

**Radio Jamaica Limited**  
**Report to Stockholders.**

*The directors present the audited results of the group for the year ended March 31, 2013 which showed after tax losses of \$36.4 million compared to a profit of \$87.4 million in the previous year.*

*This \$123.8 million decline in after tax profits is due to the company making conservative accounting decisions in a challenging financial climate, but which are intended to strengthen the company going forward. Among those decisions is the impairment of over \$35.1 million of goodwill and brand and the writing off of a further \$36.4 million in receivables from cable companies owned by Radio Jamaica.*

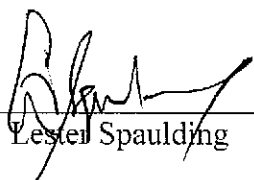
*The cable companies, RETV and JNN, when combined became profitable in 2012/2013 but to help accelerate their future growth the Radio Jamaica has relieved them of substantial debt they incurred to it in their earlier years of development.*

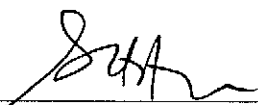
*Due to a decline in the national advertising industry spend for the year and with the ongoing challenges to businesses, revenues totaled \$1.78 billion for the year contrasting to the \$1.83 billion dollars in revenues for the previous year. This was a 2.45% or \$44.8 million decline in revenues.*

*Direct expenses were \$819 million which was \$84 million above prior year expenses and which included higher broadcast rights fees mainly associated with World Cup Football Qualifying matches. As the fortunes of the Jamaican football team fluctuated, advertising revenues to support the qualifiers also declined.*

*Selling expenses were down by \$14.33 million dollars when compared to prior year's figure of \$324.5 million. Finance costs were also lower as the company carried out early liquidation of high interest rate loans during the year.*

*Approved for issue by the Board of Directors on June 10, 2013 and signed on its behalf by:*

  
\_\_\_\_\_  
J. A. Lester Spaulding      Chairman

  
\_\_\_\_\_  
Gary Allen      Director



**Radio Jamaica Limited**

**Financial Statements  
31 March 2013**

# Radio Jamaica Limited

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31 March 2013

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## ***Independent Auditors' Report***

To the Members of  
Radio Jamaica Limited

### **Report on the Consolidated and Company Stand Alone Financial Statements**

We have audited the accompanying consolidated financial statements of Radio Jamaica Limited and its subsidiaries, set out on pages 1 to 51, which comprise the consolidated balance sheet as at 31 March 2013 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Radio Jamaica Limited standing alone, which comprise the balance sheet as at 31 March 2013 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements***

Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated and company stand alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand alone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Members of Radio Jamaica Limited  
Independent Auditors' Report  
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***Opinion***

In our opinion, the consolidated financial statements of Radio Jamaica Limited and its subsidiaries, and the financial statements of Radio Jamaica Limited standing alone give a true and fair view of the financial position of the group and the company as at 31 March 2013, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Radio Jamaica Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying consolidated financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

*PricewaterhouseCoopers*

Chartered Accountants  
10 June 2013  
Kingston, Jamaica

# Radio Jamaica Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	2012 \$'000
Revenue		1,783,997	1,828,840
Direct expenses		<u>(819,096)</u>	<u>(735,084)</u>
<b>Gross Profit</b>		964,901	1,093,756
Other operating income	5	82,332	108,896
Selling expenses		(310,166)	(324,499)
Administration expenses		(446,006)	(394,239)
Other operating expenses		(329,724)	(329,029)
Impairment charge	14	<u>(35,108)</u>	<u>-</u>
<b>Operating (Loss)/Profit</b>		(73,771)	154,885
Finance costs	8	<u>(5,721)</u>	<u>(8,364)</u>
<b>(Loss)/Profit before Taxation</b>		(79,492)	146,521
Taxation	9	<u>43,117</u>	<u>(59,114)</u>
<b>Net (Loss)/Profit, being Total Comprehensive Income</b>		<u>(36,375)</u>	<u>87,407</u>
<b>Earnings per Ordinary Stock Unit Attributable to Stockholders of the Company</b>	12	<u>(\$0.10)</u>	<u>\$0.25</u>

**Radio Jamaica Limited****Consolidated Balance Sheet****31 March 2013****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2013 \$'000	2012 \$'000
<b>Non-Current Assets</b>			
Fixed assets	13	666,646	669,568
Intangible assets	14	83,553	37,978
Retirement benefit assets	15	215,592	185,813
Investment securities	19	11,416	8,182
<b>Current Assets</b>			
Inventories	20	74,303	73,759
Receivables	22	419,539	407,983
Taxation recoverable		2,426	4,215
Cash and short term investments	23	316,678	265,029
		812,946	750,966
<b>Current Liabilities</b>			
Payables	24	271,817	179,161
Taxation payable		4,445	46,860
		276,262	228,021
<b>Net Current Assets</b>			
		536,684	524,945
		1,513,891	1,438,486
<b>Stockholders' Equity</b>			
Share capital	25	467,656	467,656
Retained earnings		736,129	800,538
		1,203,785	1,268,194
<b>Non-Current Liabilities</b>			
Long term loans	26	197,097	15,351
Deferred tax liabilities	16	80,443	125,789
Retirement benefit obligations	15	32,566	27,152
		1,513,891	1,438,486

Approved for issue by the Board of Directors on 10 June 2013 and signed on its behalf by:

J. A. Lester Spaulding

Director

Gary Allen

Director

# Radio Jamaica Limited

## Consolidated Statement of Changes in Equity

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000
Balance at 1 April 2011	350,154	467,656	748,126	1,215,782
Total comprehensive income	-	-	87,407	87,407
Ordinary dividends	-	-	(34,995)	(34,995)
<b>Balance at 31 March 2012</b>	<b>350,154</b>	<b>467,656</b>	<b>800,538</b>	<b>1,268,194</b>
Total comprehensive income	-	-	(36,375)	(36,375)
Ordinary dividends	-	-	(28,034)	(28,034)
<b>Balance at 31 March 2013</b>	<b>350,154</b>	<b>467,656</b>	<b>736,129</b>	<b>1,203,785</b>



# Radio Jamaica Limited

## Consolidated Statement of Cash Flows

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$'000	2012 \$'000
<b>Cash Flows from Operating Activities</b>		
Net (loss)/profit	(36,375)	87,407
Items not affecting cash:		
Amortisation of intangible assets	2,870	2,870
Depreciation	108,870	111,630
Fixed assets adjustment	723	-
Gain on disposal of fixed assets	(802)	(1,815)
Interest income	(8,190)	(15,536)
Dividend income	(282)	(425)
Impairment charge	35,108	-
Interest expense	5,721	8,364
Income tax (credit)/charge	(43,117)	59,114
Exchange gain on foreign currency balances	(3,134)	(781)
Retirement benefits	(14,365)	(13,805)
Revaluation of investment securities	(3,234)	1,109
	<u>43,793</u>	<u>238,132</u>
Changes in operating assets and liabilities:		
Inventories	(544)	(12,130)
Receivables	(11,576)	(69,315)
Payables	89,738	(6,949)
	<u>121,411</u>	<u>149,738</u>
Income tax paid	(42,855)	(68,262)
Net cash provided by operating activities	<u>78,556</u>	<u>81,476</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of fixed assets	2,851	1,815
Purchase of fixed assets	(108,720)	(78,213)
Purchase of intangible assets	(83,553)	-
Interest received	8,190	15,774
Dividends received	282	425
Net cash used in investing activities	<u>(180,950)</u>	<u>(60,199)</u>
<b>Cash Flows from Financing Activities</b>		
Loans received	201,500	-
Loans repaid	(16,836)	(37,793)
Principal lease repayments	-	(6,870)
Interest paid	(5,721)	(8,364)
Dividends paid	(28,034)	(34,995)
Net cash provided by/(used in) financing activities	<u>150,909</u>	<u>(88,022)</u>
Increase/(decrease) in cash and cash equivalents	48,515	(66,745)
Exchange gains on cash and cash equivalents	3,134	781
Cash and cash equivalents at beginning of year	265,029	330,993
<b>Cash and Cash Equivalents at End of Year (Note 23)</b>	<u>316,678</u>	<u>265,029</u>

