



## **Radio Jamaica Limited**

**Financial Statements  
31 March 2017**

# Radio Jamaica Limited

Index

31 March 2017

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## *Independent auditor's report*

To the Members of Radio Jamaica Limited

### *Report on the audit of the consolidated and stand-alone financial statements*

#### *Our opinion*

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of Radio Jamaica Limited (the Company) and its subsidiaries (together 'the Group') and the stand-alone financial position of the Company as at 31 March 2017, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

#### **What we have audited**

Radio Jamaica Limited's consolidated and stand-alone financial statements comprise:

- the consolidated and stand-alone statements of comprehensive income for the year ended 31 March 2017;
- the consolidated and stand-alone balance sheets as at 31 March 2017;
- the consolidated and stand-alone statements of changes in equity for the year ended 31 March 2017;
- the consolidated and stand-alone statements of cash flows for the year ended 31 March 2017;
- the notes to the financial statements, which include a summary of significant accounting policies.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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## *Our audit approach*

### **Audit scope**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### **How we tailored our group audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's businesses are organised into three primary segments being Audio visual, Radio and other and Print and other. Geographically, the segments are Jamaica, St. Lucia, Canada, United Kingdom and the United States of America. These entities maintain their own accounting records and report to the Group through the completion of consolidation packages. All companies located outside of Jamaica except for Media Plus Limited which is domiciled in St. Lucia are audited by non-PwC firms. All of these locations were determined to be separate components and full scope audits or specified procedures were performed.

In establishing the overall group audit strategy and plan, we determined the type of work that was needed to be performed at the components by the group engagement team and component auditors, these procedures included:

- Meeting with the management teams of the components and/or the engagement leaders of the audit teams to discuss the approach and our expectations for the audits; and
- Reviewing the working papers of the auditors of select components. Components were selected for review based on a determined level of total assets or risk. Completion of our reviews included on site visits to the offices of the component auditors or meeting at a mutually convenient location and interaction with audit personnel.

The group team engagement leader and the senior members of the group engagement team reviewed all reports about the audit approach and findings of the component auditors in detail.



## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report in relation to the stand-alone financial statements.

Key audit matter	How our audit addressed the Key audit matter
<p><b><i>Goodwill impairment assessment</i></b></p> <p><b><i>See notes 2 and 14 of the financial statements for disclosures of related accounting policies, judgements and estimates.</i></b></p> <p>The Group has recorded goodwill of \$75 million arising from the acquisition of the Gleaner Media Group and representing approximately 2% of the Group's total assets at year end.</p> <p>We focused on this area as the valuation of assets and liabilities acquired requires management's judgement and estimation, particularly in relation to the estimation of future cash flows from the businesses, taking into consideration the growth rates, inflation rates, the discount rate and other underlying assumptions in the Group's impairment model. Management utilised an expert in the prior year to determine the fair value of assets for goodwill allocation.</p>	<p>We evaluated managements' future cash flow forecasts, and the process by which they were drawn up, including testing the underlying calculations and comparing them to the latest Board approved budgets. We compared previous forecasts to actual results to assess the performance of the business and the accuracy of forecasting.</p> <p>We, with the assistance of our internal expert, challenged:</p> <ul style="list-style-type: none"><li>• managements' key assumptions for long term growth rates in the forecasts by comparing them to historical results, and economic and industry forecasts; and</li><li>• the discount rate by assessing the cost of capital for the Group.</li><li>• In order to do this:<ul style="list-style-type: none"><li>▪ Our valuation expert evaluated these assumptions with reference to valuations of similar companies.</li><li>▪ We compared the key assumptions to externally derived data where possible, including market expectations of investment return, projected economic growth and interest rates.</li><li>▪ We applied sensitivities in evaluating managements' assessment of the planned growth rate in cash flows.</li></ul></li></ul> <p>We found the assumptions to be consistent and in line with our expectations based on the procedures performed.</p>



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### *Other information*

Management is responsible for the other information. The other information comprises the information presented in the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements*

Management is responsible for the preparation of the consolidated and 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 stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

### *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and stand-alone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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**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 financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

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The engagement partner on the audit resulting in this independent auditor's report is Recardo Nathan.

*PricewaterhouseCoopers*

Chartered Accountants  
Kingston, Jamaica  
2 June 2017



# Radio Jamaica Limited

## Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
Revenue		5,228,731	2,306,827
Direct expenses		(2,555,604)	(1,017,089)
<b>Gross Profit</b>		<b>2,673,127</b>	<b>1,289,738</b>
Other operating income	5	218,407	102,758
Selling expenses		(773,476)	(384,570)
Administration expenses		(1,105,703)	(921,009)
Other operating expenses		(752,922)	(319,857)
<b>Operating Profit/(Loss)</b>		<b>259,433</b>	<b>(232,940)</b>
Finance costs	8	(39,637)	(18,664)
<b>Profit/(Loss) before Taxation</b>		<b>219,796</b>	<b>(251,604)</b>
Taxation	9	(74,570)	26,803
<b>Net Profit/(Loss)</b>		<b>145,226</b>	<b>(224,801)</b>
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Item that will not be reclassified to profit or loss -</b>			
Re-measurements of post-employment benefits	9	90,499	(19,902)
<b>Item that will be reclassified to profit or loss -</b>			
Currency translation differences		(3,004)	-
Unrealised losses on available-for-sale investments		(7,135)	-
		(10,139)	-
		80,360	(19,902)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>225,586</b>	<b>(244,703)</b>
 <b>Earnings per Ordinary Stock Unit Attributable to Stockholders of the Company</b>			
	12	\$0.06	(\$0.18)

# Radio Jamaica Limited

## Consolidated Balance Sheet

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Non-Current Assets</b>			
Fixed assets	13	1,133,793	1,135,178
Intangible assets	14	531,570	536,188
Retirement benefit assets	15	322,767	177,115
Deferred tax assets	16	42,435	73,144
Long term receivables		763	763
Investment securities	18	486,522	497,419
		<u>2,517,850</u>	<u>2,419,807</u>
<b>Current Assets</b>			
Inventories	19	177,433	145,716
Receivables	22	849,615	880,093
Taxation recoverable		14,105	52,348
Cash and short term investments	23	294,782	546,742
		<u>1,335,935</u>	<u>1,624,899</u>
<b>Current Liabilities</b>			
Bank overdraft	23	4,053	22,201
Payables	24	837,753	1,051,957
Taxation payable		21,659	35,866
		<u>863,465</u>	<u>1,110,024</u>
<b>Net Current Assets</b>		<u>472,470</u>	<u>514,875</u>
		<u><u>2,990,320</u></u>	<u><u>2,934,682</u></u>

# Radio Jamaica Limited

## Consolidated Balance Sheet (Continued)

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Stockholders' Equity</b>			
Share capital	25	2,041,078	2,041,078
Foreign currency translation		(3,004)	-
Fair value reserve		(7,135)	-
Retained earnings		569,767	382,492
		2,600,706	2,423,570
<b>Non-controlling Interests</b>		127	127
<b>Total Equity</b>		2,600,833	2,423,697
<b>Non-Current Liabilities</b>			
Finance lease obligations	26	22,997	93,658
Long term loans	26	59,043	112,098
Deferred tax liabilities	16	145,379	142,395
Retirement benefit obligations	15	162,068	162,834
<b>Total Non-Current Liabilities</b>		389,487	510,985
		2,990,320	2,934,682

Approved for issue by the Board of Directors on 2 June 2017 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 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Retained Earnings	Foreign Currency Translation	Fair Value Reserve	Equity Owners' Total	Non- controlling Interests	Grand Total
Note	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2015	350,154	467,656	842,810	-	-	1,310,466	-	1,310,466
Total comprehensive income	-	-	(244,703)	-	-	(244,703)	-	(244,703)
Transactions with owners -								
Issue of shares	25	1,211,244	1,392,930	-	-	1,392,930	-	1,392,930
Bonus issue/stock split of shares	25	836,285	180,492	(180,492)	-	-	-	-
Ordinary dividends	11	-	-	(35,123)	-	(35,123)	-	(35,123)
Arising on business combination - minority interest		-	-	-	-	-	127	127
		2,047,529	1,573,422	(215,615)	-	1,357,807	127	1,357,934
Balance at 31 March 2016		2,397,683	2,041,078	382,492	-	2,423,570	127	2,423,697
Total comprehensive income		-	-	235,725	(3,004)	(7,135)	225,586	225,586
Transactions with owners -								
Ordinary dividends	11	-	-	(48,450)	-	(48,450)	-	(48,450)
Balance at 31 March 2017		2,397,683	2,041,078	569,767	(3,004)	(7,135)	2,600,706	127 2,600,833

