GRUPO RADIO CENTRO SA DE CV
Form 20-F
July 02, 2007

As filed with the Securities and Exchange Commission on July 2, 2007.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2006

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

o SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report
for the transition period from to

Commission File Number: **1-12090**

Grupo Radio Centro, S.A.B. de C.V.
(Exact name of Registrant as specified in its charter)

Radio Center Group
(Translation of Registrant's name into English)

United Mexican States
(Jurisdiction of incorporation or organization)

Constituyentes 1154 (7° Piso)
Col. Lomas Altas
C.P. 11950, México, D.F., México
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered
Series A Shares, without par value ("Series A Shares")	**New York Stock Exchange***
Ordinary Participation Certificates ("CPOs"), each CPO representing one Series A Share	**New York Stock Exchange***

American Depositary Shares ("ADSs"), each representing nine CPOs	**New York Stock Exchange**

***Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: **162,724,561 Series A Shares**
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

o Yes x No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be file by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer x

Indicate by check mark which financial statement item the Registrant has elected to follow:

o Item 17 x Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

TABLE OF CONTENTS

INTRODUCTION

Grupo Radio Centro is a corporation organized under the laws of the United Mexican States. As used in this Annual Report and except as the context otherwise requires, the terms “Grupo Radio Centro” and “the Company” refer to Grupo Radio Centro, S.A.B. de C.V. and its consolidated subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

The Company publishes its financial statements in pesos. Pursuant to the Mexican Financial Reporting Standards (“MFRS”) issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* (the Mexican Board for Research and Development of Financial Information Standards), financial data for all periods in the financial statements included in Item 18 (the “Consolidated Financial Statements”) and, unless otherwise indicated, throughout this Annual Report, have been restated in constant pesos (having the same purchasing power for each period indicated taking into account inflation) as of December 31, 2006.

This Annual Report contains translations of certain peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from pesos at an exchange rate of Ps. 10.80 to U.S.$1.00, the noon buying rate for pesos at December 29, 2006, as published by the Federal Reserve Bank of New York. The translation to U.S. dollars at the December 29, 2006 exchange rate may not accurately represent the financial condition of the Company in U.S. dollar terms as of a subsequent date. On June 22, 2007, the noon buying rate for pesos was Ps. 10.80 to U.S.$1.00. See Item 3, “Key Information—Exchange Rate Information,” for information regarding exchange rates since January 1, 2002.

In this Annual Report, references to “pesos” or “Ps.” are to the lawful currency of Mexico. References herein to “U.S. dollars” or “U.S.$” are to United States dollars.

FORWARD-LOOKING STATEMENTS

This Annual Report contains words such as “believe,” “expect,” “anticipate” and similar expressions that identify forward-looking statements that reflect the Company’s views about future events and financial performance. Actual results could differ materially from those projected in such forward-looking statements as a result of various factors that may be beyond the Company’s control. These factors, some of which are discussed in Item 3, “Key Information—Risk Factors,” include effects on the Company from competition with its broadcasting operations, material changes in the performance or popularity of key radio stations or broadcast programs, the loss of one or more key customers or a reduction in the advertising expenditures of key customers, a change in the seasonality of the Company’s business, the ability of the Company to make additional investments in radio operations or renew its broadcasting licenses, significant developments in the Mexican economic or political situation, changes in the Company’s regulatory environment or fluctuations in inflation rates or exchange rates. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their dates, and the Company undertakes no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

PART I

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED FINANCIAL DATA

The following table presents selected consolidated financial information of the Company and its subsidiaries for each of the periods indicated. This information, to the extent applicable, should be read in conjunction with, and is qualified in its entirety by reference to, the Consolidated Financial Statements, including the notes thereto, included elsewhere in this Annual Report. Grupo Radio Centro's financial statements are prepared in accordance with MFRS, which differ in certain respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Note 25 to the Consolidated Financial Statements provides a description of the principal differences between MFRS and U.S. GAAP as they relate to Grupo Radio Centro, including differences related to certain cash flow information, and a reconciliation to U.S. GAAP of operating income, net income and shareholders' equity.

Grupo Radio Centro's financial statements were prepared giving effect to Bulletin B-10 and Bulletin B-12 under MFRS. Generally, Bulletin B-10 is designed to provide for the recognition of certain effects of inflation by requiring Grupo Radio Centro to restate non-monetary assets and liabilities using the Mexican Consumer Price Index (the "INPC"), to restate the components of shareholders' equity using the INPC, to restate its fixed assets using the INPC and to record gains or losses in purchasing power from holding monetary assets or liabilities. Bulletin B-12 requires that the statement of changes in financial position reconcile changes from the restated historical balance sheet for the prior year to the current balance sheet. Pursuant to MFRS, the selected consolidated financial information set forth below, and all data in the related Consolidated Financial Statements, have been restated in constant pesos at December 31, 2006. The effect of the inflation accounting principles described above has not been reversed in the reconciliation to U.S. GAAP. See Note 25 to the Consolidated Financial Statements.