# Radio Jamaica Limited

## Company Statement of Comprehensive Income

Year ended 31 March 2013

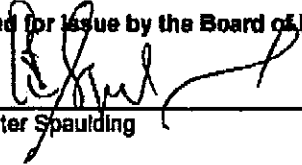
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2013 \$'000	2012 \$'000
Revenue		622,883	659,028
Direct expenses		<u>(252,797)</u>	<u>(232,203)</u>
<b>Gross Profit</b>		370,086	426,825
Other operating income	5	96,765	439,547
Selling expenses		(129,168)	(132,581)
Administration expenses		(207,009)	(180,318)
Other operating expenses		(154,241)	(159,664)
Impairment charge	17	<u>(36,377)</u>	<u>-</u>
<b>Operating (Loss)/Profit</b>		(59,944)	393,809
Finance costs	8	<u>(3,825)</u>	<u>(2,807)</u>
<b>(Loss)/Profit before Taxation</b>		(63,769)	391,002
Taxation	9	<u>26,324</u>	<u>(21,982)</u>
<b>Net (Loss)/Profit, being Total Comprehensive Income</b>		<u><u>(37,445)</u></u>	<u><u>369,020</u></u>

**Radio Jamaica Limited****Company Balance Sheet****31 March 2013****(expressed in Jamaican dollars unless otherwise indicated)**

	Note	2013 \$'000	2012 \$'000
<b>Non-Current Assets</b>			
Fixed assets	13	273,528	286,140
Retirement benefit asset	15	190,528	180,723
Investment in subsidiaries	17	431,824	121,513
Long term receivables	18	2,950	2,950
Investment securities	19	11,416	8,182
<b>Current Assets</b>			
Inventories	20	18,078	22,135
Due from subsidiaries	21	162,830	370,410
Receivables	22	131,624	164,989
Taxation recoverable		1,980	3,918
Cash and short term investments	23	316,270	260,131
		630,592	821,593
<b>Current Liabilities</b>			
Payables	24	135,786	94,164
Taxation payable		3,181	20,435
		138,967	114,599
<b>Net Current Assets</b>			
		491,625	706,994
		<u>1,401,971</u>	<u>1,308,508</u>
<b>Equity</b>			
Share capital	25	467,656	467,656
Retained earnings		679,303	744,782
		1,146,959	1,212,438
<b>Non-Current Liabilities</b>			
Long term loans	26	197,097	13,310
Deferred tax liabilities	16	35,415	61,739
Retirement benefit obligations	15	22,500	19,021
		<u>1,401,971</u>	<u>1,308,508</u>

Approved for issue by the Board of Directors on 10 June 2013 and signed on its behalf by:


  
 J. A. Lester Spaulding

Director


  
 Gary Allen

Director

# Radio Jamaica Limited

## Company Statement of Changes in Equity

Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000
Balance at 1 April 2011	350,154	467,656	410,757	878,413
Total comprehensive income	-	-	369,020	369,020
Ordinary dividends	-	-	(34,995)	(34,995)
<b>Balance at 31 March 2012</b>	<b>350,154</b>	<b>467,656</b>	<b>744,782</b>	<b>1,212,438</b>
Total comprehensive income	-	-	(37,445)	(37,445)
Ordinary dividends	-	-	(28,034)	(28,034)
<b>Balance at 31 March 2013</b>	<b>350,154</b>	<b>467,656</b>	<b>679,303</b>	<b>1,146,959</b>

# Radio Jamaica Limited

## Company Statement of Cash Flows

### Year ended 31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

	2013 \$'000	2012 \$'000
<b>Cash Flows from Operating Activities</b>		
Net (loss)/profit	(37,445)	369,020
Items not affecting cash:		
Depreciation	32,971	33,716
Fixed assets adjustment	550	-
Gain on disposal of fixed assets	(70)	(1,215)
Interest income	(7,901)	(15,427)
Dividend income	(10,282)	(330,425)
Interest expense	3,825	2,807
Income tax	(26,324)	21,982
Exchange gain on foreign currency balances	(3,134)	(726)
Retirement benefits	(6,326)	(13,414)
Revaluation of investment securities	(3,234)	1,109
	<u>(57,370)</u>	<u>67,427</u>
Changes in operating assets and liabilities:		
Inventories	4,057	(4,212)
Due from subsidiaries <sup>(1)</sup>	(102,631)	(30,591)
Receivables	33,375	(45,098)
Payables	28,601	10,522
	<u>(94,068)</u>	<u>(1,952)</u>
Income tax paid	(15,326)	(19,031)
Net cash used in operating activities	<u>(109,394)</u>	<u>(20,983)</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of fixed assets	239	1,215
Purchase of fixed assets	(21,072)	(21,523)
Interest received	7,901	15,665
Dividends received <sup>(2)</sup>	10,282	425
Net cash used in investing activities	<u>(2,650)</u>	<u>(4,218)</u>
<b>Cash Flows from Financing Activities</b>		
Loan received	201,500	-
Loans repaid	(4,592)	(3,550)
Principal lease repayments	-	(90)
Interest paid	(3,825)	(2,807)
Dividends paid	(28,034)	(34,995)
Net cash provided by/(used in) financing activities	<u>165,049</u>	<u>(41,442)</u>
Increase/(decrease) in cash and cash equivalents	53,005	(66,643)
Exchange gains on cash and cash equivalents	3,134	726
Cash and cash equivalents at beginning of year	<u>260,131</u>	<u>326,048</u>
<b>Cash and Cash Equivalents at End of Year (Note 23)</b>	<u><u>316,270</u></u>	<u><u>260,131</u></u>

(1) The principal non-cash transaction was the offset of the additional investment in subsidiaries against due from subsidiaries.

(2) The principal non-cash transaction for the prior year represents the offset of the dividend income received from a subsidiary against the amounts owed to the subsidiary.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Principal Activities

Radio Jamaica Limited ("the company") is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange, and has its registered office at 32 Lyndhurst Road, Kingston 5.

These financial statements present the results of operations and financial position of the company and its subsidiaries, which are collectively referred to as "the group".

The group's primary activities are the operation of a 'free-to-air' television station, cable television stations and radio stations.

All subsidiaries are wholly owned. The company's subsidiaries are as follows:

Television Jamaica Limited

Multi-Media Jamaica Limited

Media Plus Limited, and its subsidiaries –

    Reggae Entertainment Television Limited

    Jamaica News Network Limited

The subsidiaries are incorporated and domiciled in Jamaica, with the exception of Media Plus Limited, which is incorporated and domiciled in St. Lucia.

### 2. Summary of Accounting Policies

The principal accounting policies applied in the preparation of these 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 International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS 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 financial statements are disclosed in Note 4.

# Radio Jamaica Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Standards, interpretations and amendments to published standards effective in the current year***

Certain new standards, interpretations and amendments to existing standards that have been published, became effective during the current financial year. The group has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on transfers of financial assets, promote transparency in the reporting of transfer transactions and improves users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. This amendment did not have a significant impact on the operations of the group.

'Improvements to IFRS' were issued in 2011 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual standards. Some of the amendments are effective for annual periods beginning on or after 1 January 2012. There were no material changes to accounting policies as a result of these amendments.

