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***The Palace  
Amusement  
Company (1921)  
Limited***

***Financial Statements  
30 June 2015***

# The Palace Amusement Company (1921) Limited

Index

30 June 2015

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## ***Independent Auditor's Report***

To the Members of  
The Palace Amusement Company (1921) Limited

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

We have audited the accompanying consolidated financial statements of The Palace Amusement Company (1921) Limited and its subsidiaries, set out on pages 1 to 51, which comprise the consolidated statement of financial position as at 30 June 2015 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of The Palace Amusement Company (1921) Limited standing alone, which comprise the statement of financial position as at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

### ***Auditor's Responsibility***

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

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

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

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L.A. McKnight P.E. Williams L.E. Augier A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan



**Members of The Palace Amusement Company (1921) Limited**  
**Independent Auditor's Report**  
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***Opinion***

In our opinion, the consolidated financial statements of The Palace Amusement Company (1921) Limited and its subsidiaries, and the financial statements of The Palace Amusement Company (1921) Limited standing alone give a true and fair view of the financial position of the The Palace Amusement Company (1921) Limited and its subsidiaries and The Palace Amusement Company (1921) Limited standing alone as at 30 June 2015, and of their financial performance and cash flows for the year then ended, so far as concerns the members of The Palace Amusement Company (1921) Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

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

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

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers' in a cursive script, with a horizontal line drawn underneath the name.

Chartered Accountants  
26 September 2015  
Kingston, Jamaica

# The Palace Amusement Company (1921) Limited

## Consolidated Statement of Comprehensive Income

Year ended 30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Revenue</b>		915,761	833,893
Direct expenses		<u>(726,509)</u>	<u>(696,340)</u>
<b>Gross Profit</b>		189,252	137,553
Other operating income	6	12,889	11,361
Administration expenses		<u>(157,770)</u>	<u>(162,216)</u>
<b>Operating Profit/(Loss)</b>		44,371	(13,302)
Finance costs – interest expense		<u>(2,751)</u>	<u>(4,004)</u>
<b>Profit/(Loss) before Taxation</b>		41,620	(17,306)
Taxation	9	<u>(9,625)</u>	<u>4,779</u>
<b>Net Profit/(Loss)</b>		31,995	(12,527)
<b>Other Comprehensive Income:</b>			
<i>Items that may be reclassified to profit or loss in the future</i>			
Unrealised gains on available-for-sale investments, net of taxation		661	2,808
<i>Items that will not be reclassified to profit or loss in the future</i>			
Re-measurement of post-employment benefit asset, net of taxation		<u>(5,192)</u>	<u>(9,987)</u>
Total other comprehensive income		<u>(4,531)</u>	<u>(7,179)</u>
<b>Total Comprehensive Income</b>		<u><u>27,464</u></u>	<u><u>(19,706)</u></u>
<b>Net Profit/(Loss) Attributable to:</b>			
Stockholders of the company	10	32,150	(12,388)
Non-controlling interest		<u>(155)</u>	<u>(139)</u>
		<u><u>31,995</u></u>	<u><u>(12,527)</u></u>
<b>Total Comprehensive Income Attributable to:</b>			
Stockholders of the company		27,648	(19,863)
Non-controlling interest		<u>(184)</u>	<u>157</u>
		<u><u>27,464</u></u>	<u><u>(19,706)</u></u>
<b>Earnings per Stock Unit Attributable to Stockholders of the Company</b>	11	<u><u>\$22.37</u></u>	<u><u>(\$8.62)</u></u>

# The Palace Amusement Company (1921) Limited

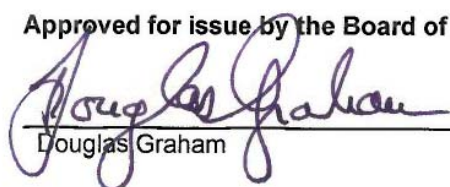
## Consolidated Statement of Financial Position

