

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2002

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 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	2.50%
Furniture	10.00%
Office machinery	15% for the first six years 10% in the seventh year
Motor vehicles	25.00%
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, net of bank overdrafts.

(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 investments, long term receivables, receivables cash and bank balances, 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:

Fifteen	Twelve
months to	months to
31 March	31 December
2002	2000
\$'000	\$'000

Depreciation	40,281	34,920
Profit on disposal of fixed assets	(93,105)	-
Directors' emoluments -		
Management remuneration	8,296	8,517
Directors' fees	27	28
Auditors' remuneration -		
Current year	2,459	2,319
Prior year	(49)	(50)
Staff costs (Note 10)	288,293	209,488
	=====	=====

5 Finance Costs, Net

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Interest income	11,477	1,957
Net foreign exchange gains	1,427	383
Interest expense -		
Bank borrowings	(1,279)	(2,906)
Finance leases	(3,362)	(757)
	<u>8,263</u>	<u>(1,323)</u>
	=====	=====

6 Exceptional Item

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Gain on sale of land and chattels at Naggo Head in St. Catherine	92,516	-
Redundancy costs incurred due to the reorganisation of the group	-	(489)
	<u>92,516</u>	<u>(489)</u>
	=====	=====

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:

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Income tax at 33 1/3%	19,408	12,778
Prior year under provision	270	2,228
Tax credit on issue of bonus shares	<u>(12,587)</u>	<u>-</u>
	7,091	15,006
	=====	=====

b) The tax charge for the year is disproportionate to the reported profit primarily as a result of capital allowances claimed for tax purposes exceeding book depreciation.

c) Subject to agreement with the Taxpayer Audit and Assessment Department, the group incurred tax losses of \$4,150,000 (2000 - \$2,925,000) 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:

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Holding company	136,547	23,724
Subsidiaries	<u>26,349</u>	<u>17,601</u>
	162,896	41,325
	=====	=====

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

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Parent company	203,309	134,033
Subsidiaries	<u>22,007</u>	<u>(4,342)</u>
	225,316	129,691
	=====	=====

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

	Fifteen months to 31 March 2002 \$'000	Twelve months to 31 December 2000 \$'000
Wages and salaries	244,581	179,727
Statutory contributions	25,866	17,985
Pension costs	3,179	2,237
Other	<u>15,267</u>	<u>(9,050)</u>
	288,293	208,999
Termination costs	<u>-</u>	<u>489</u>
	288,293	209,488
	=====	=====

The average number of employees by the group in 2002 was 221 (2000 - 344), of whom 84 (2000 - 124) were employed part-time.

11 Fixed Assets

	THE GROUP					
	Freehold	Freehold	Furniture,	Motor	Work in	Total
	Land	Buildings	Fixtures & Equipment	Vehicles	Progress	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost or Valuation -						
1 January 2000	711	36,611	247,391	20,258	6,389	311,360
Additions	-	-	24,435	9,986	20,655	55,076
Disposals	(78)	(1,311)	(338)	(1,830)	-	(3,557)
31 March 2002	633	35,300	271,488	28,414	27,044	362,879
Depreciation -						
1 January 2000	-	16,960	158,453	15,421	-	190,834
Charge for the period	-	839	34,572	4,870	-	40,281
Relieved on disposals	-	(1,109)	(40)	(1,830)	-	(2,979)
31 March 2002	-	16,690	192,985	18,461	-	228,136
Net Book Value -						
31 March 2002	633	18,610	78,503	9,953	27,044	134,743
31 December 2000	711	19,651	88,938	4,837	6,389	120,526

	THE COMPANY					
	Freehold	Freehold	Furniture,	Motor	Work in	Total
	Land	Buildings	Fixtures & Equipment	Vehicles	Progress	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost or Valuation -						
1 January 2000	711	36,611	123,408	18,013	5,983	184,726
Additions	-	-	13,837	8,960	8,835	31,632
Disposals	(78)	(1,311)	(338)	(1,830)	-	(3,557)
31 March 2002	633	35,300	136,907	25,143	14,818	212,801
Depreciation -						

1 January 2000	-	16,960	90,638	14,104	-	121,702
Charge for the period	-	839	12,227	4,225	-	17,291
Relieved on disposals	-	(1,109)	(40)	(1,830)	-	(2,979)
31 March 2002	-	16,690	102,825	16,499	-	136,014
Net Book Value -						
31 March 2002	633	18,610	34,082	8,644	14,818	76,787
31 December 2000	711	19,651	32,770	3,909	5,983	63,024

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

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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				
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 \$4,493,000				
(2000- \$4,419,000)	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.

14 Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u> <u>2002</u> <u>\$'000</u>	<u>31 December</u> <u>2000</u> <u>\$'000</u>	<u>31 March</u> <u>2002</u> <u>\$'000</u>	<u>31 December</u> <u>2000</u> <u>\$'000</u>
Spares	11,811	10,518	10,598	8,525
Film	24,801	8,233	-	-
Goods in transit	1,230	155	364	155
Other	1,700	1,187	367	84
	<u>39,642</u>	<u>20,093</u>	<u>11,329</u>	<u>8,764</u>

15 Due from Subsidiaries

	<u>31 March</u> <u>2002</u> <u>\$'000</u>	<u>31 December</u> <u>2000</u> <u>\$'000</u>
Multi-Media Jamaica Limited	2,594	485
Television Jamaica Limited	75,929	63,749
	<u>78,523</u>	<u>64,234</u>