There are no other standards, interpretations or amendments to existing standards that are effective that would be expected to have a significant impact on the group.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

*Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group*

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning after 1 April 2013 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial Instruments' (effective for annual periods beginning on or after 1 January 2015). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its own classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- IFRS 10, 'Consolidated financial statements' (effective for annual periods beginning on or after 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have any impact on the Group's financial statements as there would be no change in the entities that are consolidated under the new standard. The Group intends to adopt IFRS 10 for the accounting period beginning on 1 April 2013.
- IFRS 11, 'Joint arrangements' (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly Controlled Entities-Non-Monetary Contributions by Venturers'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The standard is concerned principally with addressing two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities, and improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The standard requires a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28, 'Investments in Associates and Joint Ventures', unless the entity is exempted from applying the equity method as specified in that standard. The Group currently has no joint arrangements that fall within the recognition criteria of this standard and intends to adopt IFRS 11 for the accounting period beginning on 1 April 2013.



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (a) Basis of preparation (continued)

*Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group (continued)*

- IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The standard will likely result in expanded disclosure in the financial statements and the Group intends to adopt IFRS 12 for the accounting period beginning on 1 April 2013.
- IFRS 13, 'Fair value measurement', (effective for annual periods beginning on or after 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The standard will likely result in extended disclosure in the financial statements and the Group intends to adopt IFRS 12 for the accounting period beginning on 1 April 2013.
- IAS 1, 'Presentation of financial statements' (effective for annual periods beginning on or after 1 July 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- IAS 19 (amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group intends to adopt the amendments to IAS 19 for the accounting period beginning on 1 April 2013.
- IAS 27 (revised 2011) (effective for annual periods beginning on or after 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The Group will not be significantly impacted by the application of the revision.
- IAS 28 (revised 2011) (effective for annual periods beginning on or after 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Group will not be significantly impacted by the application of the revision.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (b) Basis of consolidation

Subsidiaries are all entities (including special purpose entities) over which the group has power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully 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.

#### (c) Foreign currency translation

##### *Functional and presentation currency*

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 group's functional and presentation currency.

##### *Transactions and balances*

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 arriving at net profit or loss except when deferred in other comprehensive income.

#### (d) Revenue and income 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.

Dividend income is recognised when the right to receive payment is established.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (e) 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 profit or loss. 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 reporting date, trade receivables were classified as loans and receivables; cash and bank balances, short term investments and quoted investment securities were classified as financial assets at fair value through profit or loss; and unquoted investment securities were classified as available-for-sale.

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

##### *Available-for-sale*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

##### *Financial liabilities*

The group'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.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (f) Income taxes

Taxation expense in the statement of comprehensive income 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 group's liability for current tax is calculated at tax rates that have been enacted at reporting 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 only 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 by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in arriving at profit or loss and other comprehensive income, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

# Radio Jamaica Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Accounting Policies (Continued)

### (g) 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. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to profit or loss during the financial period in which they were incurred.

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	2.5%
Furniture, office machinery and rental equipment	10 - 15%
Station equipment - Radio	10 - 15%
Station equipment - Television	6.67 - 25%
Computer equipment	10 - 33½%
Motor vehicles	10 - 25%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

### (h) Intangible assets

#### *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition, and is included in intangible assets on the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### *Brands*

Brands acquired in a business combination are recognised at fair value at the acquisition date. Brands have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives of 10 to 20 years.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (h) Intangible assets (continued)

##### *Broadcast rights*

Broadcast rights acquired are recognised at fair value at the acquisition date. These represent the exclusive rights to broadcast FIFA events for the period 2015 to 2022. Broadcast rights have a finite useful life. Amortisation is calculated using the straight-line method to allocate the cost of the rights over their estimated contractual lives. Amortisation will commence once the first event under the rights have been broadcast.

#### (i) Investment securities

Investment securities classified as financial assets 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 financial assets at fair value through profit or loss are included in the determination of profit or loss 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 other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

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.

#### (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 reporting date and the fair value of plan assets, adjusted for unrecognised actuarial gains and losses and past service cost. Where a pension asset arises, the amount recognised is limited to the net total of any cumulative unrecognised 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 in arriving at profit or loss 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 arriving at profit or loss if the net cumulative unrecognised 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 arriving at profit or loss over the average remaining service lives of the participating employees.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Summary of Accounting Policies (Continued)

#### (j) Retirement benefits (continued)

##### *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 benefits are carried out annually by independent qualified actuaries.

#### (k) Impairment of non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### (l) Inventories

Inventories are 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.

#### (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 and comprise balances which mature within 90 days of the date of acquisition, including cash and bank balances, net of bank overdrafts.

#### (o) Trade payables

Trade payables are stated at historical cost.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Summary of Accounting Policies (Continued)

#### (p) 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 in arriving at profit or loss 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.

#### (q) 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 arriving at profit or loss over the period of the borrowings.

#### (r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group entity purchases the company's equity (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable transaction costs and income taxes) is included in equity attributable to the company's equity holders.

#### (s) Dividends

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

#### (t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the company's Board of Directors.

### 3. Financial Risk Management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

The group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. There has been no change to the group's exposure to financial risks or the manner in which it manages and measures the risks.

The Board of Directors is ultimately responsible for the establishment and oversight of the group's risk management framework. The Board has established committees/departments for managing and monitoring risks, as follows:



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### *Department of Finance and Administration*

The Department of Finance and Administration is responsible for managing the group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the group. The department identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The credit department is primarily responsible for managing the group's credit risk. It evaluates, monitors and manages credit risks through the close assessment of potential and present clients.

#### (a) Credit risk

##### *Finance Committee*

The Finance Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group.

An important risk for the group is credit risk, other significant risks include liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

The group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the group by failing to discharge their contractual obligations. Credit risk is the most important financial risk for the group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the group's receivables from customers and investment activities. The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties and to industry segments.

##### *Credit review process*

The Department of Finance and Administration has overall responsibility for the ongoing analysis of the ability of customers and other counterparties to meet repayment obligations.

#### (i) Trade and other receivables

Trade and other receivables relate mainly to the group's direct customers and advertising agencies. The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Finance Committee reviews monthly all material direct client accounts with balances over 90 days. The Department of Finance and Administration has established a credit policy under which each customer is analysed individually for creditworthiness prior to the group offering them a credit facility. Credit limits are assigned to each customer and approval is required from the Credit Manager for all direct customer transactions. The group has procedures in place to restrict customer orders if the order will exceed their credit limits. Customers that fail to meet the group's benchmark creditworthiness may transact with the group on a prepayment basis.

Customer's credit risks are monitored according to their credit characteristics, such as whether it is an individual or company, geographic location, industry, aging profile, and previous financial difficulties.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The group's average credit period for airing advertisements is 30 days for direct customers and 60 days for advertising agencies. The group has provided for most receivables over 90 days based on historical experience which indicates that amounts past due beyond 90 days are generally not recoverable.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### (i) Trade and other receivables (continued)

Trade receivables between 60 and 90 days are provided for based on an estimate of amounts that would be irrecoverable, determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

##### (ii) Cash, deposits and investments

The group limits its exposure to credit risk by maintaining cash, deposits and monetary investments with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations. The Finance Committee performs monthly reviews of the investments and securities held as part of their assessment of the group's credit risk.

