

Radio Jamaica Limited

**Financial Statements
31 March 2006**

Radio Jamaica Limited

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PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

28 June 2006

To the Members of
Radio Jamaica Limited

Auditors' Report

We have audited the accompanying consolidated balance sheet of Radio Jamaica Limited and its subsidiaries ("the group") as at 31 March 2006 and the related consolidated profit and loss account, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the accompanying balance sheet of Radio Jamaica Limited standing alone as at 31 March 2006. We have received all the information and explanations which we considered necessary. These financial statements set out on pages 1 to 33 are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the accompanying financial statements, which are in agreement therewith, give a true and fair view of the financial position of the group and the company as at 31 March 2006, and of the results of operations, changes in equity and cash flows of the group for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.



Chartered Accountants
Kingston, Jamaica

Radio Jamaica Limited

Consolidated Profit and Loss Account

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 \$'000	2005 \$'000
Revenue		1,248,069	1,148,817
Direct expenses		<u>(470,709)</u>	<u>(415,498)</u>
Gross Profit		777,360	733,319
Other operating income	5	48,238	90,048
Selling expenses		(239,641)	(216,469)
Administration expenses		(226,386)	(260,606)
Other operating expenses		<u>(202,496)</u>	<u>(155,935)</u>
Operating Profit		157,075	190,357
Finance costs	8	(17,015)	(37,725)
Share of results of associate	17	<u>(14,334)</u>	<u>-</u>
Profit before Taxation		125,726	152,632
Taxation	9	<u>(32,682)</u>	<u>(38,196)</u>
NET PROFIT		<u>93,044</u>	<u>114,436</u>
 EARNINGS PER ORDINARY STOCK UNIT	 12	 <u>\$0.27</u>	 <u>\$0.37</u>

Radio Jamaica Limited

Consolidated Balance Sheet

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 \$'000	2005 \$'000
Non-Current Assets			
Fixed assets	13	683,937	635,924
Retirement benefit assets	14	89,072	80,253
Deferred tax asset	15	2,356	996
Investment in associate	17	84,779	-
Investment securities	18	40,781	23,571
Current Assets			
Inventories	20	36,458	39,594
Receivables	22	310,122	242,870
Taxation recoverable		91	-
Cash and short term investments	23	38,506	231,799
		385,177	514,263
Current Liabilities			
Payables	24	106,916	121,181
Taxation payable		14,722	15,298
Bank overdraft	23	-	1,829
		121,638	138,308
Net Current Assets		263,539	375,955
		1,164,464	1,116,699
Stockholders' Equity			
Share capital	25	172,508	172,508
Share premium		237,707	237,707
Retained earnings	10	591,771	533,228
Currency translation adjustment		(4,389)	-
		997,597	943,443
Non-Current Liabilities			
Finance lease obligations	26	7,623	4,340
Long term loans	27	75,731	97,224
Deferred tax liabilities	15	72,738	62,993
Retirement benefit obligations	14	10,775	8,699
		1,164,464	1,116,699

Approved for issue by the Board of Directors on 28 June 2006 and signed on its behalf by:

J. A. Lester Spaulding Director

Hector R. Dietrich Director

Radio Jamaica Limited

Consolidated Statement of Changes in Equity

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital	Share Premium	Currency Translation Adjustment	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2004	143,760	23,688	-	418,795	586,243
Net profit	-	-	-	114,436	114,436
Preference dividends	-	-	-	(3)	(3)
Issue of shares	28,748	214,019	-	-	242,767
Balance at 31 March 2005	172,508	237,707	-	533,228	943,443
Net profit	-	-	-	93,044	93,044
Preference dividends	-	-	-	(3)	(3)
Ordinary dividends (Note 11)	-	-	-	(34,498)	(34,498)
Translation loss on investment in associate	-	-	(4,389)	-	(4,389)
Balance at 31 March 2006	172,508	237,707	(4,389)	591,771	997,597

