

RADIO JAMAICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2003

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	2.5%
Furniture	10%
Office machinery	15% for the first six years 10% in the seventh year
Motor vehicles	20-25%
Station equipment - Radio	15% for the first six years 10% for the seventh year
Station equipment - Television	15-25%
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, 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 28.

(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:

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Depreciation	28,961	40,281
Profit on disposal of fixed assets	(342)	(93,105)
Directors' emoluments -		
Management remuneration	13,132	8,296
Directors' fees	163	27
Auditors' remuneration -		
Current year	2,652	2,459
Prior year	-	(49)
Staff costs (Note 10)	259,220	288,893
	=====	=====

5 Finance Income, net

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Interest income	17,748	11,477
Net foreign exchange gains	19,215	1,427
Interest expense -		
Bank borrowings	(1,068)	(1,279)
Finance leases	<u>(1,957)</u>	<u>(3,362)</u>
	33,938	8,263
	=====	=====

6 Exceptional Item

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Gain on sale of land and chattels at Naggo Head in St. Catherine	-	92,516
	=====	=====

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:

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Income tax at 33 1/3%	47,895	19,408
Prior year under provision	3,442	270
Tax credit on issue of bonus shares	<u>(5,542)</u>	<u>(12,587)</u>
	45,795	7,091
	=====	=====

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 \$1,304,000 (2002 - \$4,150,000) which are carried forward indefinitely and available for offset against future taxable profits.

8 Net Profit and Retained Earnings

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

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Holding company	49,877	136,547
Subsidiaries	<u>68,951</u>	<u>26,349</u>
	118,828	162,896
	=====	=====

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

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Parent company	227,310	203,309
Subsidiaries	<u>90,958</u>	<u>22,007</u>
	318,268	225,316
	=====	=====

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 21 and 22).

10 Staff Costs

	Twelve months to 31 March 2003 \$'000	Fifteen months to 31 March 2002 \$'000
Wages and salaries	208,081	244,581
Statutory contributions	25,011	25,866
Pension costs	4,711	3,179
Other	<u>21,417</u>	<u>15,267</u>
	259,220	288,893
	=====	=====

The average number of employees employed by the group in 2003 was 231 (2002 - 221), of whom 88 (2002 -84) were employed part-time.

11 Fixed Assets

	<u>The Group</u>					Total \$'000
	Freehold Land \$'000	Freehold Buildings \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Work in Progress \$'000	
Cost or Valuation -						
1 April 2002	633	35,300	271,488	28,414	27,044	362,879
Additions	2,177	-	23,998	2,439	135,261	163,875
Disposals	-	-	-	(2,901)	-	(2,901)
31 March 2003	<u>2,810</u>	<u>35,300</u>	<u>295,486</u>	<u>27,952</u>	<u>162,305</u>	<u>523,853</u>
Depreciation -						
1 April 2002	-	16,690	192,985	18,461	-	228,136
Charge for the year	-	660	24,323	3,978	-	28,961
Relieved on disposals	-	-	-	(2,838)	-	(2,838)
31 March 2003	<u>-</u>	<u>17,350</u>	<u>217,308</u>	<u>19,601</u>	<u>-</u>	<u>254,259</u>
Net Book Value -						

31 March 2003	2,810	17,950	78,178	8,351	162,305	269,594
31 March 2002	633	18,610	78,503	9,953	27,044	134,743

The Company

Cost or Valuation -						
1 April 2002	633	35,300	136,907	25,143	14,818	212,801
Additions	2,177	-	9,212	2,360	130,271	144,020
Disposals	-	-	-	2,901	-	(2,901)
Transfers	-	-	-	-	11,287	11,287
31 March 2003	2,810	35,300	146,119	24,602	156,376	365,207
Depreciation -						
1 April 2002	-	16,690	102,825	16,499	-	136,014
Charge for the year	-	660	14,018	3,399	-	18,077
Relieved on disposals	-	-	-	2,838	-	(2,838)
31 March 2003	-	17,350	116,843	17,060	-	151,253
Net Book Value -						
31 March 2003	2,810	17,950	29,276	7,542	156,376	213,954
31 March 2002	633	18,610	34,082	8,644	14,818	76,787

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 23).

During the year work in progress of \$11,287,000 was transferred from Television Jamaica Limited (Note 15).

12 Investments

	<u>The Group</u>		<u>The Company</u>	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'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
20% debenture stock	-	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 TT\$1 each				
Market value \$7,182,000				
(2002- \$4,493,000)	804	804	804	804
	<u>811</u>	<u>841</u>	<u>20,863</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>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Spares	12,482	12,356	11,294	10,598
Film	23,718	24,219	-	-
Goods in transit	3,257	1,230	3,219	364
Other	<u>2,339</u>	<u>1,737</u>	<u>292</u>	<u>367</u>
	<u>41,796</u>	<u>39,542</u>	<u>14,805</u>	<u>11,329</u>
	=====	=====	=====	=====

15 Due from Subsidiaries

	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>
Multi-Media Jamaica Limited	5,083	2,594
Television Jamaica Limited	<u>3,787</u>	<u>75,929</u>
	<u>8,870</u>	<u>78,523</u>
	=====	=====

Included in the amount due from subsidiaries is work in progress transferred of \$11,287,000 (Note 11).