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

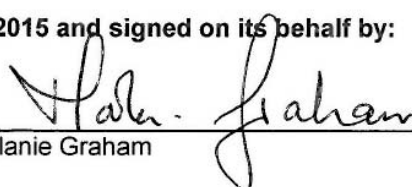
	Note	2015 \$'000	2014 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	237,162	262,352
Investments	13	15,450	14,789
Post-employment benefit asset	15	24,040	29,415
<b>Current Assets</b>			
Inventories	17	41,904	42,720
Receivables	18	50,234	31,208
Taxation recoverable		-	2,407
Short term deposits	19	53,120	49,967
Cash and cash equivalents	20	38,812	21,622
		184,070	147,924
<b>Current Liabilities</b>			
Payables	21	119,961	137,903
Taxation payable		2,442	-
Current portion of long term liabilities	22	7,553	7,554
		129,956	145,457
<b>Net Current Assets</b>		54,114	2,467
		330,766	309,023
<b>Stockholders' Equity</b>			
Share capital	23	1,437	1,437
Capital reserve	24	166,488	166,488
Fair value reserve	25	14,751	14,061
Retained earnings	10	118,497	91,539
		301,173	273,525
<b>Non-Controlling Interest</b>		5,245	5,429
		306,418	278,954
<b>Non-Current Liabilities</b>			
Long term liabilities	22	15,997	23,549
Deferred tax liabilities	14	8,351	6,520
		330,766	309,023

Approved for issue by the Board of Directors on 26 September 2015 and signed on its behalf by:



Douglas Graham

Director



Melanie Graham

Director

# The Palace Amusement Company (1921) Limited

## Consolidated Statement of Changes in Equity

Year ended 30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders					Non-Controlling Interest	Total
	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013	1,437	1,437	166,488	11,549	116,429	5,272	301,175
<b>Total comprehensive income</b>							
Net loss	-	-	-	-	(12,388)	(139)	(12,527)
Other comprehensive income –							
Unrealised gains on available-for-sale investments	-	-	-	2,512	-	296	2,808
Re-measurement of post-employment benefit asset	-	-	-	-	(9,987)	-	(9,987)
	-	-	-	2,512	(22,375)	157	(19,706)
<b>Transactions with owners</b>							
Dividends paid	-	-	-	-	(2,515)	-	(2,515)
<b>Balance at 30 June 2014</b>	1,437	1,437	166,488	14,061	91,539	5,429	278,954
<b>Total comprehensive income</b>							
Net profit	-	-	-	-	32,150	(155)	31,995
Other comprehensive income –							
Unrealised gains on available-for-sale investments	-	-	-	690	-	(29)	661
Re-measurement of post-employment benefit asset	-	-	-	-	(5,192)	-	(5,192)
	1,437	1,437	166,488	14,751	26,958	(184)	27,464
<b>Balance at 30 June 2015</b>	1,437	1,437	166,488	14,751	118,497	5,245	306,418

# The Palace Amusement Company (1921) Limited

## Consolidated Statement of Cash Flows

Year ended 30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

	2015 \$'000	2014 \$'000
<b>Cash Flows from Operating Activities</b>		
Cash provided by/(used in) operating activities (Note 26)	27,815	(1,370)
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(10,571)	(30,759)
Proceeds from sale of property, plant and equipment	9,105	-
Short term deposits, net	(3,702)	(6,187)
Interest received	1,878	1,686
Dividend received	357	138
Cash used in investing activities	(2,933)	(35,122)
<b>Cash Flows from Financing Activities</b>		
Long term loans repaid	(7,553)	(8,986)
Interest paid	(2,751)	(4,004)
Dividends paid	-	(2,515)
Cash used in financing activities	(10,304)	(15,505)
	14,578	(51,997)
Exchange gain on foreign cash balances	2,612	4,937
Increase/(Decrease) in cash and cash equivalents	17,190	(47,060)
Cash and cash equivalents at beginning of year	21,622	68,682
<b>Cash and Cash Equivalents at End of Year (Note 20)</b>	<b>38,812</b>	<b>21,622</b>