Trade receivables are primarily receivable from customers in Jamaica. The credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector, is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Advertising agencies	153,085	194,261	43,632	70,805
Direct customers	197,630	139,560	64,700	45,576
	350,715	332,261	108,332	116,381
Less: Provision for impairment	(15,750)	(7,820)	(8,440)	(3,826)
	<u>334,965</u>	<u>324,441</u>	<u>99,892</u>	<u>112,555</u>

#### *Ageing analysis of trade receivables that are past due but not impaired*

Trade receivables that are less than three months past due are not considered impaired. At reporting dates trade receivables relating to the group and the company amounting to \$77,882,000 (2012 – \$55,527,000) and \$22,450,000 (2012 – \$17,126,000), respectively, were past due but not impaired. Trade receivables that are past due relate to a number of independent customers and advertising agencies for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
30 – 60 days	29,257	39,641	9,260	11,653
60 – 90 days	17,216	5,164	2,790	1,747
Greater than 90 days	31,409	10,722	10,400	3,726
	<u>77,882</u>	<u>55,527</u>	<u>22,450</u>	<u>17,126</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### *Ageing analysis of trade and other receivables that are impaired*

At reporting dates, trade receivables and other receivables of \$30,543,000 (2012 – \$10,669,000) for the group and \$23,233,000 (2012 – \$6,675,000) for the company were considered impaired. These receivables are all aged over 90 days and were fully provided for. The individually impaired receivables mainly relate to direct customers and agencies that are in unexpected difficult economic situations. The creation and release of provision for impaired receivables have been included in administration expenses in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The movement on the provision for impairment was as follows:

	The Group		The Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
At 1 April	10,669	24,817	6,675	2,584
Provision for receivables impairment	28,323	10,553	18,872	5,275
Receivables written off during the year as uncollectible	(6,140)	(15,531)	(742)	-
Unused amounts reversed/recovered	(2,309)	(9,170)	(1,572)	(1,184)
At 31 March	<u>30,543</u>	<u>10,669</u>	<u>23,233</u>	<u>6,675</u>

The provision includes amount relating to other receivables of \$14,793,000 (2012 – \$2,849,000) for the group and the company.

#### (b) Liquidity risk

Liquidity risk is the risk that the group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities.

##### *Liquidity risk management process*

The group's liquidity management process, as carried out within the group and monitored by the Department of Finance and Administration, includes:

- (i) Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of highly marketable and diverse assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment.

# Radio Jamaica Limited

Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

#### *Cash flows of financial liabilities*

Trade payables are due within one month.

The maturity profile of long term liabilities at year end based on contractual undiscounted payments was as follows:

	<b>The Group</b>			
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>2013</b>			
Long term loans	37,360	133,598	150,598	321,556
	<b>2012</b>			
Long term loans	18,193	17,806	-	35,999
	<b>The Company</b>			
	<b>Within 1 Year</b>	<b>1 to 5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
	<b>2013</b>			
Long term loans	35,291	133,598	150,598	319,487
	<b>2012</b>			
Long term loans	4,994	15,737	-	20,731

Assets available to meet all liabilities, including financial liabilities, include cash and short term deposits.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (c) Market risk

The group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Department of Finance and Administration which seeks to minimise potential adverse effects on the performance of the group by applying procedures to identify, evaluate and manage this risks, based on guidelines set by the Board of Directors.

#### *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 movements in market prices are not expected to have a significant impact on the net results or stockholders' equity as the group does not hold significant equity securities.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group is exposed to foreign exchange risk, arising primarily with respect to the US dollar, from commercial transactions such as the purchase of investment securities and station equipment, and the recognised assets and liabilities arising therefrom. The group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. As the group has no significant foreign currency exposure, currency fluctuations are unlikely to have any material effect on the net results or stockholders' equity.

At 31 March 2013, the group and company had net USD dominated monetary assets carried at a Jamaican Dollar equivalent of \$38,362,000 (2012 – \$26,031,000) and \$54,214,000 (2012 – \$ 27,924,000) respectively.

#### *Foreign currency sensitivity*

The sensitivity analysis represents the impact on the profit or loss due to the movement in the US dollar exchange rate. If the rate adjusts for a 1% revaluation and 10% devaluation (2012 – 1% revaluation and devaluation), the pre-tax impact on the profit or loss would amount to (\$384,000) – revaluation, \$3,836,000 – devaluation (2012 – \$260,000) and (\$542,000) – revaluation and \$5,421,000 – devaluation (2012 – \$279,000) for the group and the company respectively.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### *Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the group to cash flow interest risk, whereas fixed interest rate instruments expose the group to fair value interest risk.

The group earns interest on its short term deposits disclosed in Note 23. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk.

The group incurs interest on its borrowings disclosed in Note 26. These borrowings are at fixed rates, and expose the group to fair value interest rate risk. Interest rate fluctuations are not expected to have a material effect on the net results or stockholders' equity. The group analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

#### (d) Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the group defines as net operating income divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

No company within the group is subject to externally imposed capital requirements.

#### (e) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial instruments that, subsequent to initial recognition, are measured at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. At 31 March 2013, these instruments are quoted investment securities (Note 19), which are grouped in Level 1. The group has no financial assets group in Levels 2 and 3.

The following methods and assumptions have been used in determining fair values:

- (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 carrying values of long term loans, 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.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(expressed in Jamaican dollars unless otherwise indicated)

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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.

The principal actuarial assumptions used in valuing retirement benefits are disclosed in Note 15.

##### *Intangible assets arising from the acquisition of subsidiaries*

The fair market value of the intangible assets arising from the group's acquisition of subsidiaries (Note 14) was determined by professional valuers. On the instructions of management, the valuers used the excess of earnings method to determine fair market value. The approach used was deemed by management to be most appropriate to value the respective intangible assets. The excess of earnings method utilises discounted cash flow techniques. The cash flows discounted are derived by applying certain growth rates that management has determined are reasonable and deem to be best estimates, considering all known information about the markets and industries in which the acquired entities operate at the time of acquisition.

The intangibles are tested annually for impairment by utilising discounted cash flows derived by applying certain growth rates that management has determined are reasonable and deem to be best estimates, considering all known information about the markets and industries in which these acquired entities operate and applying an appropriate long term growth rate and discount rate. As a result of the impairment testing performed by management an impairment charge of \$35,108,000 was recognised during the year (Note 14).

# Radio Jamaica Limited

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### 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

#### (b) Key sources of estimation uncertainty (continued)

##### *Income taxes*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### *Recognition of deferred tax assets*

Deferred tax assets have not been recognised on tax losses carried forward in respect of certain subsidiaries based on management's expectation that the subsidiaries will not generate sufficient taxable profits to utilise the tax losses carried forward (Note 16). At 31 March 2013, unrecognised deferred tax assets in respect of tax losses carried forward amounted to \$72,144,000 (2012 – \$98,505,000).

### 5. Other Operating Income

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Interest income	8,190	15,536	7,901	15,427
Dividend income	282	425	10,282	330,425
Net foreign exchange gains	4,876	393	5,460	379
Unrealised losses on revaluation of investment securities classified as financial assets at fair value through profit or loss	3,234	(1,109)	3,234	(1,109)
Gain on disposal of fixed assets	802	1,815	70	1,215
Rental income	44,263	28,984	58,726	40,722
Compensation for damages	3,404	23,477	3,404	23,477
Other income	17,281	39,375	7,688	29,011
	82,332	108,896	96,765	439,547



# Radio Jamaica Limited

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### 6. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Auditors' remuneration	6,353	6,159	3,294	3,050
Commissions	158,896	182,210	55,464	65,144
Depreciation	108,870	111,630	32,971	33,716
Distribution costs	22,007	20,533	-	288
Impairment charge	35,108	-	36,377	-
Insurance	54,167	41,612	22,703	16,722
Programming expenses	61,127	78,455	16,800	17,257
Publicity	28,693	39,253	18,079	20,419
Repairs and maintenance	76,178	72,966	39,101	33,873
Special events	186,861	90,310	10,219	2,504
Staff costs (Note 7)	751,813	713,455	310,272	290,682
Utilities	154,051	158,133	78,247	86,461
Other	295,976	268,135	156,065	134,650
	<u>1,940,100</u>	<u>1,782,851</u>	<u>779,592</u>	<u>704,766</u>