	Year Ended December 31,					
	2006(1)	**2006**	**2005**	**2004**	**2003**	**2002**
	(in thousands, except per-ADS data)					
Operating Data:						
MFRS:						
Broadcasting revenue	U.S.$73,677	Ps. 795,680	Ps. 615,083	Ps. 593,095	Ps. 933,183	Ps. 835,120
Broadcasting expenses (2) (3)	41,058	443,404	408,501	424,609	568,279	550,045
Broadcasting income	32,619	352,276	206,582	168,486	364,904	285,075
Depreciation and amortization(4)	3,318	35,836	38,509	35,733	40,121	45,190
Corporate, general and administrative expenses(3)	1,322	14,276	14,047	23,017	58,053	45,478
Operating income(5)	27,979	302,164	154,026	111,694	266,730	194,407
Comprehensive cost of financing	3,555	38,399	13,280	19,542	37,207	60,181
Other expenses, net	5,228	56,465	50,588	49,655	74,627	59,364
Extraordinary item(5)	23,517	253,976	0	0	385,346	0
Net income (loss)(6)	38,798	418,998	67,559	21,285	(189,860)	84,424
Minority interest	6	61	15	2	5	16
Net income (loss) per ADS(6) (7)	2.15	23.21	3.74	1.18	(10.50)	4.64
Common shares outstanding(7)	162,500	162,500	162,657	162,560	162,705	163,783
U.S. GAAP:						
Broadcasting revenue	U.S.$73,677	Ps. 795,680	Ps. 615,083	Ps. 593,095	Ps. 933,183	Ps. 835,120
Operating (loss) income (5)	(848)	(9,167)	103,151	50,676	(372,954)	136,733
Net income (loss)(6)	38,792	418,937	67,544	12,837	(369,386)	86,200
Net income (loss) per ADS(6) (7)	2.15	23.20	3.74	0.72	(20.43)	4.74
Dividends per ADS(7) (8)	0.36	3.87	-	-	3.53	0
Balance Sheet Data:						
MFRS:						
Working capital	U.S.$11,918	Ps. 128,707	Ps. (118,552)	Ps. (192,327)	Ps. (143,301)	Ps. (356)
Property and equipment, net	42,945	463,786	494,665	525,724	531,458	560,919
Excess cost over fair value of assets of subsidiaries	73,958	798,710	798,710	790,647	861,939	951,872
Total assets	153,691	1,659,782	1,647,097	1,596,544	1,756,859	2,023,120
Long-term debt excluding current	-	-	58,913	121,754	192,110	186,380

portion						
Total debt(9)	-	-	117,826	182,630	256,146	401,447
Shareholders' equity(10)	123,819	1,337,181	1,042,438	973,382	1,103,453	1,439,632
U.S. GAAP:						
Total assets	U.S.$157,400	Ps. 1,699,837	Ps. 1,687,152	Ps. 1,636,600	Ps. 1,754,383	Ps. 2,082,847
Shareholders' equity(10)	122,977	1,328,095	1,033,413	964,372	994,416	1,419,424

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(1) Peso amounts have been translated into U.S. dollars solely for the convenience of the reader at the rate of Ps. 10.80 per U.S. dollar, the noon buying rate for pesos on December 29, 2006, as published by the Federal Reserve Bank of New York. See "—Exchange Rate Information."

(2) Excludes depreciation, amortization and corporate, general and administrative expenses.

(3) Certain amounts in the 2005 and 2004 financial statements as originally issued have been reclassified for uniformity of presentation with the 2006 financial statements. For purposes of presentation, the financial data for 2003 and 2002 were also reclassified.

(4) For purposes of uniformity with the presentation of the 2006 and 2005 financial statements, goodwill amortization has been reclassified for 2004, 2003 and 2002, and the charge to income in 2004, 2003 and 2002 from the amortization of goodwill in the amounts of Ps. 69.5 million, Ps. 88.1 million and Ps. 81.8 million, respectively, have been reversed.

(5) Extraordinary item in 2003 reflects a provision of Ps. 385.3 million for the contingent liability related to an arbitration proceeding. See Item 5, "Operating and Financial Review and Prospects—Loss Contingency." Unlike treatment under MFRS, for purposes of U.S. GAAP, such provision is charged against operating income. See Notes 10 and 25 to the Consolidated Financial Statements.

(6) In accordance with MFRS, net income does not give effect to minority interest. In contrast, net income under U.S. GAAP does give effect to minority interest. See Note 25 to the Consolidated Financial Statements.

(7) Amounts shown are the weighted average number of Series A Shares outstanding, which was used for purposes of computing net income per ADS under both MFRS and U.S. GAAP and dividends per ADS under U.S. GAAP.

(8) The Company declares dividends in any particular year for the immediately preceding fiscal year. The Company did not pay any dividends in 2002 with respect to 2001, in 2004 with respect to 2003, in 2005 with respect to 2004 or in 2006 with respect to 2005. In 2007, the Company paid dividends in the aggregate amount of Ps. 70.0 million with respect to 2006.