16 Receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	166,861	151,633	72,726	78,027
Prepayments	23,579	36,906	4,561	4,925
Other	<u>14,515</u>	<u>11,135</u>	<u>10,952</u>	<u>9,021</u>
	204,955	199,674	88,239	91,973
Less: provision for doubtful debts	<u>25,799</u>	<u>18,033</u>	<u>7,959</u>	<u>3,917</u>
	<u>179,156</u>	<u>181,641</u>	<u>80,280</u>	<u>88,056</u>
	=====	=====	=====	=====

17 Short Term Investments

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Government of Jamaica securities	60,025	18,468	54,304	13,897
Bank of Jamaica Securities	<u>50,910</u>	<u>107,889</u>	<u>45,072</u>	<u>107,889</u>
	110,935	126,357	99,376	121,786
	=====	=====	=====	=====

The weighted average effective rate on investments for year ended 31 March 2003 was 15% (2002-15%).

18 Cash and Cash Equivalents

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Cash	9,184	993	8,133	573
Bank overdraft	-	<u>(1,267)</u>	-	<u>(760)</u>
	<u>9,184</u>	<u>(274)</u>	<u>8,133</u>	<u>(187)</u>
	=====	=====	=====	=====

19 Payables

	<u>The Group</u>		<u>The Company</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade	29,820	26,808	15,698	13,665
Accruals	35,516	24,779	26,037	19,194
Other	<u>17,735</u>	<u>22,972</u>	<u>11,980</u>	<u>13,099</u>
	83,071	74,559	53,715	45,958
	=====	=====	=====	=====

20 Dividends Payable

	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>

Ordinary shares	438	15,964
Cumulative preference	7	5
Participating preference	<u>4</u>	<u>1</u>
	449	15,970
	=====	=====

21 Share Capital

	2003	2002
	\$'000	\$'000
Authorised -		
5% Cumulative participating preference shares, 50,000 (2002 - 50,000)	100	100
	=====	=====
Ordinary shares 287,480,829 (2002 - 229,984,662)	143,840	115,092
	=====	=====
Issued and fully paid -		
5% Cumulative participating preference shares 10,000 (2002 - 10,000)	20	20
Ordinary shares 258,732,746 (2002 - 206,986,197)	129,366	103,493
	=====	=====
	129,386	103,513
	=====	=====

In December 2002, the authorised share capital of the company was increased to \$143,840,414 by the creation of an additional 57,496,165 ordinary shares of 50 cents each, to rank *pari passu* with the existing shares of the company.

Shares totalling 51,746,549 units were then issued as fully paid bonus shares, by the capitalisation of \$25,873,274 of profits on the basis of one share for every four ordinary shares held.

22 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.

23 Capital Reserve

	The Group and The Company	
	2003	2002
	\$'000	\$'000
Consisting of -		
Unrealised surplus on revaluation of buildings (Note 11)	3,494	3,494
	=====	=====

24 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 and The Company	
	2003	2002
	\$'000	\$'000
Year ending 31 March 2003	-	5,811
2004	5,470	4,496
2005	1,150	374
2006	395	-
	<u>7,015</u>	<u>10,681</u>
Less: Future finance charges	<u>1,151</u>	<u>2,554</u>
Present value of minimum lease payments	5,864	8,127
Less: Current portion	<u>4,534</u>	<u>3,846</u>
	1,330	4,281
	=====	=====

25 Long Term Liabilities

	<u>The Group</u>	
	<u>2003</u>	<u>2002</u>
	\$'000	\$'000
(a) The Jamaica Broadcasting Corporation	22,000	22,000
(b) CIBC Jamaica Limited	<u>-</u>	<u>9,345</u>
	22,000	31,345
Less: current portion	<u>-</u>	<u>4,002</u>
	<u>22,000</u>	<u>27,343</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) These loans were repaid during the year. The loans were denominated in United States dollars and attracted interest at a rate of 12% per annum. The loans were secured by a bill of sale over certain transmission equipment.

26 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.

27 Pension Scheme

- (a) 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 10.03% of pensionable salaries, being 5% by members and 5.03% by the group (Note 10).

At the date of the latest actuarial valuation, which was as at 30 June 2002, the scheme was considered adequately funded.

- (b) Television Jamaica Limited operates a contributory pension scheme that is open to all employees. The funds are managed by an outside agency under a deposit administration fund contract. The scheme was instituted on 1 July 2000 and is being funded at level of 9% of pensionable salaries, being 5% by members and 4% by the company (Note 10).

28 Financial Instruments

(a) Currency risk

Cash, receivables and payables at 31 March 2003 include aggregate net foreign assets of approximately US\$1,063,000 and GBP£19,000 (2002 - US\$46,000) for the group and US\$838,000 and GBP£19,000 (2002 - 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 and 18). The group incurs interest on long term debt at prevailing interest rates (Note 29).

(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 are stated at original recorded amounts less principal repayments.

29 Borrowings

The interest rate exposure of the borrowings was as follows:

	2003 \$'000	2002 \$'000
Total borrowings -		
At fixed rates	5,864	17,471
	=====	=====
Effective interest rates:	%	%
Bank borrowing	-	12
Finance lease obligations	28	28
	=====	=====

30 Subsequent Event

Negotiations with RBTT Bank Jamaica Limited were completed in June 2003 for a term loan of \$248m for the purpose of purchasing station equipment for Television Jamaica Limited. The tenure of the loan is six years with a six month moratorium on principal repayments.