Radio Jamaica Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	2006 \$'000	2005 \$'000
Cash Flows from Operating Activities		
Net profit	93,044	114,436
Items not affecting cash:		
Depreciation	63,134	57,836
Gain on disposal of fixed assets	(1,669)	(58,959)
Interest income	(12,757)	(9,047)
Interest expense	17,015	37,725
Share of results of associate	14,334	-
Income tax charge	32,682	38,196
Exchange gain on foreign currency balances	(2,262)	(1,336)
Revaluation of investment securities	(15,297)	(9,660)
	<u>188,224</u>	<u>169,191</u>
Changes in operating assets and liabilities:		
Pension and other retirement benefits	(6,743)	(7,814)
Inventories	3,136	5,149
Receivables	(67,930)	(57,524)
Payables	(17,206)	(3,183)
	<u>99,481</u>	<u>105,819</u>
Income tax paid	(24,964)	(11,062)
Net cash provided by operating activities	<u>74,517</u>	<u>94,757</u>
Cash Flows from Investing Activities		
Proceeds from disposal of fixed assets -		
Insurance recoveries	-	58,607
Other	1,669	2,046
Purchase of fixed assets	(111,147)	(60,351)
Short term investments	-	(88,100)
Proceeds from sale of investment	88,100	-
Interest received	13,435	8,755
Net cash used in investing activities	<u>(7,943)</u>	<u>(79,043)</u>
Cash Flows from Financing Activities		
Loans repaid	(21,493)	(143,822)
Principal lease, net	6,224	(2,175)
Interest paid	(17,015)	(37,725)
Dividends paid	(34,501)	(3)
Issue of shares	-	242,767
Investment in associate	(103,502)	-
Net cash (used in)/provided by financing activities	<u>(170,287)</u>	<u>59,042</u>
(Decrease)/increase in cash and cash equivalents	<u>(103,713)</u>	<u>74,756</u>
Exchange gains on cash and cash equivalents	349	1,177
Cash and cash equivalents at beginning of year	<u>141,870</u>	<u>65,937</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>38,506</u></u>	<u><u>141,870</u></u>

Radio Jamaica Limited

Company Balance Sheet

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 \$'000	2005 \$'000
Non-Current Assets			
Fixed assets	13	285,153	258,784
Retirement benefit asset	14	84,732	76,762
Investment in subsidiaries	16	20,052	20,052
Investment in associate	17	103,502	-
Investment securities	18	40,781	23,571
Long term receivable from subsidiary	19	2,950	2,950
Current Assets			
Inventories	20	17,179	13,066
Due from subsidiaries	21	186,431	137,407
Receivables	22	98,061	94,088
Taxation recoverable		91	-
Cash and short term investments	23	30,949	226,765
		332,711	471,326
Current Liabilities			
Payables	24	46,721	51,500
Taxation payable		-	11,709
Bank overdraft	23	-	1,829
		46,721	65,038
Net Current Assets		285,990	406,288
		823,160	788,407
Stockholders' Equity			
Share capital	25	172,508	172,508
Share premium	25	237,707	237,707
Retained earnings	10	369,343	344,410
		779,558	754,625
Non-Current Liabilities			
Finance lease obligations	26	6,587	1,945
Deferred tax liabilities	15	28,667	24,964
Retirement benefit obligations	14	8,348	6,873
		823,160	788,407

Approved for issue by the Board of Directors on 28 June 2006 and signed on its behalf by:

J. A. Lester Spaulding

Director

Hector R. Dietrich

Director

Radio Jamaica Limited

Company Statement of Changes in Equity

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Share Capital \$'000	Share Premium \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2004	143,760	23,688	281,640	449,088
Net profit	-	-	62,773	62,773
Preference dividends	-	-	(3)	(3)
Issue of shares (Note 22)	28,748	214,019	-	242,767
Balance at 31 March 2005	172,508	237,707	344,410	754,625
Net profit	-	-	59,434	59,434
Preference dividends	-	-	(3)	(3)
Ordinary dividends (Note 11)	-	-	(34,498)	(34,498)
Balance at 31 March 2006	172,508	237,707	369,343	779,558

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

Radio Jamaica Limited (the company) is incorporated and domiciled in Jamaica, with registered offices at 32 Lyndhurst Road, Kingston 5.

These 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, and its 20% associate GV Media Group Limited (formerly The Gleaner Company (UK) Limited). The subsidiaries are incorporated and domiciled in Jamaica, while the associate is incorporated and domiciled in the United Kingdom. The company, its subsidiaries and its associate are collectively referred to as "the group".

The group's primary activities are the operation of a commercial television station and radio stations and newspaper publishing.

The company is listed on the Jamaica Stock Exchange.

2. Summary of Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2006

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following, which are relevant to its operations. The 2005 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investments in Associates
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IFRS 5 (issued 2004)	Non-current Assets Held for Sale and Discontinued Operations
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in 2006 (continued)

The adoption of the new standards, amendments and interpretations to existing standards did not result in substantial changes to the group's accounting policies and has not impacted the amounts reported for the current or prior years, but has affected the format and extent of disclosures presented in the accounts.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new standards, amendments and interpretations adopted by the group require retrospective application. There was no impact on opening retained earnings at 1 April 2005 from the adoption of any of the above-mentioned standards.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective for the group at balance sheet date, and which the group has not early adopted. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The group will apply this amendment from annual periods beginning 1 April 2006.
- **IAS 39 (Amendment), The Fair Value Option** (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The group believes that this amendment should not have a significant impact on the classification of financial instruments, as the group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The group will apply this amendment from annual periods beginning 1 April 2006.
- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 April 2007.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries, which are those entities in which the group has power to govern the financial and operating policies, are consolidated on a line-by-line basis.

Subsidiaries are consolidated from the date on which control is transferred to the group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

Investments in subsidiaries are stated in the company's financial statements at cost.