# Radio Jamaica Limited

## Consolidated Statement of Cash Flows

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit/(loss)	145,226	(224,801)
Items not affecting cash:		
Depreciation and amortization	236,954	146,900
Gain on disposal of fixed assets	(343)	(3,544)
Spares utilised	6,335	3,495
Interest income	(71,760)	(13,318)
Dividend income	(751)	
Interest expense	39,637	18,664
Income tax (credit)/charge	74,570	(26,803)
Exchange gain on foreign currency balances	(15,544)	(1,584)
Retirement benefits	(55,919)	23,099
Revaluation of investment securities	3,762	102
	<u>362,167</u>	<u>(77,790)</u>
Changes in operating assets and liabilities:		
Inventories	(31,717)	9,003
Receivables	30,478	(1,118)
Payables	(225,060)	402,925
	<u>135,868</u>	<u>333,020</u>
Income tax paid	(16,842)	(48,170)
Net cash provided by operating activities	<u>119,026</u>	<u>284,850</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of fixed assets	11,232	3,544
Purchase of fixed assets and intangibles <sup>(1)</sup>	(248,175)	(192,439)
Proceeds from long term investments	134,217	-
Interest received	71,760	13,318
Dividend received	751	-
Cash inflow from business combination	-	38,338
Net cash used in investing activities	<u>(30,215)</u>	<u>(137,239)</u>
<b>Cash Flows from Financing Activities</b>		
Non-controlling interest on business combination	-	127
Loans repaid	(46,322)	(140,112)
Principal lease repayments	(66,538)	(22,948)
Interest paid	(39,637)	(18,664)
Dividends paid	(48,450)	(35,123)
Net cash used in financing activities	<u>(200,947)</u>	<u>(216,720)</u>
Decrease in cash and cash equivalents	<u>(112,136)</u>	<u>(69,109)</u>
Exchange gains on cash and cash equivalents	12,540	1,584
Cash and cash equivalents at beginning of year	<u>390,324</u>	<u>457,849</u>
<b>Cash and Cash Equivalents at End of Year (Note 23)</b>	<u><u>290,728</u></u>	<u><u>390,324</u></u>

(1) The principal non-cash transaction was the acquisition of fixed assets under finance lease of \$37,011,000 (2016- \$10,583,000).

# Radio Jamaica Limited

## Company Statement of Comprehensive Income

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Revenue</b>		565,547	566,978
Direct expenses		<u>(261,263)</u>	<u>(240,432)</u>
<b>Gross Profit</b>		304,284	326,546
Other operating income	5	339,381	202,359
Selling expenses		(104,648)	(147,430)
Administration expenses		(174,875)	(373,674)
Other operating expenses		<u>(108,889)</u>	<u>(119,396)</u>
<b>Operating Profit/(Loss)</b>		255,253	(111,595)
Finance costs	8	<u>(5,369)</u>	<u>(10,386)</u>
<b>Profit/(Loss) before Taxation</b>		249,884	(121,981)
Taxation	9	<u>(8,444)</u>	<u>31,500</u>
<b>Net Profit/(Loss)</b>		241,440	(90,481)
<b>Other Comprehensive Income, net of taxes -</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Re-measurements of post-employment benefits	9	66,929	(23,179)
<b>Item that will be reclassified to profit or loss -</b>			
Unrealised losses on available-for-sale investments		<u>(7,135)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>301,234</u>	<u>(113,660)</u>

# Radio Jamaica Limited

## Company Balance Sheet

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 \$'000	2016 \$'000
<b>Non-Current Assets</b>			
Fixed assets	13	248,375	262,615
Intangible assets	14	2,992	6,075
Retirement benefit asset	15	262,123	141,300
Deferred tax asset	16	434	31,188
Investment in subsidiaries	17	1,824,854	1,824,854
Investment securities	18	486,321	19,251
		<u>2,825,099</u>	<u>2,285,283</u>
<b>Current Assets</b>			
Inventories	19	6,201	6,279
Due from subsidiaries	20	158,653	-
Receivables	22	109,615	115,536
Taxation recoverable		12,533	9,183
Cash and short term investments	23	177,663	351,581
		<u>464,665</u>	<u>482,579</u>
<b>Current Liabilities</b>			
Payables	24	191,456	243,701
Due to subsidiaries	20	450,722	120,902
		<u>642,178</u>	<u>364,603</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(177,513)</u>	<u>117,976</u>
		<u>2,647,586</u>	<u>2,403,259</u>
<b>Equity</b>			
Share capital	25	2,041,078	2,041,078
Fair value reserves		(7,135)	-
Retained earnings		523,112	263,193
		<u>2,557,055</u>	<u>2,304,271</u>
<b>Non-Current Liabilities</b>			
Long term loans	26	45,394	52,425
Retirement benefit obligations	15	45,137	46,563
		<u>90,531</u>	<u>98,988</u>
		<u>2,647,586</u>	<u>2,403,259</u>

Approved for issue by the Board of Directors on 2 June 2017 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 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Shares  '000	Share Capital  \$'000	Fair Value Reserve  \$'000	Retained Earnings  \$'000	Total  \$'000
Balance at 1 April 2015		350,154	467,656	-	592,468	1,060,124
Total comprehensive income		-	-	-	(113,660)	(113,660)
Transactions with owners -						
Bonus issue/stock split	25	836,285	180,492	-	(180,492)	-
Issue of shares	25	1,211,244	1,392,930	-	-	1,392,930
Ordinary dividends	11	-	-	-	(35,123)	(35,123)
		2,047,529	1,573,422	-	(215,615)	1,357,807
Balance at 31 March 2016		2,397,683	2,041,078	-	263,193	2,304,271
Total comprehensive income		-	-	(7,135)	308,369	301,234
Transactions with owners -						
Ordinary dividends	11	-	-	-	(48,450)	(48,450)
Balance at 31 March 2017		2,397,683	2,041,078	(7,135)	523,112	2,557,055



# Radio Jamaica Limited

## Company Statement of Cash Flows

Year ended 31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 \$'000	2016 \$'000
<b>Cash Flows from Operating Activities</b>		
Net profit/(loss)	241,440	(90,481)
Items not affecting cash:		
Depreciation and amortisation	25,847	28,781
Fixed asset adjustment	-	(125)
Gain on disposal of fixed assets	(746)	(3,469)
Spares utilised	-	171
Dividend income	(200,751)	(94,450)
Interest income	(13,401)	(12,739)
Interest expense	5,369	10,386
Income tax	8,444	(31,500)
Exchange gain on foreign currency balances	(12,540)	(1,584)
Retirement benefits	(33,010)	13,574
Revaluation of investment securities	3,733	102
	<u>24,385</u>	<u>(181,334)</u>
Changes in operating assets and liabilities:		
Inventories	78	(605)
Due from subsidiaries <sup>(1)</sup>	(307,828)	128,132
Receivables	19,322	6,810
Payables	(52,245)	125,867
	<u>(316,288)</u>	<u>78,870</u>
Income tax paid/recoverable	(3,350)	(3,398)
Net cash (used in)/provided by operating activities	<u>(319,638)</u>	<u>75,472</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from disposal of fixed assets	1,170	3,469
Purchase of fixed assets	(8,853)	(19,158)
Dividend received	751	-
Interest received	13,401	12,739
Net cash provided by/(used in) investing activities	<u>6,469</u>	<u>(2,950)</u>
<b>Cash Flows from Financing Activities</b>		
Loans repaid	(7,032)	(121,589)
Principal lease repayments	-	(12,967)
Interest paid	(5,369)	(10,386)
Dividends paid	(48,450)	(35,123)
Net cash used in financing activities	<u>(60,851)</u>	<u>(180,065)</u>
Decrease in cash and cash equivalents	<u>(374,020)</u>	<u>(107,543)</u>
Exchange gains on cash and cash equivalents	12,540	1,584
Cash and cash equivalents at beginning of year	<u>351,581</u>	<u>457,540</u>
Cash and Cash Equivalents at End of Year (Note 23)	<u>(9,899)</u>	<u>351,581</u>

(1) The principal non cash transaction were the transfer of investment securities from a subsidiary of \$655,500,000 and the offset of dividend declared of \$200,000,000 (2016 \$94,450,000) against the intercompany payable balance.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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, publication of news in print and digital media and radio stations.

On 24 March 2017, the company acquired The Gleaner Company (Media) Limited (GCML) and its subsidiaries, collectively referred to as "The GCML Group" through a Court approved Scheme of Arrangement for Amalgamation (Scheme). The principal activities of The GCML Group are the publication of news in print and digital media as well as radio broadcasting. The GCML Group was established on 2 June 2015, when The Gleaner Company Limited (GCL) conducted a restructuring exercise to hive off its media business which was concluded on 29 September 2015.

GCL by transfer of shares dated 16 March 2017 transferred One Billion Two Hundred and Eleven Million Two Hundred and Forty Three Thousand Eight Hundred and Twenty Seven (1,211,243,827) ordinary shares of GCML to RJR. In exchange for the ordinary shares of GCML, RJR allotted and issued One Billion Two Hundred and Eleven Million Two Hundred and Forty Three Thousand Eight Hundred and Twenty Seven (1,211,243,827) ordinary shares of RJR credited as paid in full, to the GCL shareholders on 24 March 2016, on the basis of one ordinary share of RJR for every one ordinary share held by a shareholder of Gleaner on the record date and upon the terms and subject to the conditions and for the consideration contained in the Scheme. The record date for purposes of the issue of RJR ordinary shares to GCL shareholders pursuant to the Scheme is 22 March 2016.