# The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Revenue</b>		662,813	613,295
Direct expenses		<u>(512,347)</u>	<u>(492,403)</u>
<b>Gross Profit</b>		150,466	120,892
Other operating income	6	38,853	35,253
Administration expenses		<u>(157,770)</u>	<u>(162,216)</u>
<b>Operating Profit/(Loss)</b>		31,549	(6,071)
Finance costs – interest expense		<u>(2,649)</u>	<u>(3,873)</u>
<b>Profit/(Loss) before Taxation</b>		28,900	(9,944)
Taxation	9	<u>(6,724)</u>	<u>2,852</u>
<b>Net Profit/(Loss) for the year from continuing operations</b>	10	<u>22,176</u>	<u>(7,092)</u>
<b>Other Comprehensive Income:</b>			
<i>Items that may be reclassified to profit or loss in the future -</i>			
Unrealised gains/(losses) on available-for-sale investments, net of taxation		954	(181)
<i>Items that will not be reclassified to profit or loss in the future -</i>			
Re-measurement of post-employment benefit asset, net of taxation		<u>(5,192)</u>	<u>(9,987)</u>
Total other comprehensive income		<u>(4,238)</u>	<u>(10,168)</u>
<b>Total Comprehensive Income</b>		<u>17,938</u>	<u>(17,260)</u>

# The Palace Amusement Company (1921) Limited

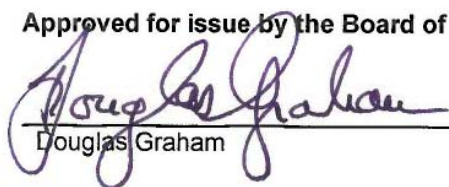
## Company Statement of Financial Position

30 June 2015

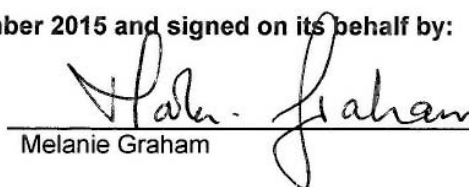
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2015 \$'000	2014 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	96,003	108,543
Investments	13	3,067	2,113
Post-employment benefit asset	15	24,040	29,415
Due from subsidiaries	16	76,171	101,836
<b>Current Assets</b>			
Inventories	17	39,991	40,230
Receivables	18	49,728	31,013
Taxation recoverable		-	2,407
Short term deposits	19	53,120	49,967
Cash and cash equivalents	20	37,930	20,428
		180,769	144,045
<b>Current Liabilities</b>			
Payables	21	109,744	126,661
Taxation payable		1,359	-
Current portion of long term liabilities	22	7,553	7,554
		118,656	134,215
<b>Net Current Assets</b>			
		62,113	9,830
		261,394	251,737
<b>Stockholders' Equity</b>			
Share capital	23	1,437	1,437
Capital reserve	24	148,365	148,365
Fair value reserve	25	2,510	1,556
Retained earnings	10	68,539	51,555
		220,851	202,913
<b>Non-Current Liabilities</b>			
Due to subsidiaries	16	22,367	23,139
Long term liabilities	22	15,997	23,549
Deferred tax liabilities	14	2,179	2,136
		261,394	251,737

Approved for issue by the Board of Directors on 26 September 2015 and signed on its behalf by:

  
Douglas Graham

Director

  
Melanie Graham

Director

# The Palace Amusement Company (1921) Limited

## Company Statement of Changes in Equity

Year ended 30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2013		1,437	148,365	1,737	71,149	222,688
<b>Total comprehensive income</b>						
Net loss	-	-	-	-	(7,092)	(7,092)
Other comprehensive income –						
Unrealised losses on available-for-sale investments	-	-	-	(181)	-	(181)
Re-measurement of post-employment benefit asset	-	-	-	-	(9,987)	(9,987)
	-	-	-	(181)	(17,079)	(17,260)
<b>Transactions with owners</b>						
Dividends paid	-	-	-	-	(2,515)	(2,515)
<b>Balance at 30 June 2014</b>	1,437	1,437	148,365	1,556	51,555	202,913
<b>Total comprehensive income</b>						
Net profit	-	-	-	-	22,176	22,176
Other comprehensive income –						
Unrealised gains on available-for-sale investments	-	-	-	954	-	954
Re-measurement of post employment benefit asset	-	-	-	-	(5,192)	(5,192)
	-	-	-	954	16,984	17,938
<b>Balance at 30 June 2015</b>	1,437	1,437	148,365	2,510	68,539	220,851

# The Palace Amusement Company (1921) Limited

## Company Statement of Cash Flows

**Year ended 30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>Cash Flows from Operating Activities</b>		
Cash provided by/(used in)/ operating activities (Note 26)	23,961	(18,439)
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(8,446)	(16,183)
Proceeds from sale of property, plant and equipment	9,105	-
Short term deposits, net	(3,702)	(6,187)
Interest received	4,012	4,400
Dividend received	162	67
Cash provided by/(used in) investing activities	1,131	(17,903)
<b>Cash Flows from Financing Activities</b>		
Long term loans repaid	(7,553)	(8,986)
Interest paid	(2,649)	(3,873)
Dividends paid	-	(2,515)
Cash used in financing activities	(10,202)	(15,374)
	14,890	(51,716)
Exchange gain on foreign cash balances	2,612	4,937
Increase/(Decrease) in cash and cash equivalents	17,502	(46,779)
Cash and cash equivalents at beginning of year	20,428	67,207
<b>Cash and Cash Equivalents at End of Year (Note 20)</b>	<b>37,930</b>	<b>20,428</b>

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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### 1. Identification and Principal Activities

The Palace Amusement Company (1921) Limited (the Company) and its subsidiaries (collectively referred to as the Group) are limited liability companies, incorporated and resident in Jamaica and are cinema operators. The Company is a 65% subsidiary of Russgram Investments Limited (the parent company), which is also incorporated in Jamaica. The registered office of the Company, its subsidiaries and the parent company, is 1A South Camp Road, Kingston.

The Company is listed on the Jamaica Stock Exchange.

Films are rented from:

- (i) United International Pictures, which represents Universal Pictures and Paramount Pictures;
- (ii) Vista Entertainment Panama, which represents Disney;
- (iii) ATM Film Distributors;
- (iv) Metropolitan Opera and National Theatre Live; and
- (v) The parent company, which represents Warner Bros, 20th Century Fox, as well as Goldmine Productions and other independent distributors.

### 2. 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 (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's 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.

#### ***New and amended standards adopted by the group***

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014 and did not have a material impact on the group:

- Amendment to IAS 32, 'Financial instruments Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective for periods beginning on or after 1 January 2014). This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (continued)

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

#### *New and amended standards adopted by the group (continued)*

- IFRIC 21, 'Levies', (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income taxes'. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The Group is not currently subjected to significant levies so the impact on the Group is not material.

#### *New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- Amendment to IAS 1, 'Disclosure initiative'. These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements
- IAS 19 (Amendment) – 'Defined Benefit Plans: Employee Contributions', (effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The Group will apply the standard effective 3 May 2015 but does not expect any significant impact from its adoption.
- Amendments to IAS 27, Equity Method in Separate Financial Statements, effective for accounting periods beginning on or after 1 January 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.
- Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint venture, are effective for annual reporting periods beginning on or after 1 January 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognized when the assets transferred meet the definition of a 'business' under IFRS 3, Business Combinations.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (continued)