Associates

Associates are all entities over which the group has significant influence but not control. Investments in associated companies are accounted for by the equity method of accounting. Under this method, the group's share of post-acquisition profit or losses of the associated companies is recognised in the profit and loss account and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

The group's investment in associates includes goodwill on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless the group has incurred obligations or made payments on behalf of the associates.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Investments in associates are stated in the company's financial statements at cost.

(c) Foreign currency translation

Items included in the financial statements of each of the group's entities are measured using the currency of primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency. Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in the profit and loss account.

(d) Segment reporting

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environment. The Directors are of the opinion that there are no significant segments for the group that require disclosure in these financial statements.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(e) Revenue recognition

Revenue comprises the sale of airtime, programme material, and the rental of studios and equipment, net of General Consumption Tax. Revenue in respect of airtime and programming is recognised on performance of the underlying service. Rental income is recognised as it accrues.

Interest income is recognised as it accrues unless collectibility is in doubt.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The group classifies its financial assets in the following categories: loans and receivables, available for sale, and at fair value through the profit and loss account. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. At the balance sheet date, trade receivables were classified as loans and receivables; cash and bank balances and quoted investment securities were classified as at fair value through profit or loss; and unquoted investment securities were classified as available-for-sale.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the following items were classified as financial liabilities: bank overdraft, finance lease obligations, long term loans and trade payables.

(g) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(h) Fixed assets

Freehold land and buildings are stated at deemed cost less subsequent depreciation for buildings. All other fixed assets are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line basis at rates estimated to write off the cost of the assets over their expected useful lives. Annual rates used are as follows:

Freehold buildings	2.5%
Improvements to leasehold property	33⅓%
Furniture, office machinery and rental equipment	10 - 15%
Station equipment - Radio	10 - 15%
Station equipment - Television	15 - 25%
Computer equipment	33⅓%
Motor vehicles	20 - 25%

Land is not depreciated as it deemed to have an indefinite life.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining operating profit.

Repairs and maintenance expenses are charged to the profit and loss account when the expenditure is incurred. The cost of major renovations is included in the carrying amount of the fixed asset when it is probable that future economic benefits is in excess of the originally assessed standard of performance of the existing asset that will flow to the group. Major renovations are depreciated over the remaining useful life of the related asset.

(i) Investment securities

Investment securities are classified as financial asset through profit or loss, and available for sale. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Investment securities classified as at fair value through profit or loss and available-for-sale are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of investments classified as at fair value through profit or loss are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

The fair values of quoted investments are based on current bid prices. If the market for an investment is not active, the group establishes fair value by using valuation techniques. Where fair values cannot be reliably measured, the group carries the investment at cost.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(j) Retirement benefits

Pension plans

The group operates defined benefit plans, the assets of which are generally held in separate trustee-administered funds. A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, adjusted for unrecognized actuarial gains/losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognized net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plans every year. The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on government securities which have terms to maturity approximating the terms of the related liability.

A portion of actuarial gains and losses is recognised in the profit and loss account if the net cumulative unrecognized actuarial gains or losses at the end of the previous reporting period exceeded 10% of the greater of the present value of the gross defined benefit obligation and the fair value of plan assets at that date. Any excess actuarial gains or losses are recognised in the profit and loss account over the average remaining service lives of the participating employees.

Other retirement benefits

The group provides retirement health care and life insurance to its retirees. The entitlement for these benefits is usually based on the employee remaining in services up to retirement age and the completion of a minimum period. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit pension plans. Valuations for these are carried out annually by independent qualified actuaries.

(k) Impairment of non-current assets

Fixed assets and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(l) Inventories

Inventories is stated at the lower of cost and net realisable value, cost being determined as follows:

Spares	-	weighted average cost, which approximates actual
Film, other	-	actual cost

Net realisable value is the estimated proceeds of disposal in the ordinary course of business, less applicable expenses.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Accounting Policies (Continued)

(m) Trade receivables

Trade receivables are carried at original invoice amount less provision for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise balances which mature within 90 days of the date of acquisition, including cash and bank balances and investment securities, net of bank overdrafts.

(o) Trade payables

Trade payables are stated at historical cost.

(p) Provisions

Provisions are recognised where the group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate of the amount of the obligation can be made.

(q) Leases

Leases of fixed assets where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fixed asset acquired under a finance lease is depreciated over the shorter of the useful life of the asset or the lease term.

(r) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings.

(s) Dividends

Dividends are recorded as a liability in the financial statements in the period in which they have been approved by shareholders.

(t) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRSs, as well as amendments to and interpretations of existing IFRSs.

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(a) Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. Management seeks to minimise potential adverse effects on the financial performance of the group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises from transactions for purchases, recognised assets and liabilities and net investments in foreign operations. Management sets limits on the level of exposure by currency and in total based on guidelines from the Board of Directors.