The GCML Group was consolidated at 31 March 2016.

GCL subsequently changed its name to 1834 Investments Limited, with its core business as investments and is restricted for two years from competing with RJR media operations.

The nominated Directors from 1834 Investments Limited were appointed to the RJR Board on March 31, 2016.

The company's subsidiaries are as follows:

	2017	2016
Television Jamaica Limited	100%	100%
Multi-Media Jamaica Limited	100%	100%
Media Plus Limited, and its subsidiaries –	100%	100%
Reggae Entertainment Television Limited	100%	100%
Jamaica News Network Limited	100%	100%
The Gleaner Company (Media) Limited	100%	100%
The Gleaner Company (USA) Limited	100%	100%
Independent Radio Company Limited	100%	100%
A-Plus Learning Limited	50%	50%
The Gleaner Online Limited	100%	100%
The Gleaner Company (UK) Limited	100%	100%
Gleaner Media (Canada) Inc.	100%	100%

The subsidiaries are incorporated and domiciled in Jamaica, with the exception of Media Plus Limited, The Gleaner Company (USA) Limited, The Gleaner Company (UK) Limited, and Gleaner Media (Canada) Inc, which, are incorporated and domiciled in St. Lucia, United States of America, the United Kingdom and Canada, respectively.

# Radio Jamaica Limited

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### 2. Summary of Significant 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, as modified by the revaluation of fair value through profit or loss investment securities.

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.

#### *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.

- **Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation**, (effective for annual periods beginning on or after 1 January 2016). These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It was also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This amendment did not have any impact on the financial statements.
- **Amendments to IAS 27, 'Separate financial statements' on equity accounting** (effective for annual periods beginning on or after 1 January 2016). This amendment will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. This amendment did not have any impact on the financial statements.
- **Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative** (effective for annual periods beginning on or after 1 January 2016) The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality; disaggregation and subtotals; notes; disclosure of accounting policies; and OCI arising from investments accounted for under the equity method. This amendment did not have any significant impact on the financial statements.

# Radio Jamaica Limited

## Notes to the Financial Statements

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

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

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

- **Annual Improvements to IFRSs 2012-2014 cycle** (effective for annual periods beginning on or after 1 January 2016) these amendments include changes from the 2012-14 cycle of the annual improvements project that affect the following standards:

IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations' regarding methods of disposal. The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment also rectifies an omission in the standard by explaining that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not reclassified as 'held for sale'.

IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts. If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. The standard provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters.

IAS 19, 'Employee Benefits' regarding discount rates clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used. The amendment is retrospective but limited to the beginning of the earliest period presented.

These amendments did not have any significant impact on the financial statements.

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

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

##### *Standards, interpretations and amendments to published accounting standards effective in the current financial year (continued)*

At the date of authorisation of these financial statements, certain new standards, interpretations and amendments to existing standards have been issued which are mandatory for the group's accounting periods beginning on or after 1 January 2017 or later periods, but were not effective at the statement of financial position date. The group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be immediately relevant to its operations, and has concluded as follows:

- **IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative** (effective for annual periods beginning on or after 1 January 2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- **Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses** (effective for annual periods beginning on or after 1 January 2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **IFRS 9, 'Financial instruments'**, (effective for annual periods beginning on or after 1 January 2018). In July 2015, the IASB issued IFRS 9 which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect the asset's cash flows, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition. The group is still assessing the potential impact of adoption and whether it should consider early adoption but it is not possible at this stage to quantify the potential effect.

- **IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2018), deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The group is assessing the impact of IFRS 15.

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

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

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

- **Amendment to IFRS 15, 'Revenue from contracts with customers'** (effective for annual periods beginning on or after 1 January 2018) comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- **Annual improvements 2014–2016** (effective for annual periods beginning on or after 1 January 2018) These amendments include changes from the 2014-16 cycle of the annual improvements project, that affect the following standards: IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017; and IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRS 16, 'Leasing'** (effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if IFRS 15, 'Revenue from Contracts with Customers', is also applied.) This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

# Radio Jamaica Limited

## Notes to the Financial Statements

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

#### (b) Basis of consolidation

##### (i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

##### (ii) Change in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Radio Jamaica Limited.

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

#### (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 consolidated financial statements are presented in Jamaican dollars, which is the company'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.

##### *Group companies*

The results and financial position of all Group's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at exchange rates ruling at the reporting date.
- (ii) Income and expenses for each income statement are translated at average exchange rates.

#### (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.

Subscription revenue is recognised over the life of the subscription. Revenue received in advance is deferred to match the revenue with the future costs associated with honouring the subscription.

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

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



# Radio Jamaica Limited

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### 2. Summary of Significant 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

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### 2. Summary of Significant 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 to 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

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### 2. Summary of Significant 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% and 5%
Improvements to leasehold property	2.5%
Furniture, fixtures & equipment	5 - 33½%
Motor vehicles	10 - 25%
Spares	20%

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.

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

#### (h) Intangible assets

##### ***Goodwill***

Goodwill is recorded at costs and represents the excess of the value of consideration paid over the Group's interest in net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree. 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 that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

##### ***Broadcast rights***

Broadcast rights acquired are recognised at fair value at the acquisition date and are subsequently measured at cost. These represent the exclusive rights to broadcast FIFA events for the period 2016 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.

##### ***Computer software***

This represents acquired computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

##### ***Brand and Lease***

The brand and lease arising on acquisition of GCML are shown at historical cost less amortisation and impairment and are deemed to have a finite useful life. The lease is in respect of the rental of properties at rates below market rate for a period of 15 years. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives of 15 years.

#### (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.

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

#### (j) Retirement benefits

##### *Pension plans*

The group operates defined benefit plans, the assets of which are generally held in separate trustee-administered funds. A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between present value of the defined benefit obligation at the reporting date and the fair value of plan assets. Where a pension asset arises, the amount recognised is limited to 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.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

The acquired entity operates a defined-contribution pension scheme; the assets of which were held separately from those of the Group.

##### *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.

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

#### (l) Inventories

Inventories are stated at the lower of cost and net realisable value, for film, books and other actual costs are used while average cost are used for the other categories.

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.

#### (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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature

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

#### (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.

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### 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:

#### ***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.



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Financial Risk Management (Continued)

#### *Department of Finance and Administration (continued)*

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

##### *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 Department 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.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position without taking into account any collateral or any credit enhancements.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Advertising agencies	298,330	290,351	38,701	30,907
Direct customers	293,576	181,583	58,514	54,417
Other	269,269	369,012	-	-
	861,175	840,946	97,215	85,324
Less: Provision for impairment	(148,782)	(125,668)	(12,098)	(11,792)
	712,393	714,428	85,117	73,532

#### *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 \$128,654,000 (2016 – \$127,232,000) and \$4,912,000 (2016 – \$10,101,000), 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
30 – 60 days	27,084	45,901	1,291	939
60 – 90 days	54,141	24,004	2,743	5,612
Greater than 90 days	47,429	57,327	878	3,550
	128,654	127,232	4,912	10,101

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(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 \$171,889,000 (2016 – \$133,981,000) for the group and \$30,795,000 (2016 – \$18,920,000) 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At 1 April	133,981	32,930	18,920	18,520
Provision for receivables impairment	44,295	8,362	13,804	3,533
Receivables written off during the year as uncollectible	(2,686)	(4,922)	(1,790)	(1,248)
Unused amounts reversed/recovered	(3,701)	(2,670)	(139)	(1,885)
Acquired on acquisition of subsidiary	-	100,281	-	-
At 31 March	171,889	133,981	30,795	18,920

The provision includes amount relating to other receivables of \$23,106,000 (2016 – \$8,313,000) and \$18,697,000 (2016 – \$7,128,000) for the group and the company respectively.

#### (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; and
- (iv) Optimising cash returns on investment.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (b) Liquidity risk (continued)

##### *Cash flows of financial liabilities*

Trade payables and balances due to subsidiaries are due within one month.

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

	The Group			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	
	\$'000	\$'000	\$'000	\$'000
	2017			
Finance lease obligations	16,393	23,887	-	40,280
Long term loans	43,754	81,475	-	125,229
	60,147	105,362	-	165,509
	2016			
Finance lease obligations	47,291	71,292	80,322	198,905
Long term loans	61,361	117,689	68,726	247,776
	108,652	188,981	149,048	446,681
	The Company			
	Within 1	1 to 5	Over 5	Total
	Year	Years	Years	
	\$'000	\$'000	\$'000	\$'000
	2017			
Long term loans	11,463	67,825	-	79,288
	2016			
Long term loans	11,463	57,317	67,825	136,605

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 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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, British pound and Canadian dollar, from commercial transactions such as the purchase of investment securities and station equipment, and the recognised assets and liabilities arising there from. 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.