(9) Total debt consists of bank debt.

(10) In 2006, the Company reduced its capital by Ps. 120 million through cash payments to its shareholders equal to that amount.

EXCHANGE RATE INFORMATION

Mexico has a free market for foreign exchange, and the Mexican government allows the peso to float freely against the U.S. dollar. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not appreciate or depreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate for the purchase of U.S. dollars, expressed in pesos per U.S. dollar.

Period	**Exchange Rate(1)**			
Year Ended December 31,	**High**	**Low**	**Average(2)**	**Period End**
2002	10.43	9.00	9.75	10.43
2003	11.41	10.11	10.85	11.24
2004	11.64	10.81	11.31	11.15
2005	11.41	10.41	10.87	10.63
2006	11.46	10.43	10.90	10.80
Month Ended 2006:				
December	10.99	10.77		
Month Ended 2007:				
January	11.09	10.76		
February	11.16	10.92		
March	11.18	11.01		
April	11.03	10.92		
May	10.93	10.74		
June (through June 22)	10.98	10.71		

(1) Source: Noon buying rate for pesos reported by the Federal Reserve Bank of New York.
(2) Average of month-end rates.

On June 22, 2007, the noon buying rate was Ps. 10.80 to U.S.$1.00.

Fluctuations in the exchange rate between the peso and the U.S. dollar will affect the U.S. dollar equivalent of the peso price of Series A Shares on the Bolsa Mexicana de Valores, S.A. de C.V. (the "Mexican Stock Exchange") and the price of ADSs on the New York Stock Exchange (the "NYSE"). The Company pays cash dividends in pesos, and exchange rate fluctuations will affect the U.S. dollar amounts received by holders of ADSs upon conversion by Citibank N.A., as depositary for the ADSs (the "Depositary"), of cash dividends on the Series A Shares underlying the CPOs represented by the ADSs.

RISK FACTORS

Risks Relating to Our Operations

Increased competition or a decline in popularity of any of our radio formats could reduce our audience share and result in a loss of revenue

Radio broadcasting in Mexico is highly competitive, and programming popularity, an important factor in advertising sales, is readily susceptible to change. Our average Mexico City audience share has increased during recent years, including an increase from 31.4% in 2002 to 32.0% in 2003 and to 34.7% in 2004. Following a slight decline in 2005 to 34.6%, our average Mexico City audience share increased to 35.3% in 2006, according to International Research Associates Mexicana, S.A. de C.V. (“INRA”). There can be no assurance that increased competition within, or a decline in the popularity of, a given format segment will not decrease our aggregate audience share in the future. In addition, we face strong competition from both television and various print media for advertising revenues. If we are unable to respond to an increase in competition or a decline in the popularity of any of our radio formats, our revenue and profitability could suffer material adverse consequences.

If we lose one or more of our key customers, we could lose a significant amount of our revenue

Our two largest individual customers in 2006 were Compañía Cervecera del Trópico, S.A. de C.V. (“Compañía Cervecera”) and Tiendas Comercial Mexicana, S.A. de C.V. (“Comercial Mexicana”), representing 3.7% and 3.4%, respectively, of our total broadcasting revenue. In 2005 and 2004, our two largest individual customers were Gigante, S.A. de C.V. (“Gigante”) and Comercial Mexicana. In 2005 and 2004, Gigante accounted for 4.4% and 5.6%, respectively, of our total broadcasting revenue, while Comercial Mexicana accounted for 4.1% and 4.9%, respectively, of our total broadcasting revenue. In 2006, Gigante accounted for 2.3% of our total broadcasting revenue.

The companies comprising Grupo Carso and Grupo Cifra are also key customers. In 2006, Grupo Carso accounted for 6.5% of our total broadcasting revenue, and Grupo Cifra accounted for 3.5% of our total broadcasting revenue. In 2005, Grupo Carso accounted for 6.8% of our total broadcasting revenue. In 2004, the companies comprising Grupo Gigante accounted for 7.0% of our total broadcasting revenue.

We cannot assure you that Compañia Cervecera, Comercial Mexicana and Gigante or the companies comprising Grupo Carso, Grupo Cifra or Grupo Gigante will continue to purchase advertising from us at current levels. The loss of our relationship with any one of our principal customers could have a material adverse effect on our results of operations.

A decrease in advertising expenditures by political campaigns could substantially reduce our revenue

Our business is significantly affected by the advertising expenditures of political parties during election campaigns in Mexico. While our revenue has increased significantly during the congressional elections that occur every three years, including in 2003 and 2006, our revenue has increased even more significantly during presidential elections, which occur every six years (coinciding with congressional elections), including in 2000 and 2006. In 2004, 2005 and 2006, advertising by political parties accounted for 0.06%, 2.3%, and 19% of total broadcasting revenue, respectively. A decrease in advertising expenditures by political campaigns during an election year could have a material adverse impact on our results of operations.