The table below summarises the group's exposure to currency risk:

	2006		2005	
	US\$'000	£'000	US\$'000	£'000
Assets				
Investment securities	-	43	-	387
Receivables	346	-	334	-
Cash	53	1	50	1
	<u>399</u>	<u>45</u>	<u>384</u>	<u>388</u>
Liabilities				
Payables	119	-	79	-
Net Assets	<u>280</u>	<u>45</u>	<u>305</u>	<u>388</u>

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The group has no significant exposure to such risks.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group has no significant concentrations of credit risk as the group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims to maintain flexibility in funding by keeping committed credit lines available.

Radio Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At 31 March 2006, the group's operating cash flows are substantially independent of changes in market prices, however, the group has interest-earning assets as disclosed in Note 23 and interest-bearing liabilities as disclosed in Note 26 and 27.

(b) Fair value estimation

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of these financial instruments are determined as follows:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, short term investments, and trade receivables and payables.
- (ii) The fair value of investments in associate has been estimated as the company's investment plus its share of post acquisition reserves, as there is no active market for the shares held in the associated company.
- (iii) The carrying values of long term loans, except the loan from the Jamaica Broadcasting Corporation, approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (iv) For disclosure purposes, the fair value of the loan from the Jamaica Broadcasting Corporation (Note 27) is estimated by discounting the future contractual cash flows at the current market rate available to the group for similar borrowings. This resulted in a valuation of \$16,288,000 (2005 – \$16,921,000).

Radio Jamaica Limited

Notes to the Financial Statements

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the group's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement benefit obligations

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate, and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Radio Jamaica Limited

Notes to the Financial Statements

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5. Other Operating Income

	2006	2005
	\$'000	\$'000
Interest income	12,757	9,047
Net foreign exchange gains	5,178	210
Unrealised gain on revaluation of investment securities classified as at fair value through profit or loss	15,297	9,660
Gain on disposal of fixed assets	1,669	58,959
Rental income	13,337	12,172
	<u>48,238</u>	<u>90,048</u>

6. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	2006	2005
	\$'000	\$'000
Auditors' remuneration	3,488	3,100
Commissions	181,002	171,586
Depreciation	63,134	57,836
Insurance	26,618	14,272
Programming expenses	129,917	115,136
Publicity	33,096	31,471
Repairs and maintenance	40,318	36,309
Special events	80,054	83,291
Staff costs (Note 7)	393,101	378,425
Utilities	83,222	66,080
Other	105,282	91,002
	<u>1,139,232</u>	<u>1,048,508</u>

Radio Jamaica Limited

Notes to the Financial Statements

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7. Staff Costs

	2006 \$'000	2005 \$'000
Wages and salaries	355,296	326,010
Statutory contributions	36,771	34,744
Pension (Note 14)	(7,492)	(7,016)
Other retirement benefits (Note 14)	2,381	1,777
Other	<u>6,145</u>	<u>22,910</u>
	<u>393,101</u>	<u>378,425</u>
	2006 No.	2005 No.
Number of persons employed by the group at the end of the year:		
Full - time	238	238
Part - time	<u>183</u>	<u>171</u>
	<u>421</u>	<u>409</u>

8. Finance Costs

	2006 \$'000	2005 \$'000
Interest expense -		
Bank borrowings	11,296	33,428
Finance leases	2,844	1,112
Promissory note	2,200	2,200
Other	<u>675</u>	<u>985</u>
	<u>17,015</u>	<u>37,725</u>

Radio Jamaica Limited

Notes to the Financial Statements

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9. Taxation Expense

Taxation is computed on the profit for the year adjusted for tax purposes. The charge for taxation comprises income tax at 33 $\frac{1}{3}$ %:

	2006 \$'000	2005 \$'000
Current tax	26,073	25,045
Adjustment to prior year provision	<u>(1,776)</u>	<u>(284)</u>
	24,297	24,761
Deferred tax (Note 15)	<u>8,385</u>	<u>13,425</u>
	<u>32,682</u>	<u>38,196</u>

Taxation on profit differs from the theoretical amount that would arise using the basic statutory rate of 33 $\frac{1}{3}$ %. Reconciliation of applicable tax charge to effective tax charge:

	2006 \$'000	2005 \$'000
Profit before taxation	<u>125,726</u>	<u>152,632</u>
Tax calculated at 33 $\frac{1}{3}$ %	41,909	50,878
Adjusted for the effects of:		
Income not subject to tax	(7,447)	(15,553)
Expenses not deductible for tax purposes	663	419
Adjustment to prior year provision	(1,776)	(284)
Other	<u>(667)</u>	<u>2,736</u>
	<u>32,682</u>	<u>38,196</u>

Radio Jamaica Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

10. Net Profit and Retained Earnings

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

	2006 \$'000	2005 \$'000
The company	59,434	62,773
The subsidiaries	47,944	51,663
The associate	(14,334)	-
	<u>93,044</u>	<u>114,436</u>

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

	2006 \$'000	2005 \$'000
The company	369,343	344,410
The subsidiaries	222,428	188,818
	<u>591,771</u>	<u>533,228</u>

11. Ordinary Dividends

On 27 June 2005, an interim dividend of \$0.10 on each ordinary stock units held as at 31 March 2005 was declared to be paid on 24 August 2005. Total dividend payment amounted to \$34,495,000.