### 7. Staff Costs

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Wages and salaries	644,018	605,666	255,995	239,409
Statutory contributions	58,529	56,780	31,091	29,617
Pension benefits (Note 15)	6,482	6,139	2,067	318
Other retirement benefits (Note 15)	6,287	7,216	4,173	4,739
Redundancy costs	915	6,550	579	1,487
Other	35,582	31,104	16,367	15,112
	<u>751,813</u>	<u>713,455</u>	<u>310,272</u>	<u>290,682</u>

**Radio Jamaica Limited**  
**Notes to the Financial Statements**  
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**8. Finance Costs**

	<u>The Group</u>		<u>The Company</u>	
	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Interest expense –				
Bank borrowings	3,811	4,984	2,820	2,309
Finance leases	359	794	359	105
Promissory note	-	994	-	-
Other	1,551	1,592	646	393
	<u>5,721</u>	<u>8,364</u>	<u>3,825</u>	<u>2,807</u>

**9. Taxation Expense**

Taxation is computed on the profit or loss for the year adjusted for tax purposes. The charge for taxation comprises income tax at 25% (2012 - 33%):

	<u>The Group</u>		<u>The Company</u>	
	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Current tax	2,229	57,180	-	22,045
Deferred tax (Note 16)	(45,346)	1,934	(26,324)	(63)
	<u>(43,117)</u>	<u>59,114</u>	<u>(26,324)</u>	<u>21,982</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

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### 9. Taxation Expense (Continued)

During the 2012/13 budget presentation, the Government of Jamaica announced a reduction in the corporate income tax rate for unregulated entities, from 33 1/3% to 25%, effective 1 January 2013. The change in the tax rate was signed into law on 28 December 2012 and as such has been applied in determining the amounts for deferred taxation in these financial statements.

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% will be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represents an addition to the 25% tax rate to be levied as at 1 January 2013. Based on Ministry Paper 15 of 2013 issued by the Ministry of Finance and Planning, "large unregulated companies" are to be defined as those companies with gross income equal to or greater than \$500,000,000, that are not regulated by the Financial Services Commission, the Bank of Jamaica, the Ministry of Finance and Planning or the Office of Utilities Regulation. The surtax has not been applied in determining the amounts for taxation in these financial statements as it had not been enacted or substantively enacted at 31 March 2013. Had the surtax been recognised in the financial statements at 31 March 2013, there would have been an increase of \$16,086,000 for the group and \$7,083,000 for the company in deferred tax liabilities in the statement of financial position and a decrease of \$16,086,000 for the group and \$7,083,000 for the company in the deferred tax credit in the statement of comprehensive income.

The tax on the group and the company's profit was derived as follows. Deferred tax was derived as detailed in Note 16.

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
(Loss)/Profit before taxation	(79,492)	146,521	(63,769)	391,002
Tax calculated at a tax rate of 25% (2012- 33 1/3 %)	(19,873)	48,840	(15,942)	130,334
Adjusted for the effects of:				
Effect of change in the income tax rate	(31,447)	-	(15,435)	-
Income tax at 0%	-	-	-	(110,000)
Income not subject to tax	(688)	(141)	(688)	(141)
Expenses not deductible for tax purposes	12,536	661	9,452	621
Tax loss carried forward for which no deferred tax has been accounted for	2,794	5,693	-	-
Tax losses utilised	(3,692)	-	-	-
Other	(2,747)	4,061	(3,711)	1,168
	<u>(43,117)</u>	<u>59,114</u>	<u>(26,324)</u>	<u>21,982</u>

# Radio Jamaica Limited

Notes to the Financial Statements

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## 10. Net Profit and Retained Earnings Attributable to Stockholders of the Company

(a) The net (loss)/profit attributable to stockholders of the company is dealt with in the financial statements as follows:

	2013 \$'000	2012 \$'000
The company	(47,445)	39,020
The subsidiaries	<u>11,070</u>	<u>48,387</u>
	<u>(36,375)</u>	<u>87,407</u>

(b) Retained earnings are dealt with in the financial statements as follows:

	2013 \$'000	2012 \$'000
The company	679,303	744,782
The subsidiaries	<u>56,826</u>	<u>55,756</u>
	<u>736,129</u>	<u>800,538</u>

## 11. Ordinary Dividends

	2013 \$'000	2012 \$'000
Interim dividends – 8 cents (2012 – 10 cents) per stock unit	<u>28,034</u>	<u>34,995</u>

## 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.

	2013	2012
Net (loss)/profit attributable to stockholders \$'000	(36,375)	87,407
Weighted average number of ordinary stock units in issue ('000)	350,154	350,154
Basic earnings per ordinary stock unit	<u>(\$0.10)</u>	<u>\$0.25</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 13. Fixed Assets

	The Group						Total \$'000
	Freehold Land \$'000	Freehold Buildings \$'000	Improvements to Leasehold Property \$'000	Furniture, Fixtures & Equipment \$'000	Motor Vehicles \$'000	Work in Progress \$'000	
<b>Cost -</b>							
1 April 2011	5,516	321,222	16,901	1,077,474	85,688	3,693	1,510,494
Additions	-	11,944	-	49,162	7,370	9,737	78,213
Disposals	-	-	-	(302)	(5,643)	-	(5,945)
Transfers	-	-	-	3,333	-	(3,333)	-
31 March 2012	5,516	333,166	16,901	1,129,667	87,415	10,097	1,582,762
Additions	-	8,319	-	27,051	4,230	69,120	108,720
Disposals	-	-	-	(1,105)	(5,093)	-	(6,198)
Adjustment	-	-	-	-	-	(723)	(723)
Transfers	-	-	-	1,046	-	(1,046)	-
31 March 2013	5,516	341,485	16,901	1,156,659	86,552	77,448	1,684,561
<b>Depreciation -</b>							
1 April 2011	-	67,302	4,989	685,199	50,019	-	807,509
Charge for the year	-	7,873	1,977	90,415	11,365	-	111,630
Relieved on disposals	-	-	-	(302)	(5,643)	-	(5,945)
31 March 2012	-	75,175	6,966	775,312	55,741	-	913,194
Charge for the year	-	8,226	3,486	88,958	8,200	-	108,870
Relieved on disposals	-	-	-	(864)	(3,285)	-	(4,149)
31 March 2013	-	83,401	10,452	863,406	60,656	-	1,017,915
<b>Net Book Value -</b>							
31 March 2013	5,516	258,084	6,449	293,253	25,896	77,448	666,646
31 March 2012	5,516	257,991	9,935	354,355	31,674	10,097	669,568

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2013

(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
<b>Cost -</b>						
1 April 2011	5,516	269,101	317,463	26,011	853	618,944
Additions	-	10,740	5,042	4,361	1,380	21,523
Disposals	-	-	(302)	(3,125)	-	(3,427)
Transfers	-	-	1,118	-	(1,118)	-
31 March 2012	5,516	279,841	323,321	27,247	1,115	637,040
Additions	-	8,051	11,003	-	2,018	21,072
Disposals	-	-	(973)	-	-	(973)
Transfers	-	-	207	-	(207)	-
Adjustments	-	-	-	-	(550)	(550)
31 March 2013	5,516	287,892	333,558	27,247	2,376	656,589
<b>Depreciation -</b>						
1 April 2011	-	58,545	236,480	25,580	-	320,605
Charge for the year	-	6,560	26,090	1,066	-	33,716
Relieved on disposals	-	-	(302)	(3,125)	-	(3,427)
31 March 2012	-	65,105	262,268	23,521	-	350,894
Charge for the year	-	6,892	24,989	1,090	-	32,971
Relieved on disposals	-	-	(804)	-	-	(804)
31 March 2013	-	71,997	286,453	24,611	2,376	383,061
<b>Net Book Value -</b>						
31 March 2013	5,516	215,895	47,105	2,636	2,376	273,528
31 March 2012	5,516	214,736	81,053	3,726	1,115	286,146

