	5,299	266,782
Additions	-	-	41,042	2,446	1,090	44,578
31 December 2000	<u>711</u>	<u>36,890</u>	<u>247,112</u>	<u>20,258</u>	<u>6,389</u>	<u>311,360</u>
Depreciation -						
1 January 2000	-	16,155	126,702	13,057	-	155,914
Charge for the year	-	806	31,751	2,363	-	34,920
31 December 2000	<u>-</u>	<u>16,961</u>	<u>158,453</u>	<u>15,420</u>	<u>-</u>	<u>190,834</u>
Net Book Value -						
31 December 2000	<u>711</u>	<u>19,929</u>	<u>88,659</u>	<u>4,838</u>	<u>6,389</u>	<u>120,526</u>
31 December 1999	<u>711</u>	<u>20,735</u>	<u>79,368</u>	<u>4,755</u>	<u>5,299</u>	<u>110,868</u>

The Company

	Freehold Land \$'000	Freehold Buildings \$'000	Furniture, Fixtures & Equipment	Motor Vehicles \$'000	Work in Progress \$'000	Total \$'000
Cost or Valuation -						
1 January 2000	711	36,611	110,871	15,567	5,299	169,059
Additions	-	-	12,537	2,446	684	15,667
31 December 2000	<u>711</u>	<u>36,611</u>	<u>123,408</u>	<u>18,013</u>	<u>5,983</u>	<u>184,726</u>
Depreciation -						
1 January 2000	-	16,154	80,943	12,211	-	109,308
Charge for the year	-	806	9,695	1,893	-	12,394
31 December 2000	<u>-</u>	<u>16,960</u>	<u>90,638</u>	<u>14,104</u>	<u>-</u>	<u>121,702</u>
Net Book Value -						
31 December 2000	<u>711</u>	<u>19,651</u>	<u>32,770</u>	<u>3,909</u>	<u>5,983</u>	<u>63,024</u>
31 December 1999	<u>711</u>	<u>20,457</u>	<u>29,928</u>	<u>3,356</u>	<u>5,299</u>	<u>59,751</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 22).

12. Investments

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'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
Multi-Media Jamaica Limited (formerly Reditech Services Limited)				
50,000 shares @ \$1 each	-	-	50	50
Television Jamaica Limited				
Investment in subsidiary			20,002	20,002
Quoted at cost :				
Caribbean Communication Network				
196,875 units of \$1 each				
Market value \$13,824,000 (1999-\$13,579,000)	804	804	804	804
	<u>841</u>	<u>841</u>	<u>20,893</u>	<u>20,893</u>

13. Long Term Receivable

This represents the amount receivable in respect of the background music equipment transferred to Multi-Media Jamaica Limited (formerly Reditech Services Limited).

14. Inventories

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000

Spares	10,518	10,074	8,525	8,044
Film	8,233	5,532	-	-
Goods in transit	155	2,228	155	1,977
Other	1,187	1,898	84	93
	<u>20,093</u>	<u>19,732</u>	<u>8,764</u>	<u>10,114</u>

15. Due from Subsidiaries

	2000	1999
	\$'000	\$'000
Multi-Media Jamaica Limited (formerly Reditech Services Limited)	485	(165)
Television Jamaica Limited	<u>63,749</u>	<u>49,162</u>
	<u>64,234</u>	<u>48,997</u>

16. Receivables

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade receivables	155,161	123,230	88,901	67,641
Prepayments	21,644	9,834	6,024	3,203
Other	9,513	16,032	8,333	7,130
	<u>186,318</u>	<u>149,096</u>	<u>103,258</u>	<u>77,974</u>
Less: provision for doubtful debts	<u>11,244</u>	<u>4,551</u>	<u>5,732</u>	<u>2,325</u>
	<u>175,074</u>	<u>144,545</u>	<u>97,526</u>	<u>75,649</u>

17. Cash and Deposits

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Cash	22,010	25,757	6,219	15,633
Deposits	4,026	-	4,026	-
	<u>26,036</u>	<u>25,757</u>	<u>10,245</u>	<u>15,633</u>

The weighted average effective rate on deposits for the year ended 31 December 2000 was 20%.

