Radio Jamaica Limited

Report to stockholders.

The directors present the audited results of the group for the year ended March 31, 2009.

The group recorded a pre-tax loss of $99 million for the year compared to a profit of $66 million the previous year. Major components of the loss included an impairment charge of $51 million related to the cable entities (JNN & RETV) and a ***one off*** special expenditure (*restructuring & redundancy payments*) of $40 million. Management assessed the investment in RETV and JNN at year end and because of the difficulty in predicting recovery from the impact of the Global recession experienced during the last six months of the financial year, decided conservatively to impair the investment, which had no impact on the group's cash flow.

One impact, on Jamaica, of the global financial meltdown is that advertising revenues fell precipitously during this reporting period and the positive impact on revenue from the successful coverage of the Olympics and our exclusivity in World Cup Qualifiers were less than anticipated. The Group recorded revenue growth but as a result of the recessional impact, revenue growth slowed to $88 million or 6% over prior year. Cost of sales however grew by $107 million or 18% and was attributable in large part to production costs and broadcast rights associated with the abovementioned events. This caused gross profit margin to decrease by 2%.

Expenses for the year (*excluding impairment & special expenditure*) of $1,014 million, exceeded prior year by 12% and resulted from management's success in containing increases in controllable operational expenses. The more significant increases were recorded in the areas of administrative and operating expenses and were due partly to a revision in the senior management structure, pension costs and the launching of RETV and JNN on satellite in order to achieve national reach and establish international availability. Increases in petrol and power costs during the year limited the management's ability to control the maintenance of and consumption by the group's transmission network and motorized fleet, compared to the previous year.

An operating loss of $79 million was incurred for the year under review, compared to a profit of $86 million the previous year. However, after adjusting for the impairment charge and special expenses related to the group's restructuring and redundancy exercise, the results reflected a small operating profit. The adjustments to structure and levels of staffing will be of material benefit to the bottom line and future prospects. Finance costs remained static.

The loss after tax amounted to $140 million compared to a net profit of $42 million the previous year. As a result of the decline in taxable profits, the current tax charge decreased by $20 million but was negated by an additional provision and the reversal of previously recognized deferred tax on tax losses of $62 million.

Shareholders' Equity of $920 million slipped from $1,077 million last year, a decrease of 14.5% and is due mainly to the loss sustained for the financial year. Also, during the year, unissued shares which were part of the purchase consideration for the acquisition of the cable entities were written back as the subsidiaries failed to achieve certain profit targets and are not expected to achieve future targets envisaged at the time of acquisition.

Long term loans grew by $24 million and were due primarily to the acquisition of a mobile television unit which will contribute to future revenues in keeping with managements programming strategy for improving viewership and reductions in recurrent costs of hiring external equipment.
The net effect of the above (shareholders' equity & long term loans) resulted in a decrease of $139M in net worth. The group's current market price to book value ratio stood at 1.63 times and is in line with the industry.