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

#### *New standards, amendments and interpretations not yet adopted (continued)*

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.
- IFRS 15, 'Revenue from contracts with customers' 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 standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group is assessing the impact of IFRS 15.
- IASB Annual Improvements - The IASB annual improvements project for the 2012 - 2014 cycle resulted in amendments to the following standards which may be relevant to the Group's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2016. The Group is assessing the impact of future adoption of the amendments.
  - IFRS 7, 'Financial instruments: Disclosures'. The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
  - IAS 19 (Revised), 'Employee benefits'. The amendment 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 or not is based on corporate bonds in that currency, and 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 Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (continued)

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

#### *New standards, amendments and interpretations not yet adopted (continued)*

- IAS 34, 'Interim financial reporting'. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information

The group is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

### (b) Basis of consolidation

#### **Subsidiaries**

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (b) Basis of consolidation (continued)

The subsidiaries consolidated and percentage ownership are as follows:

Tropical Cinema Company Limited	90.1%
Harbour View Cinema Company Limited	77.5%
The Cinema Company of Jamaica Limited	100.0%

#### **Transactions and non-controlling interests**

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### (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 the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is also the Company's functional currency.

#### **Transactions and balances**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (d) Property, plant and equipment

Items of property, plant and equipment are recorded at historical or deemed cost, less accumulated depreciation. Historical cost includes 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 measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Theatre and other buildings	40 years
Leasehold improvements	10 years
Equipment and fixtures	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 (Note 2(e)).

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss.

When revalued assets, currently carried at deemed cost are sold, the amounts included in other reserves relating to the revaluation surpluses will be transferred to retained earnings.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (e) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (f) Financial instruments

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

#### *Financial assets*

##### **Classification**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. 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.

##### *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 reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'short term deposits' and 'cash and bank balances'. The Company's loans and receivables also includes 'due from subsidiary company'.

##### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

##### **Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (f) Financial instruments (continued)

#### *Financial assets (continued)*

Translation differences and changes in the fair value of non-monetary securities 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 previously recognised as other comprehensive income are recycled to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other operating income when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. Impairment testing of trade receivables is described in note 2(h).

#### *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 reporting date, the following items were classified as financial liabilities: long term loans, due to subsidiary companies and trade payables.

### (g) Inventories

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

### (h) Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not 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 expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of 90 days or less.

### (j) 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 profit or loss over the period of the borrowings.

### (k) Current and deferred income taxes

Taxation expense in profit or loss 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 taxable profits exclude 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 the reporting date.

Deferred tax is the tax that is 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. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Deferred income tax liabilities are not recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested and are not subject to tax.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (l) Employee benefits

The Group operates defined benefit plans, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The plans are generally funded through payments to trustee administered funds, determined by periodic actuarial calculations.

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which

the benefits will be paid, and that have terms to maturity approximating the terms of the related pension 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.

Past service costs are recognised immediately in the income statement.

### (m) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Significant Accounting Policies (Continued)

### (n) Revenue recognition

Group revenue comprises box office receipts, theatre confectionery sales, advertising and film rental income. Box office receipts and concession sales are cash sales and are recognised when cash is collected. Advertising and rental income are recognised on an accrual basis in accordance with the substance of the underlying contracts. Revenue is shown net of General Consumption Tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described above.

The Group operates an electronic card programme where customers are entitled to discounts once an electronic card is purchased. The fair value of the consideration received is recognised as deferred income at the time of sale. Revenue is recognised as the electronic cards are utilised or have expired. Electronic cards expire 18 months after the initial sale.

The Group sells movie vouchers which entitle the customers to box office attendance in the future. The fair value of the consideration received is recognised as deferred income at the time of sale. Revenue is recognised as the movie vouchers are utilised or have expired. Vouchers expire 12 months after the initial sale.

### (o) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the Group's chief operating decision maker.

### (p) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

### (i) Market risk

#### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from film rental income and US dollar cash and bank balances. The Group manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding net foreign currency assets.