18. Payables

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade	26,214	31,548	7,186	3,802
Accruals	10,263	14,447	3,374	6,849
Other	<u>24,226</u>	<u>17,787</u>	<u>15,622</u>	<u>10,616</u>
	<u>60,703</u>	<u>63,782</u>	<u>29,217</u>	<u>21,267</u>

19. Dividends Payable

	2000	1999
	\$'000	\$'000
Ordinary shares	9,752	438
Cumulative preference	5	2
Participating preference	<u>1</u>	<u>1</u>
	<u>9,758</u>	<u>441</u>

20. Share Capital

	5% Cumulative Participating Preference Shares		Ordinary Shares	
	\$'000	\$'000	\$'000	\$'000
Authorised -				
Balance at 1 January 2000 and 31 December 2000	<u>50</u>	<u>100</u>	<u>112,117</u>	<u>56,059</u>
Issued and fully paid -				
Balance at 1 January 2000 and 31 December 2000	<u>10</u>	<u>20</u>	<u>103,493</u>	<u>51,747</u>

21. 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.

22. Capital Reserve

	The Group & The Company	
	2000 \$'000	1999 \$'000
Consisting of -		
Unrealised surplus on revaluation of buildings (Note 11)	<u>3,494</u>	<u>3,494</u>

23. 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	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Year ending 31 December 2000	-	2,644	-	2,198
2001	3,196	1,883	2,750	1,437
2002	1,659	445	1,548	334
2003	<u>1,214</u>	<u>-</u>	<u>1,214</u>	<u>-</u>
	6,069	4,972	5,512	3,969
Less: Future finance charges	<u>1,467</u>	<u>930</u>	<u>1,400</u>	<u>677</u>
Present value of minimum lease payments	4,602	4,042	4,112	3,292
Less: Current portion	<u>2,244</u>	<u>1,978</u>	<u>1,862</u>	<u>1,718</u>
	<u>2,358</u>	<u>2,064</u>	<u>2,250</u>	<u>1,574</u>

24. Long Term Liabilities

The Group

	2000 \$'000	1999 \$'000
(a) The Jamaica Broadcasting Corporation	22,000	22,000
(b) CIBC Jamaica Limited	<u>25,446</u>	<u>24,573</u>
	47,446	46,573
Less: current portion	<u>13,007</u>	<u>9,317</u>
	<u>34,439</u>	<u>37,256</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 since interest will become due on the date the note is issued.

(b) This represents the balance on a loan amounting to US\$1,100,000 received on 1 June 1998 and 30 September 2000. 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.

25. 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.

26. Pension Scheme

The group operates a contributory pension scheme that is open to employees of Radio Jamaica Limited and Multi-Media Jamaica Limited (formerly Reditech Services Limited). 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 6.5% of pensionable salaries, being 5% by members and 1.5% by the group (Note 10)

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

27. Financial Instruments

(a) Currency risk

Cash, receivables and payables at 31 December 2000 include aggregate net foreign liabilities of approximately US\$895,000 (1999-US\$822,310) for the group and \$Nil (1999-US\$38,690) for the company.

(b) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest

rates. The group incurs no interest on its related party balances and has interest-bearing assets (Note 17). The group incurs interest on long term debt at prevailing interest rates (Note 28).

(c) 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.

28. Borrowings

The interest rate exposure of the borrowings was as follows:

	2000	1999
	\$'000	\$'000
Total borrowings -		
At fixed rates	52,048	50,615
Effective interest rates:	%	%
Bank borrowing	12	12

Finance lease obligations

20

20

29. Subsequent Events

Subsequent to the year end, the company has negotiated for the sale of land and chattels located at Naggo Head in St. Catherine.