16 Receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u> <u>2002</u> <u>\$'000</u>	<u>31 December</u> <u>2000</u> <u>\$'000</u>	<u>31 March</u> <u>2002</u> <u>\$'000</u>	<u>31 December</u> <u>2000</u> <u>\$'000</u>
Trade receivables	151,633	155,161	78,027	88,901
Prepayments	36,906	21,644	4,925	6,024
Other	11,135	9,513	9,021	8,333

	199,674	186,318	96,888	103,258
Less:provision for doubtful debts	<u>18,033</u>	<u>11,244</u>	<u>3,917</u>	<u>5,732</u>
	<u>181,641</u>	<u>175,074</u>	<u>88,056</u>	<u>97,526</u>
	=====	=====	=====	=====

17 Cash and Deposits

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash	993	22,010	573	6,219
Deposits	<u>126,357</u>	<u>4,026</u>	<u>121,786</u>	<u>4,026</u>
	<u>127,350</u>	<u>26,036</u>	<u>122,359</u>	<u>10,245</u>
	=====	=====	=====	=====

The weighted average effective rate on deposits for the fifteen months ended 31 March 2002 was 15% (2000 - 20%).

18 Payables

	<u>The Group</u>		<u>The Company</u>	
	<u>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade	26,808	26,214	13,665	7,186
Accruals	24,779	10,263	19,194	5,374
Other	<u>22,972</u>	<u>24,226</u>	<u>13,099</u>	<u>16,657</u>
	<u>74,559</u>	<u>60,703</u>	<u>45,958</u>	<u>29,217</u>
	=====	=====	=====	=====

19 Dividends Payable

	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>
Ordinary shares	15,969	9,752
Cumulative preference	5	5

Participating preference

1	1
<u>15,970</u>	<u>9,758</u>
=====	=====

20 Share Capital

	31 March 2002 \$'000	31 December 2000 \$'000
Authorised -		
5% Cumulative participating preference shares, 50,000 (2000 - 50,000)	100	100
	=====	=====
Ordinary shares 229,985,000 (2000 - 112,117,000)	115,092	56,059
Issued and fully paid -		
5% Cumulative participating preference shares 10,000 (2000 - 10,000)	20	20
Ordinary shares 206,986,000 (2000 - 103,493,000)	<u>103,493</u>	<u>51,747</u>
	<u>103,513</u>	<u>51,767</u>
	=====	=====

In December 2001, the authorised share capital of the company was increased to \$115,092,000 by the creation of an additional 117,867,000 ordinary shares of 50 cents each, to rank pari passu with the existing shares of the company.

Shares totalling 103,493,000 units were then issued as fully paid bonus shares, by the capitalisation of \$51,747,000 of profits on the basis of one share for every one ordinary share held.

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

	<u>The Group and The Company</u>	
	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>
Consisting of -		
Unrealised surplus on revaluation of buildings (Note 11)	3,494	3,494
	=====	=====

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:

		<u>The Group</u>		<u>The Company</u>	
		<u>31 March</u>	<u>31 December</u>	<u>31 March</u>	<u>31 December</u>
		<u>2002</u>	<u>2000</u>	<u>2002</u>	<u>2000</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Year ending 31 March	2003	5,811	-	5,811	-
	2004	4,496	-	4,496	-
	2005	374	-	374	-
Year ending 31 December	2001	-	3,196	-	2,750
	2002	-	1,659	-	1,548
	2003	-	1,214	-	1,214
		<u>10,681</u>	<u>6,069</u>	<u>10,681</u>	<u>5,512</u>
Less: Future finance charges		<u>2,554</u>	<u>1,467</u>	<u>2,554</u>	<u>1,400</u>
Present value of minimum lease payments		<u>8,127</u>	<u>4,602</u>	<u>8,127</u>	<u>4,112</u>
Less: Current portion		<u>3,846</u>	<u>2,244</u>	<u>3,846</u>	<u>1,862</u>
		<u>4,281</u>	<u>2,358</u>	<u>4,281</u>	<u>2,250</u>
		=====	=====	=====	=====

24 Long Term Liabilities

	<u>The Group</u>	
	<u>31 March</u>	<u>31 December</u>
	<u>2002</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>
(a) The Jamaica Broadcasting Corporation	22,000	22,000
(b) CIBC Jamaica Limited	<u>9,345</u>	<u>25,446</u>
	31,345	47,446
Less: current portion	<u>4,002</u>	<u>13,007</u>
	<u>27,343</u>	<u>34,439</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 loans, which amounted to US\$1,100,000 received on 4 May 1998 and 14 September 2000. The loans are denominated in United States dollars and attract interest at a rate of 12% per annum and are repayable over 48 and 61 months respectively. The loans are 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. 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 as at 30 June 1999, the scheme was considered adequately funded.

27 Financial Instruments

(a) Currency risk

Cash, receivables and payables at 31 March 2002 include aggregate net foreign liabilities of approximately US\$46,000 (2000 -US\$895,000) for the group and nil (2000 - Nil) 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.

(d) 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:

	31 March	31 December
	2002	2000
	\$'000	\$'000
Total borrowings -		
At fixed rates	17,471	30,048

Effective interest rates:	=====	=====
	%	%
Bank borrowing	12	12
Finance lease obligations	28	20
	=====	=====

29 Commitments

The group had capital commitments at the period end amounting to \$114,335,000.