12. Earnings Per Ordinary Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2006	2005
Net profit attributable to stockholders \$'000 (net of preference dividends of \$3,000)	93,041	114,433
Weighted average number of ordinary stock units in issue ('000)	344,977	308,659
Basic earnings per ordinary stock unit	<u>\$0.27</u>	<u>\$0.37</u>

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Notes to the Financial Statements

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13. Fixed Assets

	The Group						
	Freehold Land	Freehold Buildings	Improvements to Leasehold Property	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2006						
Cost -							
1 April 2005	2,810	283,925	5,576	630,499	32,807	271	955,888
Additions	-	5,276	419	65,613	10,689	29,150	111,147
Disposals	-	-	-	(137)	(7,539)	-	(7,676)
Transfer	-		-	271	-	(271)	-
31 March 2006	2,810	289,201	5,995	696,246	35,957	29,150	1,059,359
Depreciation -							
1 April 2005	-	23,098	465	274,607	21,794	-	319,964
Charge for the year	-	6,929	1,929	49,071	5,205	-	63,134
Relieved on disposals	-	-	-	(137)	(7,539)	-	(7,676)
31 March 2006	-	30,027	2,394	323,541	19,460	-	375,422
Net Book Value -							
31 March 2006	2,810	259,174	3,601	372,705	16,497	29,150	683,937
	2005						
Cost -							
1 April 2004	2,810	281,483	-	591,090	29,758	6,402	911,543
Additions	-	2,442	5,576	51,481	6,774	271	66,544
Disposals	-	-	-	(18,474)	(3,725)	-	(22,199)
Transfers	-	-	-	6,402	-	(6,402)	-
31 March 2005	2,810	283,925	5,576	630,499	32,807	271	955,888
Depreciation -							
1 April 2004	-	16,236	-	246,461	19,936	-	282,633
Charge for the year	-	6,862	465	45,677	4,832	-	57,836
Relieved on disposals	-	-	-	(17,531)	(2,974)	-	(20,505)
31 March 2005	-	23,098	465	274,607	21,794	-	319,964
Net Book Value -							
31 March 2005	2,810	260,827	5,111	355,892	11,013	271	635,924

Radio Jamaica Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

13. Fixed Assets (Continued)

	The Company					
	Freehold Land	Freehold Buildings	Furniture, Fixtures & Equipment	Motor Vehicles	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2006					
Cost -						
1 April 2005	2,810	240,526	166,974	23,445	271	434,026
Additions	-	2,339	24,338	10,689	10,195	47,561
Disposals	-	-	(137)	(6,719)	-	(6,856)
Transfer	-	-	271		(271)	-
31 March 2006	2,810	242,865	191,446	27,415	10,195	474,731
Depreciation -						
1 April 2005	-	21,929	134,556	18,757	-	175,242
Charge for the year	-	5,820	11,879	3,493	-	21,192
Relieved on disposals	-	-	(137)	(6,719)	-	(6,856)
31 March 2006	-	27,749	146,298	15,531	-	189,578
Net Book Value -						
31 March 2006	2,810	215,116	45,148	11,884	10,195	285,153
	2005					
Cost -						
1 April 2004	2,810	238,321	159,893	22,761	1,314	425,099
Additions	-	2,205	10,134	2,394	271	15,004
Disposals	-	-	(3,445)	(1,710)	-	(5,155)
Transfers	-	-	392	-	(1,314)	(922)
31 March 2005	2,810	240,526	166,974	23,445	271	434,026
Depreciation -						
1 April 2004	-	16,146	127,703	16,636	-	160,485
Charge for the year	-	5,783	9,940	3,581	-	19,304
Relieved on disposals	-	-	(3,087)	(1,460)	-	(4,547)
31 March 2005	-	21,929	134,556	18,757	-	175,242
Net Book Value -						
31 March 2005	2,810	218,597	32,418	4,688	271	258,784

Radio Jamaica Limited

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13. Fixed Assets (Continued)

Included in motor vehicles are assets costing approximately \$23,484,000 (2005 - \$12,769,000) which are being acquired under finance lease arrangements (Note 26), on which depreciation of \$11,640,000 (2005 - \$4,827,000) has been charged.

14. Retirement Benefits

(a) Pension schemes

The group operates a defined benefit pension scheme covering all permanent employees of Radio Jamaica Limited and Multi-Media Jamaica Limited. The scheme is managed by an outside agency under a deposit administration fund contract, and by Trustees. The scheme is funded at 10.03% of pensionable salaries, being 5% by members and 5.03% by the group. Effective 1 April 2004, the company was granted a pension contribution holiday.