At 31 March 2017, the group and company had net USD dominated monetary assets carried at a Jamaican Dollar equivalent of \$654,088,800 (2016 – \$822,275,574) and \$590,897,347 (2016 – \$232,714,000) respectively. The group and company also had net GBP and CAD dominated monetary assets carried at a Jamaican Dollar equivalent of \$8,133,000 (2016 – \$9,550,000) and \$5,233,000 (2016 – \$1,883,340) respectively.

##### *Foreign currency sensitivity*

The sensitivity analysis represents the impact on the profit or loss due to the movement in the US dollar, GBP and CAD exchange rate if the rate adjusts for a 1% revaluation and 6% devaluation (2016 – 1% revaluation and 6% devaluation).

US dollar - The pre-tax impact on the profit or loss would amount to (\$6,540,888) – revaluation, \$39,245,328 – devaluation (2016 – (\$8,223,000)/\$49,337,000) and (\$5,908,973) – revaluation and \$35,453,841 – devaluation (2016 – (\$2,327,000)/\$13,963,000) for the group and the company respectively.

GBP -The pre-tax impact on the profit or loss would amount to (\$81,330) – revaluation, \$487,980 – devaluation (2016 – (\$95,500/ (\$nil) for the group.

CAD - The pre-tax impact on the profit or loss would amount to \$nil – revaluation, \$nil – devaluation (2016 – (\$19,000) for the group.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(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 long term investments at a fixed rate with durations of between 2 and over 5 years for repricing.

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. Government of Jamaica securities and investments notes are valued using a pricing input and yields from acceptable broker yield curve. At 31 March 2017, these instruments are quoted investment securities, Government of Jamaica securities and investment notes (Note 18). The group and company has no financial assets group in Level 3.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 3. Financial Risk Management (Continued)

#### (e) Fair value estimation (continued)

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 March 2017</b>				
<b>Financial assets</b>				
Investment securities	15,518	471,004	-	486,522

#### As at 31 March 2016

<b>Financial assets</b>				
Investment securities	19,251	478,168	-	497,419

	The Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 March 2017</b>				
<b>Financial assets</b>				
Investment securities	15,518	471,004	-	486,522

#### As at 31 March 2016

<b>Financial assets</b>				
Investment securities	19,251	-	-	19,251

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 2017

(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 Government of Jamaica 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.

##### *Purchase price allocation*

In a business combination, the acquirer must allocate the cost of the business combination at the acquisition date by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at fair value at that date. The allocation is based upon certain valuations and other studies performed with the assistance of external valuation specialists. Due to the underlying assumptions made in the valuation process, the determination of those fair values requires estimations of the effects of uncertain future events at the acquisition date and the carrying amounts of some assets, such as intangible assets, acquired through a business combination could therefore differ significantly in the future.



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

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

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

##### *Assessment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2k. The assessment of goodwill impairment involves the determination of the value in use. Determination of value in use involves the estimation of future cash flows from the business taking into consideration the growth rates, inflation rates and the discount rate. Any changes in these variables would impact the value in use calculations. A 1% increase in the discount rates and a 2% reduction in the revenue growth would result in a reduction in the value in use by \$112,000,000 which would not result in an impairment of goodwill of \$75,002,000 (Note 14).

##### *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 2017, unrecognised deferred tax assets in respect of tax losses carried forward amounted to \$61,378,000 (2016 – \$66,172,000).

### 5. Other Operating Income

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest income	71,760	13,318	13,401	12,739
Dividend income	751	-	200,751	94,450
Net foreign exchange gains	11,437	14,824	12,541	15,429
Unrealised gain/(loss) on revaluation of investment securities classified as financial assets at fair value through profit or loss	(3,733)	(102)	(3,733)	(102)
Gain on disposal of fixed assets	(343)	4,544	746	3,469
Rental income	44,883	49,644	61,109	64,573
Compensation for damages	451	5,505	102	2,930
Other income	93,201	15,025	54,464	8,871
	<u>218,407</u>	<u>102,758</u>	<u>339,381</u>	<u>202,359</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 6. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	<u>The Group</u>		<u>The Company</u>	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration	21,093	8,573	4,854	4,246
Commissions	369,752	171,478	36,209	34,091
Depreciation and amortisation	222,404	146,900	25,023	28,781
Insurance	98,042	53,765	14,471	17,534
Programming expenses	94,250	86,937	18,147	19,186
Publicity	49,759	93,068	24,249	53,818
Repairs and maintenance	184,158	115,843	32,592	29,345
Special events	162,485	189,445	293	6,311
Staff costs (Note 7)	2,110,479	1,182,665	318,880	443,769
Utilities	290,306	139,597	37,001	39,080
Other	1,584,977	454,254	137,956	204,771
	<u>5,187,705</u>	<u>2,642,525</u>	<u>649,675</u>	<u>880,932</u>

### 7. Staff Costs

	<u>The Group</u>		<u>The Company</u>	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	1,742,433	799,568	295,174	275,980
Statutory contributions	101,117	79,359	40,444	34,967
Pension benefits (Note 15)	(28,510)	11,549	(31,755)	5,667
Other retirement benefits (Note 15)	9,716	14,698	885	10,214
Restructuring costs	-	229,761	-	93,761
Other	285,723	47,730	14,132	23,180
	<u>2,110,479</u>	<u>1,182,665</u>	<u>318,880</u>	<u>443,769</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 8. Finance Costs

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest expense –				
Bank borrowings	9,607	12,110	5,036	9,496
Finance leases	9,754	5,533	-	530
Other	20,276	1,021	333	360
	<u>39,637</u>	<u>18,664</u>	<u>5,369</u>	<u>10,386</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%:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current tax	71,044	14,038	-	-
Deferred tax (Note 16)	3,526	(40,841)	8,444	(31,500)
	<u>74,570</u>	<u>(26,803)</u>	<u>8,444</u>	<u>(31,500)</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Taxation Expense (Continued)

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Profit/(Loss) before taxation	219,796	(251,604)	249,884	(121,981)
Tax calculated at a tax rate of 25%	54,949	(62,901)	62,471	(30,495)
Adjusted for the effects of :				
Income not subject to tax	(8,370)	(250)	(62,309)	(23,613)
Expenses not deductible for tax purposes	51,404	38,814	12,066	21,511
Recognition of previously unrecognised deferred taxes	(3,065)	832	(3,065)	832
Tax losses utilised	(1,827)	(1,998)	-	-
Employee tax credit	(4,044)	-	-	-
Adjustment for net profits in overseas subsidiaries with lower tax rate	762	-	-	-
Other	(15,239)	(1,300)	(719)	265
	<u>74,570</u>	<u>(26,803)</u>	<u>8,444</u>	<u>(31,500)</u>

Tax (charge)/credit relating to components of other comprehensive income are as follows:

		Group		
		Before Tax \$'000	Tax Effect \$'000	After Tax \$'000
Remeasurements of post-employment benefit liabilities (Note 15)	2017	<u>120,666</u>	<u>(30,167)</u>	<u>90,499</u>
Remeasurements of post-employment benefit liabilities (Note 15)	2016	<u>(26,536)</u>	<u>6,634</u>	<u>(19,902)</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 9. Taxation Expense (Continued)

Tax (charge)/credit relating to components of other comprehensive income are as follows:

		Company		
		Before Tax	Tax Effect	After Tax
		\$'000	\$'000	\$'000
Remeasurements of post-employment benefit liabilities (Note 15)	2017	89,239	(22,310)	66,929
Remeasurements of post-employment benefit liabilities (Note 15)	2016	(30,905)	7,726	(23,179)

### 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:

	2017 \$'000	2016 \$'000
The company	241,440	(90,481)
Intra-group dividends and gain on disposal of subsidiaries within the Group eliminated on consolidation	(200,000)	(94,450)
	41,440	(184,931)
The subsidiaries	103,786	(39,870)
	145,226	(224,801)

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

	2017 \$'000	2016 \$'000
The company	23,112	263,193
The subsidiaries	46,655	119,299
	569,767	382,492

### 11. Ordinary Dividends

	2017 \$'000	2016 \$'000
Interim dividends – 10 cents (2016 – 5 cents) per stock unit	48,450	35,123

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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.

The Basic earnings per ordinary stock unit for 2016 has been restated after taking into consideration the bonus issue/stock split of shares (Note 25).