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 14. Intangible Assets

#### *Goodwill and brands*

Intangible assets in the balance sheet were determined as follows:

	Goodwill	Brands	Broadcast Rights	Total
	\$'000	\$'000	\$'000	\$'000
	<b>2013</b>			
Cost	53,726	50,472	83,553	187,751
Accumulated amortisation and impairment	(53,726)	(50,472)	-	(104,198)
Net book value at 31 March 2013	-	-	83,553	83,553
	<b>2012</b>			
Cost	53,726	50,472	-	104,198
Accumulated amortisation and impairment	(50,913)	(15,307)	-	(66,220)
Net book value at 31 March 2012	2,813	35,165	-	37,978

The movement in intangible assets was due to the following:

	Goodwill	Brands	Broadcast Rights	Total
	\$'000	\$'000	\$'000	\$'000
Net book value at 31 March 2011	2,813	38,035	-	40,848
Amortisation charge	-	(2,870)	-	(2,870)
Net book value at 31 March 2012	2,813	35,165	-	37,978
Additions	-	-	83,553	83,553
Amortisation charge	-	(2,870)	-	(2,870)
Impairment charge	(2,813)	(32,295)	-	(35,108)
Net book value at 31 March 2013	-	-	83,553	83,553

The goodwill balance of \$2,813,000 at prior year reporting date was allocated to Reggae Entertainment Television Limited.

Amortisation and impairment charges are included in administration expenses in arriving at net profit or loss.

#### Impairment charge

At 31 March 2013, goodwill and brands were deemed to be impaired based on current and projected losses being experienced by the related subsidiaries. The amount of the goodwill and brands impairment is based on the recoverable amount of the related subsidiary or cash generating unit (CGU).

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

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**14. Intangible Assets (Continued)**

***Goodwill and brands (continued)***

The key assumptions used for value-in-use calculations were as follows:

- Discount rate – 21.5% (2012 – 16.4%);
- Projected revenue growth rates – 10% in year 2, 10% to 30% in year 3, and 10% to 20% thereafter;
- Projected expense growth rate – 10%;

The discount rate used is pre-tax and reflects specific risks relating to the respective subsidiaries. The rate was derived by computing the cost of equity for similar companies within the industry using inputs from Bloomberg as well as the risk free rate for GOJ long term bond. Management projected the revenue and expense growth rates based on past performance and its expectations of market development.

***Broadcast rights***

The amount of \$83,553,000 represents the exclusive rights to broadcast FIFA events for the period 2015 to 2022. Amortisation will commence once the first event under the rights have been broadcast.

**15. Retirement Benefits**

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Amounts recognised in the balance sheet –				
Pension schemes	215,592	195,813	190,528	180,723
Other retirement benefits	(32,566)	(27,152)	(22,500)	(19,021)
Amounts recognised in profit or loss –				
Pension schemes	6,428	6,139	2,067	318
Other retirement benefits	<u>6,287</u>	<u>7,216</u>	<u>4,173</u>	<u>4,739</u>

***Pension schemes***

The company operates a defined benefit pension scheme covering all permanent employees of Radio Jamaica Limited, Multi-Media Jamaica Limited and Television Jamaica Limited.

The scheme is managed by an outside agency under a management contract, and by Trustees. The scheme is funded at 13.18% of pensionable salaries, being 5% by members and 10% (2012 - 8.18%) by the sponsoring entity. Members may contribute up to an additional 5%.

The scheme is valued annually by independent actuaries. The latest actuarial valuation was done as at 28 February 2013.



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**15. Retirement Benefits (Continued)**

*Pension schemes (continued)*

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

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Fair value of plan assets	666,182	625,040	554,616	540,526
Present value of funded obligation	(460,391)	(425,749)	(378,065)	(356,892)
	205,791	199,291	176,551	183,634
Unrecognised actuarial losses/(gains)	9,801	(3,478)	13,977	(2,911)
Asset in the balance sheet	<u>215,592</u>	<u>195,813</u>	<u>190,528</u>	<u>180,723</u>

The amounts recognised in arriving at profit or loss were determined as follows:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current service cost	19,420	20,532	14,416	14,728
Interest cost	43,883	50,777	36,301	42,621
Expected return on plan assets	(56,821)	(65,499)	(48,650)	(57,342)
Past service cost	-	329	-	311
Total included in staff costs (Note 7)	<u>6,482</u>	<u>6,139</u>	<u>2,067</u>	<u>318</u>

The movement in the fair value of plan assets was as follows:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance at start of year	625,040	557,222	540,526	492,352
Employee contributions	19,545	19,546	8,244	13,136
Employer contributions	26,262	26,398	11,873	17,805
Expected return on plan assets	56,821	65,499	48,650	57,342
Benefits paid	(30,769)	(37,721)	(27,464)	(32,258)
Actuarial losses	(30,717)	(5,904)	(27,213)	(7,851)
Balance at end of year	<u>666,182</u>	<u>625,040</u>	<u>554,616</u>	<u>540,526</u>

The actual return on plan assets was \$26,104,000 (2012 - \$59,595,000) for the group and \$21,437,000 (2012 - \$49,491,000) for the company.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

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**15. Retirement Benefits (Continued)**

*Pension schemes (continued)*

Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected employer contributions to the plan for the year ended 31 March 2014 amount to \$28,810,000 for the group and \$18,340,000 for the company.

The distribution of plan assets was as follows:

	<u>The Group &amp; Company</u>	
	2013	2012
	%	%
Equities	17	17
Government of Jamaica securities	61	75
Repurchase agreements	13	1
Corporate bonds	3	-
Other	6	7
	<u>100</u>	<u>100</u>

Plan assets include the company's ordinary shares with a fair value of \$896,000 (2012 - \$1,800,000).

The movement in the present value of the funded obligation was as follows:

	<u>The Group</u>		<u>The Company</u>	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance at start of year	425,749	385,639	356,892	327,739
Current service cost	19,420	20,532	14,416	14,728
Interest cost	43,883	50,777	36,301	42,621
Employee contributions	19,545	19,546	8,244	13,136
Benefits paid	(30,769)	(37,721)	(27,464)	(32,258)
Actuarial gains	(17,437)	(13,024)	(10,324)	(9,074)
	<u>460,391</u>	<u>425,749</u>	<u>378,065</u>	<u>356,892</u>

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### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	<b>The Group</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value of plan assets	666,182	625,040	557,222	485,232	430,119
Defined benefit obligation	(460,391)	(425,749)	(385,639)	(344,865)	(240,660)
Surplus	205,791	199,291	171,583	140,367	189,459
<b>Experience adjustments –</b>					
Fair value of plan assets	(29,753)	(5,903)	16,764	52,417	(58,304)
Defined benefit obligation	(8,854)	(801)	(21,419)	88,502	(52,058)

	<b>The Company</b>				
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value of plan assets	554,616	540,526	492,352	438,855	396,421
Defined benefit obligation	(378,065)	(356,892)	(327,739)	(305,659)	(212,132)
Surplus	176,551	183,634	164,613	133,196	184,289
<b>Experience adjustments –</b>					
Fair value of plan assets	(26,213)	(7,581)	12,475	48,594	(56,773)
Defined benefit obligation	(4,680)	1,585	(22,868)	89,106	(51,721)

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 15. Retirement Benefits (Continued)

#### Other retirement 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.

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

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Present value of unfunded obligations	35,378	25,882	24,579	17,849
Unrecognised past service cost	-	29	-	29
Unrecognised actuarial (gains)/losses	(2,812)	1,241	(2,079)	1,143
Liabilities in the balance sheet	<u>32,566</u>	<u>27,152</u>	<u>22,500</u>	<u>19,021</u>