Television Jamaica Limited operates a defined benefit scheme that is open to all employees. The scheme is managed by an outside agency under a deposit administration fund contract. The scheme was instituted on 1 July 2000 and is being funded at 9% of pensionable salaries, being 5% by members and 4% by the company.

The schemes are valued by independent actuaries. The latest actuarial valuation was done as at 31 December 2005.

The amounts recognised in the balance sheet are determined as follows:

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Fair value of plan assets	346,342	303,526	330,386	291,446
Present value of funded obligation	(162,326)	(158,210)	(151,090)	(149,031)
	184,016	145,316	179,296	142,415
Limitations asset due to uncertainty of future benefits	(26,344)	(25,229)	(26,344)	(25,229)
Unrecognised actuarial gains	(68,600)	(39,834)	(68,220)	(40,424)
Asset in the balance sheet	89,072	80,253	84,732	76,762

Pension plan assets include the company's ordinary shares with a fair value of \$4,902,000 (2005 - \$4,369,000).

Radio Jamaica Limited

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31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

14. Retirement Benefits (Continued)

(a) Pension schemes (continued)

The amounts recognised in the profit and loss account are as follows:

	The Group	
	2006	2005
	\$'000	\$'000
Current service cost	(1,677)	(36)
Interest cost	(20,802)	(14,900)
Expected return on plan assets	30,550	24,210
Actuarial gains recognised	536	1,529
Income not eligible for recognition	(1,115)	(3,787)
Total included in staff costs (Note 7)	<u>7,492</u>	<u>7,016</u>

The actual return on plan assets was \$37,560,000 (2005 - \$46,570,000).

Movement in the asset recognised in the balance sheet:

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
At 1 April	80,253	70,948	76,762	69,022
Amounts recognised in profit and loss account	7,492	7,016	7,857	6,592
Contributions paid	1,327	2,289	113	1,148
At 31 March	<u>89,072</u>	<u>80,253</u>	<u>84,732</u>	<u>76,762</u>

The principal actuarial assumptions used were as follows:

	The Group & The Company	
	2006	2005
Discount rate	12.50%	12.50%
Expected return on plan assets	10.00%	9.50%
Inflation rate	8.25%	8.00%
Future salary increases	9.00%	9.00%
Future pension increases	2.50%	2.50%
Expected remaining working lives (years)	<u>21.1</u>	<u>22.2</u>

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14. Retirement Benefits (Continued)

(b) Other post-employment benefits

In addition to pension benefits, the group offers retiree medical and life insurance benefits that contribute to the health care and life insurance coverage of employees after retirement. The method of accounting and frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long-term increase in health costs of 12.5% per year (2005 – 10.5%).

The scheme was last valued by independent actuaries as at 31 December 2005.

The amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	10,298	10,599	8,290	8,704
Unrecognised actuarial gains/(losses)	477	(1,900)	58	(1,831)
Liabilities in the balance sheet	<u>10,775</u>	<u>8,699</u>	<u>8,348</u>	<u>6,873</u>

The amounts recognised in the profit and loss account are as follows:

	The Group	
	2006	2005
	\$'000	\$'000
Current service cost	911	626
Interest cost	1,420	1,163
Actuarial gains recognised	50	(12)
Total included in staff costs (Note 7)	<u>2,381</u>	<u>1,777</u>

Movements in the amounts recognised in the balance sheet:

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Liabilities at beginning of year	8,699	7,208	6,873	5,804
Amounts recognised in the profit and loss account	2,381	1,777	1,776	1,355
Contributions paid	(305)	(286)	(301)	(286)
Liabilities at end of year	<u>10,775</u>	<u>8,699</u>	<u>8,348</u>	<u>6,873</u>

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15. Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of 33⅓%.

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets	2,356	996	-	-
Deferred income tax liabilities	(72,738)	(62,993)	(28,667)	(24,964)
	<u>(70,382)</u>	<u>(61,997)</u>	<u>(28,667)</u>	<u>(24,964)</u>

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 April	(61,997)	(48,562)	(24,964)	(22,245)
Charged to profit and loss account	(8,385)	(13,434)	(3,703)	(2,719)
Balance as at 31 March	<u>(70,382)</u>	<u>(61,997)</u>	<u>(28,667)</u>	<u>(24,964)</u>

Deferred tax is due to the following temporary differences (prior to appropriate offsetting of balances):