	2017	2016
Net profit/(loss) attributable to stockholders \$'000	145,226	(224,801)
Weighted average number of ordinary stock units in issue ('000) prior to acquisition	2,397,683	350,154
Bonus issue/stock split of shares	-	861,090
Issue of shares	-	23,229
Weighted average number of ordinary stock units in issue ('000) after acquisition	2,397,683	1,234,473
Basic earnings per ordinary stock unit	\$0.06	(\$0.18)

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Fixed Assets

	The Group								
	Freehold Land	Freehold Buildings	Improvements to Leasehold Property	Furniture, Fixtures & Equipment	Motor Vehicles	Spares	Leased operating assets	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -									
1 April 2015	5,516	346,153	117,516	1,469,360	115,276	25,921	-	572	2,080,314
Additions	-	2,177	16,951	44,733	40,899	12,184	-	45,462	162,406
Net fair value of asset acquired (Note 29)	51,015	39,300	-	156,447	23,250	-	1,838	-	271,850
Disposals	-	-	(265)	(8,926)	(8,979)	-	-	-	(18,170)
Utilisation	-	-	-	-	-	(5,739)	-	-	(5,739)
Transfers	-	-	378	16,120	(498)	-	-	(17,286)	(1,286)
31 March 2016	56,531	387,630	134,580	1,677,734	169,948	32,366	1,838	28,748	2,489,375
Additions	-	-	-	53,311	27,338	2,118	483	116,564	199,814
Disposals	-	-	-	(187)	(29,747)	(2,221)	(2,218)	-	(34,373)
Utilisation	-	-	-	-	-	(754)	-	-	(754)
Adjustments	-	-	-	(11,014)	(321)	-	5,459	297	(5,579)
Transfers	-	-	-	145,609	-	-	-	(145,609)	-
31 March 2017	56,531	387,630	134,580	1,865,453	167,218	31,509	5,562	-	2,648,483

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Fixed Assets (Continued)

	The Group								
	Freehold Land	Freehold Buildings	Improvements to Leasehold Property	Furniture, Fixtures & Equipment	Motor Vehicles	Spares	Leased operating assets	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -									
31 March 2016	56,531	387,630	134,580	1,677,734	169,948	32,366	1,838	28,748	2,489,375
31 March 2017	56,531	387,630	134,580	1,865,453	167,218	31,509	5,562	-	2,648,483
Depreciation -									
1 April 2015	-	100,168	11,824	1,045,005	69,368	14,469	-	-	1,240,834
Charge for the year	-	8,401	15,370	89,576	18,306	2,124	-	-	133,777
Relieved on disposals /utilization	-	-	(265)	(8,926)	(9,306)	(1,917)	-	-	(20,414)
31 March 2016	-	108,569	26,929	1,125,655	78,368	14,676	-	-	1,354,197
Charge for the year	-	11,132	987	122,759	41,905	2,896	4,296	-	183,975
Relieved on disposals/ utilization	-	-	-	(176)	(21,868)	(2,704)	1,266	-	(23,482)
31 March 2017	-	119,701	27,916	1,248,238	98,405	14,868	5,562	-	1,514,690
Net Book Value -									
31 March 2017	56,531	267,929	106,664	617,215	68,813	16,641	-	-	1,133,793
31 March 2016	56,531	279,061	107,651	552,079	91,580	17,690	1,838	28,748	1,135,178



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 13. Fixed Assets (Continued)

	The Company						
	Freehold Land	Freehold Buildings	Furniture, Fixtures & Equipment	Motor Vehicles	Spares	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost -							
1 April 2015	5,516	289,360	369,056	36,310	11,037	290	711,569
Additions	-	-	7,706	-	788	10,991	19,485
Disposals	-	-	(265)	(8,926)	-	-	(9,191)
Transfers	-	-	-	-	-	(202)	(202)
Utilisation	-	-	-	-	(498)	-	(498)
31 March 2016	5,516	289,360	376,497	27,384	11,327	11,079	721,163
Additions	-	-	5,609	-	156	3,088	8,853
Disposals	-	-	(187)	(6,879)	-	-	(7,066)
Transfers	-	-	13,877	-	-	(13,877)	-
Utilisation	-	-	-	-	(754)	-	(754)
31 March 2017	5,516	289,360	395,796	20,505	10,729	290	722,196
Depreciation -							
1 April 2015	-	85,973	325,803	23,624	6,968	-	442,368
Charge for the year	-	6,974	11,926	4,532	2,266	-	25,698
Relieved on disposals/utilization	-	-	(265)	(8,926)	(327)	-	(9,518)
31 March 2016	-	92,947	337,464	19,230	8,907	-	458,548
Charge for the year	-	6,974	10,888	4,077	824	-	22,763
Relieved on disposals/utilisation	-	-	(176)	(6,879)	(435)	-	(7,490)
31 March 2017	-	99,921	348,176	16,428	9,296	-	473,821
Net Book Value -							
31 March 2017	5,516	189,439	47,620	4,077	1,433	290	248,375
31 March 2016	5,516	196,413	39,033	8,154	2,420	11,079	262,615

The tables above include carrying values of \$38,342,578 (2016: \$81,592,000) and \$Nil (2016: \$nil) for the Group and the company, respectively, representing assets being acquired under finance leases. All amounts related to finance leases are shown mainly in the 'Motor Vehicles' category of fixed assets.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Intangible Assets

The Group						
Note	Goodwill	Broadcasting Rights	Brand	Leases	Computer Software	Total
	\$'000	\$'000		\$'000	\$'000	\$'000
<b>Cost -</b>						
1 April 2014	-	-	-	-	22,875	22,875
Reversal	-	41,395	-	-	26,935	68,330
Transfer from Fixed asset	75,002	-	221,100	141,800	20,675	458,577
31 March 2016	75,002	41,395	221,100	141,800	70,485	549,782
Additions	-	19,761	-	-	28,600	48,361
31 March 2017	75,002	61,156	221,100	141,800	99,085	598,143
<b>Amortisation -</b>						
1 April 2014	-	-	-	-	471	471
Amortisation charge	-	-	-	-	13,123	13,123
31 March 2016	-	-	-	-	13,594	13,594
Amortisation charge	-	-	14,740	9,453	28,786	52,979
31 March 2017	-	-	14,740	9,453	42,380	66,573
<b>Net Book Value</b>						
31 March 2017	75,002	61,156	206,360	132,347	56,705	531,570
31 March 2016	75,002	41,395	221,100	141,800	56,891	536,188

#### **Broadcast rights**

During prior year the company acquired rights to broadcast FIFA events for the period 2017 to 2018 from the new rights holder.

#### **Brand/Lease**

These arose on the acquisition of GCML and represents the Gleaner brand as well as rental of properties at rental rates below market value for a period of 15 years.

#### **Goodwill**

This arose on the acquisition of GCML and is attributable to the years of creation and maintenance of internal and external business relationships, operational contracts, operating systems and general business operations. Goodwill is allocated to the print and other segment.

#### **Impairment tests for goodwill**

The Group determines whether goodwill is impaired at least on an annual basis or when events or changes in circumstances indicate the carrying value may be impaired. This requires an estimation of the recoverable amount of the cash generating unit (CGU) to which the goodwill is allocated. The recoverable amount is usually determined by reference to the value in use. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose an appropriate discount rate in order to calculate the present value of those future cash flows.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 14. Intangible Assets (Continued)

#### *Impairment tests for goodwill (continued)*

The amortisation of intangible assets is included in administration expenses in profit or loss.

The recoverable amount of a CGU is determined based on value in use. These calculations use 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 the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

	Revenue Growth Rate	EBITDA to Revenue	Capital Expenditur e to Revenue	Discount Rate
Print and other	2%	10%	1%	17.1%

	Company Computer Software \$'000
<b>Cost -</b>	
31 March 2016 and 2017	9,251
<b>Amortisation -</b>	
31 March 2015	93
Amortisation charge	3,083
31 March 2016	3,176
Amortisation charge	3,083
31 March 2017	6,259
<b>Net Book Value</b>	
31 March 2017	2,992
31 March 2016	6,075

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Amounts recognised in the balance sheet –				
Pension schemes	322,767	177,115	262,123	141,300
Other retirement benefits	(162,068)	(162,835)	(45,137)	(46,531)
Amounts recognised in profit or loss –				
Pension schemes (Note 7)	(28,510)	11,549	(31,840)	5,667
Other retirement benefits (Note 7)	9,716	14,698	885	7,547
Amounts recognised in other comprehensive income –				
Pension schemes	(115,609)	(39,319)	(88,118)	(39,611)
Other retirement benefits	(5,058)	12,783	(1,120)	8,706
Deferred tax	(30,167)	6,634	(22,130)	7,726

#### *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 15% of pensionable salaries, being 5% by members and 10% by the sponsoring entity. Members may contribute up to an additional 5%.

During the year, the Board of Directors of the Sponsoring Company Radio Jamaica Limited took a decision to reduce the Employers' Contribution rate to ½ % of pensionable salaries for Participating Employers with effect from March 1, 2016.

The scheme is valued tri-annually by independent actuaries. The latest actuarial valuation was done as at 31 December 2013.

The Board of the pension fund is required by law and its articles and association to act in the interest of the fund and all relevant stakeholders. The Board of the fund is responsible for the investment policy with regard to the assets of the fund. The funds are managed by Proven Wealth Limited who has responsibilities for the general management of the portfolio of investments and the administration of the fund.