The amounts recognised in arriving at net profit or loss were as follows:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2012 \$'000	2011 \$'000
Current service cost	2,113	2,848	1,225	1,706
Interest cost	2,856	4,120	1,973	2,885
Past service cost	1,325	(98)	977	(98)
Actuarial (gains)/ losses recognised	(7)	346	(2)	246
Total included in staff costs (Note 7)	<u>6,287</u>	<u>7,216</u>	<u>4,173</u>	<u>4,739</u>

The movement in the present value of unfunded obligations was as follows:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance at start of year	25,882	31,731	17,849	22,554
Current service cost	2,113	2,848	1,225	1,706
Interest cost	2,856	4,120	1,973	2,885
Benefits paid	(874)	(763)	(695)	(667)
Past service cost	1,354	-	1,006	-
Actuarial losses/ (gains) on obligation	4,047	(12,054)	3,221	(8,629)
Balance at end of year	<u>35,378</u>	<u>25,882</u>	<u>24,579</u>	<u>17,849</u>

# Radio Jamaica Limited

Notes to the Financial Statements

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## 15. Retirement Benefits (Continued)

### *Other retirement benefits (continued)*

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	The Group		The Company	
	Increase \$'000	Decrease \$'000	Increase \$'000	Decrease \$'000
Effect on the aggregate of the current service cost and interest cost	6,052	3,611	3,813	2,306
Effect on the defined benefit obligation	30,090	19,996	20,410	13,883

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	The Group				
	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Defined benefit obligation	35,378	25,882	31,731	16,981	9,710
Experience adjustments	289	(14,637)	(2,266)	3,612	(223)

	The Company				
	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000	2009 \$'000
Defined benefit obligation	24,579	17,849	22,554	12,763	7,488
Experience adjustments	283	(10,323)	(1,695)	2,825	108

### *Principal actuarial assumptions used in valuing retirement benefits*

The principal actuarial assumptions used were as follows:

	The Group & The Company	
	2013	2012
Discount rate	10.5%	10.0%
Expected return on plan assets	8.0%	9.0%
Inflation rate	6.0%	6.0%
Future salary increases	7.0%	7.0%
Future pension increases	3.0%	3.0%
Long term increase in health costs	7.5%	9.0%
Expected remaining working lives (years)	24.0	22.9

# Radio Jamaica Limited

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### 16. Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of 33½%.

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred income tax assets	26,214	20,327	20,220	13,736
Deferred income tax liabilities	(106,657)	(146,116)	(55,635)	(75,475)
	<u>(80,443)</u>	<u>(125,789)</u>	<u>(35,415)</u>	<u>(61,739)</u>

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

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Balance as at 1 April	(125,789)	(123,855)	(61,739)	(61,802)
Credited/(charged) in arriving at profit or loss	45,346	(1,934)	26,324	63
Balance as at 31 March	<u>(80,443)</u>	<u>(125,789)</u>	<u>(35,415)</u>	<u>(61,739)</u>

The movement in the deferred tax assets and liabilities (prior to appropriate offsetting of balances) during the year is as follows:

	Group				
	Accelerated Tax Depreciation \$'000	Retirement Benefit Assets \$'000	Unrealised Foreign Exchange Gains \$'000	Interest Receivable \$'000	Total \$'000
At 1 April 2011	85,762	58,518	25	227	144,532
(Credited)/charged to the statement of comprehensive income	(5,064)	6,753	(25)	(80)	1,584
At 31 March 2012	80,698	65,271	-	147	146,116
(Credited)/charged to the statement of comprehensive income	(28,302)	(11,373)	161	55	(39,459)
At 31 March 2013	<u>52,396</u>	<u>53,898</u>	<u>161</u>	<u>202</u>	<u>106,657</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 16. Deferred Taxation (Continued)

The movement in the deferred tax assets and liabilities (prior to appropriate offsetting of balances) during the year is as follows:

	Group				
	Retirement Benefit Obligation	Accrued Vacation	Tax losses	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2011	6,900	10,861	626	2,290	20,677
Credited/(charged) to the statement of comprehensive income	2,150	240	(626)	(2,114)	(350)
At 31 March 2012	9,050	11,101	-	176	20,327
(Charged)/credited to the statement of comprehensive income	(908)	(1,591)	8,331	55	5,887
At 31 March 2013	8,142	9,510	8,331	231	26,214

	Company			
	Accelerated Tax Depreciation	Retirement Benefit Assets	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000
At 1 April 2011	18,881	54,412	227	73,520
(Credited)/charged to the statement of comprehensive income	(3,794)	5,829	(80)	1,955
At 31 March 2012	15,087	60,241	147	75,475
(Credited)/charged to the statement of comprehensive income	(7,286)	(12,609)	55	(19,840)
At 31 March 2013	7,801	47,632	202	55,635

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**16. Deferred Taxation (Continued)**

The movement in the deferred tax assets (prior to appropriate offsetting of balances) during the year is as follows:

Deferred tax assets	Company				
	Retirement Benefit Obligation	Tax Losses	Accrued Vacation	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2011	4,983	-	6,658	77	11,718
Credited/(charged) to the statement of comprehensive income	1,357	-	706	(45)	2,018
At 31 March 2012	6,340	-	7,364	32	13,736
(Charged)/credited to the statement of comprehensive income	(715)	8,331	(1,331)	199	6,484
At 31 March 2013	5,625	8,331	6,033	231	20,220

Deferred income tax assets/liabilities amounts which are expected to be recovered/settled within one year:

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred income tax assets	231	176	32	32
Deferred income tax liabilities	202	147	202	147

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 \$321,901,000 (2012 – \$295,515,000) for the group and \$33,326,000 for the company, and these losses may be carried forward indefinitely. Deferred income tax assets have not been recognised for tax losses carried forward in respect of certain subsidiaries. These tax losses amounted to \$288,575,000 (2012 – \$295,515,000).



# Radio Jamaica Limited

## Notes to the Financial Statements

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### 17. Investment in Subsidiaries

	2013 \$'000	2012 \$'000
Multimedia Jamaica Limited	50	50
Television Jamaica Limited	20,002	20,002
Media Plus Limited –		
Reggae Entertainment Television Limited	174,930	68,994
Jamaica News Network Limited	236,942	32,467
	<u>431,924</u>	<u>121,513</u>

During the year a decision was taken to convert the amount receivable from Reggae Entertainment Television Limited and Jamaica News Network to an investment in these entities. An impairment charge of \$36,377,000 was recorded based on impairment assessment undertaken.

### 18. Long Term Receivables

	<u>The Group</u>		<u>The Company</u>	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
GV Media Group Limited	10,829	10,829	10,829	10,829
Less: Provision for impairment	<u>(10,829)</u>	<u>(10,829)</u>	<u>(10,829)</u>	<u>(10,829)</u>
	-	-	-	-
Subsidiary	-	-	2,950	2,950
	-	-	<u>2,950</u>	<u>2,950</u>

#### **GV Media Group Limited**

In a revised shareholders' deed dated 1 December 2007, the company disposed of its 20% shareholding in GV Media Group Limited. Arising from this revision, an unsecured loan ('Layer One Debt') from GV Media Group Limited of £179,000 was created.

Management has determined that this is fully impaired and should, therefore, be carried at nil value in the financial statements. No foreign exchange gains/losses have been recognised in respect of this receivable since the date of impairment in 2007.