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets -				
Accrued vacation	4,892	5,912	3,780	4,845
Finance lease obligation	4,492	2,418	3,694	1,265
Retirement benefit obligations	3,592	2,900	2,783	2,291
Tax losses carried forward	2,609	919	-	-
Unrealised foreign exchange losses	-	235	-	381
	<u>15,585</u>	<u>12,384</u>	<u>10,257</u>	<u>8,782</u>
Deferred income tax liabilities -				
Accelerated tax depreciation	54,258	47,399	8,946	7,928
Interest receivable	6	231	6	231
Retirement benefit asset	29,691	26,751	28,244	25,587
Unrealised foreign exchange gains	2,012	-	1,728	-
	<u>85,967</u>	<u>74,381</u>	<u>38,924</u>	<u>33,746</u>

Radio Jamaica Limited

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15. Deferred Taxation (Continued)

The deferred tax charged in the profit and loss account comprises the following temporary differences:

	The Group	
	2006 \$'000	2005 \$'000
Accelerated tax depreciation	(6,859)	(9,136)
Pension and other post-retirement benefits	(2,248)	(2,604)
Tax losses utilised	1,690	(2,005)
Accrued vacation	(1,019)	(1,781)
Finance lease obligation	2,074	1,339
Other	(2,023)	752
	<u>(8,385)</u>	<u>(13,434)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, tax losses available for offset against future taxable profits amounted to \$7,827,000 (2005 – \$2,757,000), and these losses may be carried forward indefinitely.

Deferred income taxes liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled \$222,427,000 (2005 - \$188,818,000).

16. Investment in Subsidiaries

	2006 \$'000	2005 \$'000
Multimedia Jamaica Limited	50	50
Television Jamaica Limited	<u>20,002</u>	<u>20,002</u>
	<u>20,052</u>	<u>20,052</u>

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17. Investment in Associate

On 25 April 2005, the company acquired 20% of the share capital of Gleaner UK Limited, subsequently named GV Media Group Limited, at a cost of £222,762 plus pre-acquisition and professional fees of £56,000. The terms of the investment also include the participation by the company in loans to GV Media Group Limited, on a pro-rata basis with Gleaner Jamaica Limited, the other shareholder, for the acquisition and financing of the reorganisation of The Voice Group Limited, a subsidiary acquired by GV Media Group Limited during 2004. The company has, on that basis, contributed an additional £604,000.

The movement in investment in associate was as follows:

	<u>The Group</u>	<u>The Company</u>
	2006	2006
	\$'000	\$'000
Balance at start of year	-	-
Shares purchased (including transaction costs)	32,660	32,660
Additional contributions	70,842	70,842
Share of results	(14,334)	-
Effect of changes in foreign exchange rates	(4,389)	-
Balance at end of year	<u>84,779</u>	<u>103,502</u>

The aggregate amounts of assets and liabilities at balance sheet date, and revenue and results of the associate for the year ended 31 March 2006 are summarised as follows:

	2006
	£'000
Assets	4,459
Liabilities	5,386
Revenue	655
Net Loss	<u>(649)</u>

18. Investment Securities

	<u>The Group & The Company</u>	
	2006	2005
	\$'000	\$'000
At fair value through profit or loss –		
Caribbean Communications Network – quoted	40,774	23,564
Available-for-sale –		
Caribbean News Agency – unquoted	7	7
	<u>40,781</u>	<u>23,571</u>

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19. Long Term Receivable from Subsidiary

This represents the amount receivable in respect of the background music equipment transferred by the company to Multi-Media Jamaica Limited.

20. Inventories

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Spares	21,768	15,501	15,776	12,551
Film	10,883	19,747	-	-
Goods in transit	859	991	860	-
Other	2,948	3,355	543	515
	<u>36,458</u>	<u>39,594</u>	<u>17,179</u>	<u>13,066</u>

21. Due from Subsidiaries

	2006	2005
	\$'000	\$'000
Multi-Media Jamaica Limited	10,456	3,817
Television Jamaica Limited	<u>175,975</u>	<u>133,590</u>
	<u>186,431</u>	<u>137,407</u>

22. Receivables

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade receivables	186,230	178,490	81,148	78,440
Less: Provision for impairment	<u>(14,877)</u>	<u>(11,079)</u>	<u>(2,569)</u>	<u>(1,927)</u>
	171,353	167,411	78,579	76,513
Prepayments	53,159	60,740	7,762	2,963
Other	<u>85,610</u>	<u>14,719</u>	<u>11,720</u>	<u>14,612</u>
	<u>310,122</u>	<u>242,870</u>	<u>98,061</u>	<u>94,088</u>

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23. Cash and Cash Equivalents

(a) Cash and short term investments

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash	14,310	7,007	6,753	1,973
Short term bank deposits	24,196	136,692	24,196	136,692
Short term investments	-	88,100	-	88,100
	38,506	231,799	30,949	226,765
Bank overdraft	-	(1,829)	-	(1,829)
	<u>38,506</u>	<u>229,970</u>	<u>30,949</u>	<u>224,936</u>

(b) Cash and cash equivalents

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Cash	14,310	7,007	6,753	1,973
Short term bank deposits	24,196	136,692	24,196	136,692
	38,506	143,699	30,949	138,665
Bank overdraft	-	(1,829)	-	(1,829)
	<u>38,506</u>	<u>141,870</u>	<u>30,949</u>	<u>136,836</u>

(c) Cash is comprised of amounts held in current accounts at an interest rate of 3%.