The GCML Group operates a defined contribution pension fund for employees who satisfied certain minimum service requirements.

The fund is administered by JN Fund Managers Limited.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fair value of plan assets	1,064,916	963,926	822,304	755,553
Present value of funded obligation	(742,149)	(786,811)	(560,181)	(614,253)
Asset in the balance sheet	<u>322,767</u>	<u>177,115</u>	<u>262,213</u>	<u>141,300</u>

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at start of year	786,811	599,941	614,252	469,254
Current service cost	31,627	23,611	20,677	15,880
Curtailment	(50,459)	-	(44,462)	-
Interest cost	<u>69,534</u>	<u>56,528</u>	<u>53,788</u>	<u>43,967</u>
	837,513	680,080	644,255	529,101
Remeasurements -				
Experience losses/(gains)	(30,796)	53,921	(26,285)	50,528
Losses from change in financial assumptions	<u>(31,276)</u>	<u>69,642</u>	<u>(23,281)</u>	<u>54,010</u>
	(62,072)	123,563	(49,566)	104,538
Employee contributions	25,670	23,890	16,210	15,731
Benefits paid	<u>(58,962)</u>	<u>(40,722)</u>	<u>(50,718)</u>	<u>(35,118)</u>
	<u>742,149</u>	<u>786,811</u>	<u>560,181</u>	<u>614,252</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

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

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Balance at start of year	963,926	826,373	755,553	654,819
Employee contributions	25,670	23,890	16,210	15,732
Employer contributions	1,533	1,551	949	1,013
Interest income on plan assets	85,101	77,997	66,203	61,524
Benefits paid	(58,962)	(40,722)	(50,718)	(35,118)
Administrative fees	(5,889)	(9,407)	(4,445)	(7,344)
Remeasurements of the plan assets	53,537	84,244	38,552	64,927
Balance at end of year	<u>1,064,916</u>	<u>963,926</u>	<u>822,304</u>	<u>755,553</u>

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

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current service cost	31,627	23,611	20,677	15,880
Interest cost	69,534	56,528	53,788	43,967
Interest income on plan assets	(85,101)	(77,997)	(66,203)	(61,524)
Administrative fees	5,889	9,407	4,445	7,344
Curtailment	(50,459)	-	(44,462)	-
Total included in staff costs (Note 7)	<u>(28,510)</u>	<u>11,549</u>	<u>(31,755)</u>	<u>5,667</u>

The amounts recognised in other comprehensive income were determined as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Remeasurements of the defined benefit obligation	(62,072)	123,563	(49,566)	104,538
Remeasurements of the plan assets	<u>(53,537)</u>	<u>(84,244)</u>	<u>(38,552)</u>	<u>(64,927)</u>
Total	<u>(115,609)</u>	<u>39,319</u>	<u>(88,118)</u>	<u>39,611</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

At the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$437,613,000 (2016 - \$506,364,000) and \$274,858,000 (2016- \$342,117,000) relating to active members, \$54,141,000 (2016 - \$3,137,000) and \$42,907,000 (2016 - \$3,137,000) relating to deferred members and \$250,395,000 (2016- \$277,308,000) and \$242,416,000 (2016 - \$268,998,000) relating to the members in retirement for the group and the company respectively.

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 2018 amount to \$1,450,000 for the group and \$600,000 for the company.

The distribution of plan assets was as follows:

	<u>The Group &amp; Company</u>	
	2017	2016
	%	%
Equities	32	30
Government of Jamaica securities	18	35
Repurchase agreements	20	10
Corporate bonds	24	18
Other	6	7
	<u>100</u>	<u>100</u>

Plan assets include the company's ordinary shares with a fair value of \$4,009,000 (2016 - \$2,625,000).

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	<u>The Group</u>		
	<u>2017</u>		
	<u>Impact on post-employment obligations</u>		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$'000	\$'000
Discount rate	1%	(88,332)	111,646
Future salary increases	1%	41,764	(35,834)
Pension increases	1%	59,879	(52,359)

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

The Group			
2016			
Impact on post-employment obligations			
Change in assumption	Increase in assumption	Decrease in assumption	
	\$'000	\$'000	
Discount rate	1%	(9,735)	12,291
Future salary increases	1%	474	(397)
Pension increases	1%	10,996	(8,874)

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

The Company			
2017			
Impact on post-employment obligations			
Change in assumption	Increase in assumption	Decrease in assumption	
	\$'000	\$'000	
Discount rate	1%	(61,183)	76,088
Future salary increases	1%	24,837	(21,520)
Pension increases	1%	44,946	(39,404)

The Company			
2016			
Impact on post-employment obligations			
Change in assumption	Increase in assumption	Decrease in assumption	
	\$'000	\$'000	
Discount rate	1%	(6,422)	8,090
Future salary increases	1%	287	(241)
Pension increases	1%	7,236	(5,846)



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Pension schemes (continued)*

		The Group	
		Increase Assumption by One Year	Decrease Assumption by One Year
		\$'000	\$'000
Life expectancy	2017	20,200	(22,300)
Life expectancy	2016	24,200	(22,800)

		The Company	
		Increase Assumption by One Year	Decrease Assumption by One Year
		\$'000	\$'000
Life expectancy	2017	16,300	17,800
Life expectancy	2016	19,900	(18,700)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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:

	<u>The Group</u>		<u>The Company</u>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligations	<u>162,068</u>	<u>162,834</u>	<u>45,137</u>	<u>46,563</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	162,834	68,003	46,563	46,348
Current service cost	4,848	4,648	2,787	3,205
Interest cost	14,481	6,385	4,137	4,342
Past service cost	-	3,665	-	2,667
	<u>182,163</u>	<u>82,701</u>	<u>53,487</u>	<u>56,562</u>
Remeasurements -				
Experience (gains)/losses	(7,288)	(662)	(2,568)	(523)
Gains from change in demographic assumptions	(2,153)	(12,338)	(1,494)	(8,339)
Losses from change in financial assumptions	4,383	217	2,942	158
	<u>(5,058)</u>	<u>(12,783)</u>	<u>(1,120)</u>	<u>(8,704)</u>
Benefits paid	<u>(5,423)</u>	<u>(1,599)</u>	<u>(1,191)</u>	<u>(1,295)</u>
Curtailment	(9,614)	-	(6,039)	-
Arising on acquisition of subsidiary (Note 29)	-	94,515	-	-
Balance at end of year	<u>162,068</u>	<u>162,834</u>	<u>45,137</u>	<u>46,563</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Other retirement benefits (continued)*

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

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current service cost	4,848	4,648	2,787	3,205
Interest cost	14,481	6,385	4,137	4,342
Past service cost	-	3,665	-	2,667
Curtailment	(9,613)	-	(6,039)	-
Total included in staff costs (Note 7)	9,716	14,698	885	10,214

The amounts recognised in other comprehensive income were determined as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Remeasurements of the defined benefit obligation	(5,058)	(12,783)	(1,120)	(8,706)

At the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$138,044,000 (2016 - \$43,954,000) and \$25,759,000 (2016 - \$26,684,000) relating to active members and \$24,024,000 (2016 - \$24,364,000) and \$19,377,000 (2016 - \$19,878,000) relating to the members in retirement for the group and the company respectively.

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	The Group 2017		
	Impact on post-employment obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
		\$'000	\$'000
Discount rate	1%	(13,653)	24,938
Future salary increases	1%	381	(319)
Health inflation rate	1%	23,848	(19,192)

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Other retirement benefits (continued)*

The Group 2016			
Impact on post-employment obligations			
	Change in assumption	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	1%	(9,735)	12,291
Future salary increases	1%	474	(397)
Health inflation rate	1%	10,996	(8,874)
The Company 2017			
Impact on post-employment obligations			
	Change in assumption	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	1%	(6,249)	7,871
Future salary increases	1%	227	(191)
Health inflation rate	1%	7,155	(5,778)
The Company 2016			
Impact on post-employment obligations			
	Change in assumption	Increase in assumption \$'000	Decrease in assumption \$'000
Discount rate	1%	(6,422)	8,090
Future salary increases	1%	287	(241)
Health inflation rate	1%	7,236	(5,846)

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Retirement Benefits (Continued)

#### *Other retirement benefits (continued)*

		The Group	
		Increase Assumption by One Year	Decrease Assumption by One Year
		\$'000	\$'000
Life expectancy	2017	2,367	2,218
Life expectancy	2016	2,335	(2,253)

		The Company	
		Increase Assumption by One Year	Decrease Assumption by One Year
		\$'000	\$'000
Life expectancy	2017	1,604	(1,471)
Life expectancy	2016	1,516	(1,505)

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

The principal actuarial assumptions used were as follows:

		The Group & The Company	
		2017	2016
Discount rate		9.5%	9.0%
Inflation rate		6.5%	5.5%
Future salary increases		6.5%	6.0%
Future pension increases		3.5%	3.50%
Long term increase in health cost		8%	7.0%

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

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### 15. Retirement Benefits (Continued)

#### *Risks associated with pension plans and post-employment plans*

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

#### **Asset volatility**

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

As the plan matures, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The Government bonds represent investments in Government of Jamaica securities.

The Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.

#### **Changes in bond yields**

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### **Inflation risk**

Higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by fixed interest bonds meaning that an increase in inflation will reduce the surplus or create a deficit.

#### **Life expectancy**

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the company's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in 2017 consists of bonds and equities.

Funding levels are monitored on an annual basis and the current agreed contribution rate is 10% of pensionable salaries. The next triennial valuation is due to be completed as at 31 December 2017. The Group considers that the contribution rates set at the last valuation date to be sufficient to prevent a deficit and that regular contributions, which are based on service costs, will not increase significantly.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 16. Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal rate of 25%.

	<u>The Group</u>		<u>The Company</u>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred income tax assets	42,435	73,144	434	31,188
Deferred income tax liabilities	(145,379)	(142,395)	-	-
	<u>(102,944)</u>	<u>(69,251)</u>	<u>434</u>	<u>31,188</u>

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

	<u>The Group</u>		<u>The Company</u>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance as at 1 April	(69,251)	(65,187)	31,188	(8,038)
Arising on business combination	-	(51,539)	-	-
Credited/(charged) in arriving at profit or loss	(3,526)	40,841	(8,444)	31,500
Credited/(charged) to other comprehensive income	(30,167)	6,634	(22,130)	7,726
Balance as at 31 March	<u>(102,944)</u>	<u>(69,251)</u>	<u>434</u>	<u>31,188</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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					
	Accelerated Tax Depreciation	Retirement Benefit Assets	Unrealised Foreign Exchange Gains	Intangible Assets	Interest Receivable	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2015	64,293	56,608	265	-	(76)	121,090
Charged to profit or loss	1,700	(2,499)	(200)	-	180	(819)
Arising on business combination	-	-	778	94,977	-	95,755
Charged to other comprehensive income	-	(9,830)	-	-	-	(9,830)
At 31 March 2016	65,993	44,279	843	94,977	104	206,196
Charged to profit or loss	(10,535)	819	(35)	-	4,058	(5,693)
Charged to other comprehensive income	-	28,902	-	-	-	28,902
At 31 March 2017	55,458	74,000	808	94,977	4,162	229,405



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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				
Deferred tax assets	Retirement Benefit Obligation	Accelerated Depreciation	Tax Depreciation	Accrued Vacation	Tax losses
	\$'000			\$'000	\$'000
At 1 April 2015	17,001	-	-	25,208	5,149
Credited to profit or loss	3,275	3,153		287	29,705
Arising on business combination	23,625	5,071		3,802	7,277
	(3,196)	-	-	-	-
Credited to other comprehensive income	40,705	8,224		29,297	42,131
At 31 March 2016	1,077	3,174		2,223	(6,239)
Credited to profit or loss	(1,265)	-	-	-	-
Charged to other comprehensive income	40,517	11,398		31,520	35,892
At 31 March 2017				7,134	126,461

Deferred tax assets

At 1 April 2015

Credited to profit or loss

Arising on business combination

Credited to other comprehensive income

At 31 March 2016

Credited to profit or loss

Charged to other comprehensive income

At 31 March 2017

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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:

	Company				Total \$'000
	Accelerated Tax Depreciation \$'000	Retirement Benefit Assets \$'000	Unrealised Foreign Exchange Gains \$'000	Interest Receivabl e \$'000	
Deferred tax liabilities					
At 1 April 2015	3,628	46,391	-	189	50,208
(Credited)/charged to profit or loss	(1,275)	(1,163)	46	(66)	(2,458)
Charged to other comprehensive income	-	(9,903)	-	-	(9,903)
At 31 March 2016	2,353	35,325	46	123	37,847
(Credited)/charged to profit or loss	(3,216)	8,176	(35)	2,651	7,576
Charged to other comprehensive income	-	22,030	-	-	22,030
At 31 March 2017	(863)	65,531	11	2,774	67,453

	Company				Total \$'000
	Retirement Benefit Obligation \$'000	Tax Losses \$'000	Accrued Vacation \$'000	Other \$'000	
Deferred tax assets					
At 1 April 2015	11,587	22,192	5,149	3,242	42,170
Credited/(charged) to profit or loss	2,231	29,706	347	(3,242)	29,042
Credited to other comprehensive income	(2,177)	-	-	-	(2,177)
At 31 March 2016	11,641	51,898	5,496	-	69,035
Credited/(charged) to profit or loss	(76)	332	(1,124)	-	(868)
Charged to other comprehensive income	(280)	-	-	-	(280)
At 31 March 2017	11,285	52,230	4,372	-	67,887

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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:

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

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Deferred income tax liabilities	4,970	946	2,785	169

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 \$143,568,000 (2016 – \$210,412,000) for the group and \$143,568,000 (2016 – \$207,588,000 ) 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 \$236,887,000 (2016 – \$245,515,000).

### 17. Investment in Subsidiaries

	2017 \$'000	2016 \$'000
Multimedia Jamaica Limited	50	50
Television Jamaica Limited	20,002	20,002
The Gleaner Company (Media) Limited	1,392,930	1,392,930
Media Plus Limited –		
Reggae Entertainment Television Limited	174,930	174,930
Jamaica News Network Limited	236,942	236,942
	<u>1,824,854</u>	<u>1,824,854</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 18. Investment Securities

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
At fair value through profit or loss –				
One Caribbean Media Limited, quoted	15,511	19,244	15,511	19,244
Available-for-sale (AFS) –				
Caribbean News Agency, unquoted	7	7	7	7
Global bonds	125,208	100,185	12,5208	-
Corporate bonds	140,930	256,483	140,729	-
Government of Jamaica securities	204,866	121,500	204,866	-
	<u>486,522</u>	<u>497,419</u>	<u>486,321</u>	<u>19,251</u>

Fair value losses in relation to the available-for-sale securities total \$7,135,000 and is included in fair value reserve in shareholders equity.

### 19. Inventories

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Spares	1,471	1,104	1,093	703
Film	3,575	6,492	-	-
Newsprint	93,520	72,967	-	-
Goods in transit	3,200	1,883		1,724
Books, stationery and general supplies	64,845	51,447	-	-
Consumable stores	4,646	4,820	1,185	-
Other	6,176	7,003	3,923	3,852
	<u>177,433</u>	<u>145,716</u>	<u>6,201</u>	<u>6,279</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Due from Subsidiaries

	2017 \$'000	2016 \$'000
Multi-Media Jamaica Limited	12,229	-
Gleaner Media Limited USA	48,487	-
Gleaner Media Limited Jamaica	722	-
Independent Radio Jamaica	27,929	-
Reggae Entertainment Television Limited	27,831	-
Jamaica News Network Limited	41,455	-
	<u>158,653</u>	<u>-</u>
<b>Due to subsidiaries</b>		
Gleaner Media Limited Jamaica	295,793	-
Television Jamaica Limited	154,929	120,902
	<u>450,722</u>	<u>120,902</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Transaction Balances

- (a) Sale of services  
The company did not have any sale of services to its subsidiaries.
- (b) Purchase of services

	2017 \$'000	2016 \$'000
Multi-Media Jamaica Limited	38,845	31,114
Reggae Entertainment Television Limited	90	-
Jamaica News Network Limited	8,506	8,281
	<u>47,441</u>	<u>39,395</u>

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

	2017 \$'000	2016 \$'000
Television Jamaica Limited	15,031	14,315
Independent Radio Company Limited	471	-
Multi-Media Jamaica Limited	245	245
Reggae Entertainment Television Limited	240	240
Jamaica News Network Limited	240	240
	<u>16,227</u>	<u>15,040</u>

- (d) Lease income- The company has lease income with its subsidiaries as follows:

	2017 \$'000	2016 \$'000
Independent Radio Company Ltd	<u>1,218</u>	<u>-</u>

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Transaction Balances (Continued)

(e) Rental expense- The company has rental expense with its subsidiaries as follows:

	2017 \$'000	2016 \$'000
Jamaica News Network	1,953	1,953

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

	The Group & The Company	
	2017 \$'000	2016 \$'000
Wages and salaries	67,192	44,616
Statutory contributions	4,022	2,700
Other	6,366	4,093
	77,580	51,409

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Directors' emoluments –				
Fees	6,880	4,824	5,359	2,685
Management remuneration (included in staff costs)	42,910	27,207	42,910	27,207

### 22. Receivables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables	861,175	840,946	97,215	85,324
Prepayments	36,368	39,710	7,082	6,485
Other	123,961	133,418	36,113	42,647
	1,021,504	1,014,074	140,410	134,456
Less: Provision for impairment	(171,889)	(133,981)	(30,795)	(18,920)
	849,615	880,093	109,615	115,536

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 23. Cash and Cash Equivalents

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash	108,238	108,864	51,295	75,780
Short term investments	186,544	437,878	126,368	275,801
	<u>294,782</u>	<u>546,742</u>	<u>177,663</u>	<u>351,581</u>

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash	108,238	108,864	51,295	75,780
Short term investments	186,544	437,878	126,368	275,801
	<u>294,782</u>	<u>546,742</u>	<u>177,663</u>	<u>351,581</u>
Short term investments with original maturity dates greater than 90 days not considered cash and cash equivalent	-	(134,217)	-	-
Bank overdraft	(4,054)	(22,201)	-	-
Short term deposits transferred from subsidiary	-	-	(187,562)	-
	<u>290,728</u>	<u>390,324</u>	<u>(9,899)</u>	<u>351,581</u>

- (a) Cash comprises amounts held in current accounts, which currently attract interest at a rate of 0.1 - 1.25% 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.