#### **Subsidiary**

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

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 19. Investment Securities

	<b>The Group &amp; The Company</b>	
	<b>2013 \$'000</b>	<b>2012 \$'000</b>
At fair value through profit or loss –		
One Caribbean Media Limited, quoted	11,409	8,175
Available-for-sale –		
Caribbean News Agency, unquoted	7	7
	<u>11,416</u>	<u>8,182</u>

### 20. Inventories

	<b>The Group</b>		<b>The Company</b>	
	<b>2013 \$'000</b>	<b>2012 \$'000</b>	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Spares	26,643	32,245	12,050	14,496
Film	23,897	29,277	-	-
Goods in transit	16,492	1,768	1,368	697
Other	7,271	10,469	4,660	6,942
	<u>74,303</u>	<u>73,759</u>	<u>18,078</u>	<u>22,135</u>

### 21. Due from Subsidiaries

	<b>2013 \$'000</b>	<b>2012 \$'000</b>
Multi-Media Jamaica Limited	67,260	38,541
Television Jamaica Limited	95,370	53,939
Reggae Entertainment Television Limited	-	96,932
Jamaica News Network Limited	-	180,998
	<u>162,630</u>	<u>370,410</u>

During the year a decision was taken to convert the amount receivable from Reggae Entertainment Television Limited and Jamaica News Network to an investment in these entities.

# Radio Jamaica Limited

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### 22. Receivables

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade receivables	350,715	338,853	108,332	116,381
Prepayments	54,624	26,617	7,780	6,922
Other	44,743	53,162	38,745	48,371
	450,082	418,632	154,857	171,674
Less: Provision for impairment	(30,543)	(10,669)	(23,233)	(6,675)
	<u>419,539</u>	<u>407,963</u>	<u>131,624</u>	<u>164,999</u>

### 23. Cash and Cash Equivalents

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash	55,822	101,970	55,414	97,072
Short term investments	260,856	163,059	260,856	163,059
	<u>316,678</u>	<u>265,029</u>	<u>316,270</u>	<u>260,131</u>

- (a) Cash comprises amounts held in current accounts, which currently attract interest at a rate of 1% per annum.
- (b) Short term investments comprise securities purchased under resale agreements and are classified as financial assets at fair value through profit or loss. The average maturity of these investments was under 90 days. The weighted average effective interest rate on these instruments was as follows:

	The Group & Company	
	2013 %	2012 %
United States dollar	2.46	3.60
Pound sterling	-	2.55
Jamaican dollar	6.65	6.32

- (c) The group has unsecured bank overdraft facilities. The effective interest rate on account overrun is between 24.75% - 48%.

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 24. Payables

	The Group		The Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade	123,566	44,372	48,140	16,320
Accrued vacation leave	38,897	34,253	24,132	22,091
Other accruals	30,168	26,462	12,236	17,386
Current portion of long term loans (Note 26)	18,711	15,793	16,670	3,549
Statutory deductions	17,960	16,430	9,947	8,520
Other	42,515	41,851	24,661	26,298
	<u>271,817</u>	<u>179,161</u>	<u>135,786</u>	<u>94,164</u>

### 25. Share Capital

Authorised –

50,000 5% Cumulative participating preference shares

378,000,000 Ordinary shares

	2013 \$'000	2012 \$'000
Issued and fully paid –		
357,467,991 (2012 – 357,476,991) Ordinary shares of no par value	472,695	472,695
7,323,100 Treasury shares (2012 – 7,323,100) Ordinary shares of no par value	(5,039)	(5,039)
	<u>467,656</u>	<u>467,656</u>

The treasury shares are held by the RJR Employee Share Scheme.

# Radio Jamaica Limited

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## 26. Long Term Loans

	The Group		The Company	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) RBC Bank Jamaica Limited	13,308	16,859	13,308	16,859
(b) RBC Bank Jamaica Limited	2,041	14,285	-	-
(c) RBC Bank Jamaica Limited	200,459	-	200,459	-
	215,808	31,144	213,767	16,859
Less: Current portion (Note 24)	(18,711)	(15,793)	(16,670)	(3,549)
	<u>197,097</u>	<u>15,351</u>	<u>197,097</u>	<u>13,310</u>

- (a) This loan is repayable on a monthly basis, maturing in December 2016 and attracts interest at 9.5% (2012 – 9.5%). It is secured by a second mortgage over commercial properties owned by the company.
- (b) This loan is repayable on a monthly basis, maturing in April 2013 and attracts interest at 11% (2012 – 11%). It is secured by a first mortgage over commercial properties owned by the company.
- (c) This loan is repayable on a monthly basis, maturing in September 2019 and attracts interest at 9% (2012 – Nil). It is secured by a first mortgage over commercial properties owned by the company.

# Radio Jamaica Limited

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### 27. Segment Reporting

Management has determined the group's operating segments based on the reports reviewed by the company's Board of Directors that are used to make strategic decisions. The group is organised and managed in two main business segments based on its business activities. Operating results for each segment are used to measure performance, as management deems that information to be the most relevant in evaluating segments relative to other entities that operate within these industries.

The designated segments are:

- (a) Audio visual, comprising the operations of the group's free-to-air television station and its cable stations; and
- (b) Radio and other, comprising the operations of the group's radio stations.

The group's operations are primarily located in Jamaica. Transactions between segments are done under terms similar to that with third parties.

	Audio Visual	Radio and Other	Sub-total	Eliminations	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>					
Revenues	1,214,662	692,158	1,906,820	(122,823)	1,783,997
Operating loss	(6,369)	(57,402)	(63,771)	(10,000)	(73,771)
Assets	941,995	1,628,093	2,570,048	(779,895)	1,790,153
Liabilities	447,659	478,571	926,230	(339,862)	586,368
Capital expenditure	86,411	22,309	108,720	-	108,720
Depreciation & amortisation	76,571	35,169	111,740	-	111,740
Finance costs	1,882	3,839	5,721	-	5,721
Impairment charge	35,108	-	35,108	-	35,108
<b>2012</b>					
Revenues	1,198,805	732,183	1,930,998	(102,148)	1,828,840
Operating profit	78,938	405,947	484,885	(330,000)	154,885
Assets	692,495	1,442,290	2,134,785	(472,278)	1,662,507
Liabilities	554,854	220,096	774,950	(380,637)	394,313
Capital expenditure	54,461	23,752	78,213	-	78,213
Depreciation & amortisation	75,369	39,131	114,500	-	114,500
Finance costs	5,404	2,960	8,364	-	8,364

# Radio Jamaica Limited

## Notes to the Financial Statements

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### 28. Related Party Transactions and Balances

(a) Sale of services

The company did not have any sale of services to its subsidiaries.

(b) Purchase of services

	2013 \$'000	2012 \$'000
Multi-Media Jamaica Limited	37,009	31,244
Jamaica News Network Limited	12,890	6,887
	<u>49,899</u>	<u>38,131</u>

(c) Rental expense – The company has rental expense with its subsidiaries as follows

	2013 \$'000	2012 \$'000
Television Jamaica Limited	13,671	11,738
Multi-Media Jamaica Limited	93	-
Reggae Entertainment Television Limited	135	-
Jamaica News Network Limited	135	-
	<u>14,034</u>	<u>11,738</u>

(d) Key management compensation for the group was as follows:

	<u>The Group</u>		<u>The Company</u>	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Wages and salaries	29,129	35,738	29,129	26,804
Statutory contributions	1,769	2,161	1,769	1,601
Other	2,913	2,680	2,913	2,680
	<u>33,811</u>	<u>40,579</u>	<u>33,811</u>	<u>31,085</u>

	<u>The Group</u>		<u>The Company</u>	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Directors' emoluments –				
Fees	4,138	4,316	2,114	2,287
Management remuneration (included in staff costs)	13,206	13,200	13,206	13,200
	<u>17,344</u>	<u>17,516</u>	<u>15,320</u>	<u>15,487</u>

# Radio Jamaica Limited

Notes to the Financial Statements

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## 29. Contingencies

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the group, and the amount can be reasonably estimated. In respect of claims asserted against the group which has not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the group which is immaterial to both financial position and results of operations.