Short term investments comprise Government of Jamaica securities and are classified as at fair value through the profit and loss account. The weighted average effective interest rate on these instruments was as follows:

	The Group		The Company	
	2006	2005	2006	2005
	%	%	%	%
Pound sterling	4.75	2.00	4.75	2.00
Jamaican dollar	12.95	12.00	12.95	12.00

The average maturities of these investments was under 90 days.

(d) The company has an unsecured overdraft facility. The effective interest rate on account overrun was 48%.

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24. Payables

	The Group		The Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
Trade	23,632	26,582	5,791	7,692
Accruals	19,186	22,218	12,735	9,422
Accrued vacation leave	14,678	17,737	11,340	14,537
Current portion of finance lease obligations	5,856	2,915	4,497	1,850
Current portion of long term loans	21,493	21,493	-	-
Statutory deductions	10,783	13,185	6,895	10,037
Other	11,288	17,051	5,463	7,962
	<u>106,916</u>	<u>121,181</u>	<u>46,721</u>	<u>51,500</u>

25. Share Capital

	2006	2005
	\$'000	\$'000
Authorised -		
50,000 5% Cumulative participating preference shares of \$2 each	100	100
360,000,000 Ordinary shares of 50 cents each	<u>180,000</u>	<u>180,000</u>
Issued and fully paid -		
10,000 5% Cumulative participating preference shares at \$2 each	20	20
344,976,991 Ordinary shares of 50 cents each	<u>172,488</u>	<u>172,488</u>
	<u>172,508</u>	<u>172,508</u>

The company has elected, under the Companies Act 2004, to maintain par value status for its ordinary stock units until the required date of conversion to no par, being January 2007.

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26. Finance Lease Obligations

The group entered into finance lease arrangements with the Staff Pension Scheme of Radio Jamaica Limited for the acquisition of motor vehicles (Note 13). The group's obligations under these leases have been recorded at amounts equal to the value of future lease payments using interest rates implicit in the leases. At 31 March 2006, the group had outstanding obligations under finance leases as follows:

	The Group		The Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Year ending 31 March 2006	-	4,337	-	2,532
2007	8,458	3,437	6,653	1,632
2008	6,825	1,804	5,678	657
2009	2,091	-	2,091	-
	17,374	9,578	14,422	4,821
Less: Future finance charges	(3,895)	(2,323)	(3,338)	(1,026)
Present value of minimum lease payments	13,479	7,255	11,084	3,795
Less: Current portion	(5,856)	(2,915)	(4,497)	(1,850)
	7,623	4,340	6,587	1,945

The effective rate on finance leases during the year was 24% (2005 – 25%).

27. Long Term Loans

	The Group	
	2006 \$'000	2005 \$'000
The Jamaica Broadcasting Corporation (JBC)	22,000	22,000
RBTT Bank Jamaica Limited (RBTT)	75,224	96,717
	97,224	118,717
Less: Current portion	(21,493)	(21,493)
	75,731	97,224

- (a) The JBC loan represents a promissory note issued to The Jamaica Broadcasting Corporation, on 21 November 2003, and will mature on 30 April 2013. The note attracts 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 semi-annually.
- (b) The RBTT loan was obtained to finance the purchase of studio equipment for Television Jamaica Limited. The loan was disbursed in tranches. The first tranche of \$120,000,000 represents a Development Bank of Jamaica Limited (DBJ) Sub-Loan and/or the US\$ equivalent by way of Letters of Credit to the overseas suppliers of the equipment. The loan is repayable on a monthly basis, maturing in May 2009 and currently attracts interest at 13%.

The loan is secured by a first mortgage over commercial properties owned by the company.

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28. Statement of Cash Flows

The principal non-cash transaction was the acquisition of fixed assets amounting to \$10,647,000 (2005 – \$6,193,000) under new finance leases entered into during the year.

29. Related Party Transactions

(a) During the year, the company purchased fixed assets valuing \$1,439,000 (2005 – \$1,180,000) from an entity owned by one of the company's directors. There were no amounts owing at year end in respect of this transaction. These assets were purchased on similar terms and conditions as those purchased from unconnected parties.

(b) Key management compensation was as follows:

	2006 \$'000	2005 \$'000
Wages and salaries	24,748	29,115
Statutory contributions	1,504	1,766
Other	1,176	1,176
	<u>27,428</u>	<u>32,057</u>
	2006 \$'000	2005 \$'000
Directors' emoluments –		
Fees	1,144	1,047
Management remuneration (included in staff costs)	<u>16,127</u>	<u>16,992</u>