Included in the \$437,878,000 for short term investments is \$134,217,000 which was acquired on acquisition of the Subsidiary (The Gleaner (Media) Company Limited). That amount represents securities purchased under resale agreements. At the reporting date, the fair value of the underlying securities held as collateral for resale agreements was \$145,581,000.

The weighted average effective interest rate on these instruments was as follows:

	The Group		Company	
	2017 %	2016 %	2017 %	2016 %
United States dollar	4.08	5.13	4.08	5.13
Jamaican dollar	<u>4.40</u>	<u>2.02</u>	<u>4.20</u>	<u>2.02</u>

- (c) The group has unsecured bank overdraft facilities. The effective interest rate on account overrun is 17.75%.



# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

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### 24. Payables

	The Group		The Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade	321,010	302,819	67,637	41,965
Accrued vacation leave	49,752	80,702	17,496	21,988
Other accruals	193,476	130,549	58,125	9,516
Accrual for restructuring costs	-	258,324	-	122,324
Current portion of finance leases (Note 26)	17,847	21,970	-	-
Current portion of long term loans (Note 26)	39,010	45,743	7,030	6,427
Statutory deductions	35,016	40,996	12,062	11,306
Deferred Revenue	51,022	56,385	-	-
Other	130,620	114,469	29,106	30,175
	<u>837,753</u>	<u>1,051,957</u>	<u>191,456</u>	<u>243,701</u>

### 25. Share Capital

#### Authorised –

50,000 5% Cumulative participating preference shares

2,422,487,654 (2016 - 378,000,000) Ordinary shares

	2017 \$'000	2016 \$'000
Issued and fully paid –		
2,422,487,654 (2016 – 357,476,991) Ordinary shares of no par value	2,046,117	2,046,117
24,804,577 Treasury shares (2016 – 7,323,100) Ordinary shares of no par value	(5,039)	(5,039)
	<u>2,041,078</u>	<u>2,041,078</u>

During the prior year the Group had a stock split of 3 shares for every 1 share held by shareholders on record at 22 March 2016. This resulted in the shares in issue increasing by 714,941,982. Consequently the Group also capitalised \$180,492,000 of retained earnings via a bonus issue to the existing shareholders thus creating an additional 138,812,854 shares in issue.

On 24 March 2016, Radio Jamaica Limited (RJR) acquired The Gleaner Company (Media) Limited (GCML) and its subsidiaries via the issue of new shares totaling 1,211,243,827.

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

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 26. Long Term Loans & Finance Leases

#### Long term loans

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(a) RBC Bank Jamaica Limited	31,849	58,852	52,424	58,852
(b) Prime Sports Limited	13,779	33,444	-	-
(c) First Global Bank Limited	52,425	65,545	-	-
	98,053	157,841	52,424	58,852
Less: Current portion (Note 24)	(39,010)	(45,743)	(7,030)	(6,427)
	59,043	112,098	45,394	52,425

- (a) This loan is repayable on a monthly basis, maturing in September 2019 and attracts interest at 9% (2016 – 9%). It is secured by a first mortgage over commercial properties owned by the company.
- (b) This loan is unsecured and repayable on a monthly basis, maturing in November 2017 and attracts interest at 6% (2016 – 6%).
- (c) The loans are repayable over 34 months with total monthly instalments of \$1.5 million. The loans are secured by a guarantee stamped to cover \$65 million and supported by a mortgage over property owned by a subsidiary company and a term deposit of \$29.9 million (Note 23). The loans attract interest at 6.5%-8%.

#### Finance leases

Finance lease liabilities – minimum lease payments

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	20,524	52,584	-	-
Later than 1 year and not later than 5 years	26,394	146,321	-	-
	46,918	198,905	-	-
Future finance charges on finance leases	(6,074)	(83,277)	-	-
Present value of finance lease obligations	40,844	115,628	-	-

The present value of finance lease obligations is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	17,847	21,970	-	-
Later than 1 year and not later than 5 years	22,997	93,658	-	-
	40,844	115,628	-	-

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 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 three 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;
- (b) Radio and other, comprising the operations of the group's radio stations; and
- (c) Print and other, comprising the operations of the group's print and multi-media entities.

The group's operations are primarily located in Jamaica.

	Audio Visual \$'000	Audio \$'000	Print & Others \$'000	Sub-total \$'000	Eliminations \$'000	Total \$'000
<b>2017</b>						
Revenues	1,868,606	711,048	2,813,959	5,393,613	(164,882)	5,228,731
Operating profit	71,880	238,348	173,391	483,619	(224,186)	259,433
Assets	1,522,678	3,447,899	1,210,020	6,180,597	(2,326,813)	3,853,784
Liabilities	737,145	825,421	501,623	2,064,189	(808,484)	1,255,705
Capital expenditure	142,041	8,853	48,920	199,814	-	199,814
Depreciation and amortisation	108,702	37,384	37,889	183,975	-	183,975
Finance costs	(6,722)	(8,897)	(24,018)	(39,637)	-	(39,637)
<b>2016</b>						
Revenues	1,803,612	566,978	77,699	2,448,289	(141,462)	2,306,827
Operating profit	157,244	(111,594)	(189,802)	(144,152)	(88,788)	(232,940)
Assets	1,287,755	2,767,863	1,702,548	5,758,166	(1,713,460)	4,044,706
Liabilities	575,721	463,590	837,775	1,877,086	(256,077)	1,621,009
Capital expenditure	135,369	19,485	7,552	162,406	-	162,406
Depreciation and amortisation	116,759	28,781	1,369	146,908	-	146,908
Finance costs	8,268	10,386	10	18,664	-	18,644

The Group's customers are mainly resident in, and operate from, Jamaica.

The result of its revenue from external customers in Jamaica is \$5,113,743,000 (2016 - \$2,256,440,000), and the total of revenue from external customers from other countries is \$114,988 (2016 - \$50,387,000).

The operations of The Gleaner Company Media Limited were acquired on 24 March 2016 and the intervening period to the year end did not result in any material transactions to the Group with the exception of accounting for restructuring and transactions costs post acquisition date and the related tax effect.

# Radio Jamaica Limited

## Notes to the Financial Statements

**31 March 2017**

(expressed in Jamaican dollars unless otherwise indicated)

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### **28. 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.

# Radio Jamaica Limited

## Notes to the Financial Statements

31 March 2017

(expressed in Jamaican dollars unless otherwise indicated)

### 29. Acquisition of Subsidiary

On 24 March 2016, Radio Jamaica Limited (RJR) acquired The Gleaner Company (Media) Limited and its subsidiaries (Note 1). The acquired business contributed post acquisition losses of \$170,407,000 for the year ended 31 March 2016 relating to restructuring and transactions costs net of taxes. Had the acquisition been at the beginning of the year, it would have contributed revenues of approximately \$1,501,538,000 and loss of approximately \$128,987,000 for the ten month period ended 31 March 2016 during which only six months of trading occurred. The loss of \$128,987,000 is inclusive of the restructuring and transaction costs of \$170,407,000 noted above.

The company incurred transactions costs of \$85,246,000 in relation to the acquisition of The GCML Group. In addition The GCML Group incurred transaction costs of \$68,000,000 in relation to the acquisition. The total transaction costs of \$153,246,000 have been expensed in arriving at the consolidated results for the prior year.

Details of the net assets acquired, purchase consideration and positive goodwill, determined on final numbers, were as follows:

	Fair Values \$'000
Net assets arising on the acquisition:	
Fixed assets	271,850
Intangible assets	241,775
Leases	141,800
Long term receivables	763
Deferred tax assets	39,186
Investment securities	478,168
Inventories	129,234
Receivables	499,929
Taxation recoverable	6,296
Cash and cash equivalents	60,539
Resale agreements	134,217
Bank overdraft	(22,201)
Payables	(373,923)
Taxation	(374)
Finance lease	(58,197)
Long term loans	(45,894)
Deferred tax liabilities	(90,725)
Retirement benefit obligations	(94,515)
	<u>1,317,928</u>
	<b>\$'000</b>
Purchase consideration – Issue of shares	<u>1,392,930</u>
Net assets acquired as above	<u>1,317,928</u>
Goodwill	<u>75,002</u>
Cash and cash equivalents acquired in business combination	<u>38,338</u>