#### **Concentration of currency risk**

The Group and Company are exposed to foreign currency risk in respect of US dollar receivables and cash and bank balances amounting to \$11,663,000 (2014 – \$5,853,000) and \$68,534,000 (2014 – \$54,544,000), respectively.

#### **Foreign currency sensitivity**

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank and accounts receivable balances, and adjusts their translation at the year-end for 10% (2014 – 15%) depreciation and a 1% (2014 – 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

The Group and Company				
	% Change in Currency Rate	Effect on Profit before Tax 30 June 2015 \$'000	% Change in Currency Rate	Effect on Profit before Tax 30 June 2014 \$'000
<b>Currency:</b>				
USD	-10	8,023	-15	9,059
USD	+1	(799)	+1	(604)

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (a) Financial risk factors (continued)

#### (i) Market risk (continued)

##### **Price risk**

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk arising from its holding of available-for-sale investments. As the Group does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

##### **Cash flow and fair value interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest rate risk.

The Group is primarily exposed to cash flow interest rate risk on its variable rate borrowings. 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.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the Group. The Group's short term deposits are due to mature within 3 months of the reporting date, and the Groups borrowings are at fixed rates.

##### **Interest rate sensitivity**

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings as these are at fixed rates and are carried at amortised cost.

#### (ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, due from subsidiary company, and cash and bank balances.

##### **Trade receivables**

Revenue transactions in respect of the Group's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Financial risk factors (continued)

#### (ii) Credit risk (continued)

##### **Cash and bank balances**

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

##### **Maximum exposure to credit risk**

The maximum exposure to credit risk is equal to the carrying amount of 'trade and other receivables', 'due from subsidiaries' and 'cash and cash equivalents' in the statement of financial position.

##### **Trade receivables that are past due but not impaired**

As at 30 June 2015, trade receivables of \$7,380,000 (2014 - \$5,173,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

##### **Trade receivables that are past due and impaired**

As of 30 June 2015, the Group and Company had trade receivables of \$875,000 (2014 - \$691,000) that were impaired. The amount of the provision was \$875,000 (2014 - \$691,000). These receivables were aged over 90 days.

Movements on the provision for impairment of trade receivables are as follows:

	<b>The Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 July	691	628
Provision for receivables impairment	184	286
Receivables written off during the year as uncollectible	-	(223)
At 30 June	<u>875</u>	<u>691</u>

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Financial risk factors (continued)

#### (ii) Credit risk (continued)

##### **Concentration of risk – trade receivables**

The following table summarises the Group's and Company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	<b>The Group and Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Independent cinemas	18,562	7,965
Advertising agencies	4,080	6,034
Other	12,758	3,020
	35,400	17,019
Less: Provision for credit losses	(875)	(691)
	<u>34,525</u>	<u>16,328</u>

#### (iii) Liquidity risk

Liquidity risk is the risk that the Group will be 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 and the ability to close out market positions.

##### **Liquidity risk management process**

The Group's liquidity management process, as carried out within the Group and monitored by the Finance department, includes:

- (i) Monitoring future cash flows and liquidity on a bi-weekly basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Financial risk factors (continued)

#### (iii) Liquidity risk (continued)

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

The maturity profile of the Group's and Company's financial liabilities, based on contractual undiscounted payments at contractual maturity dates, is as follows:

	The Group				
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
	<b>2015</b>				
Trade payables	55,431	-	-	-	55,431
Accruals and other payables	46,891	-	-	-	46,891
Long term liabilities	9,410	16,051	3,315	-	28,776
<b>Total financial liabilities</b>	<b>111,732</b>	<b>16,051</b>	<b>3,315</b>	<b>-</b>	<b>131,098</b>
	<b>2014</b>				
Trade payables	78,591	-	-	-	78,591
Accruals and other payables	51,714	-	-	-	51,714
Long term liabilities	10,137	9,410	16,051	3,315	38,913
<b>Total financial liabilities</b>	<b>140,442</b>	<b>9,410</b>	<b>16,051</b>	<b>3,315</b>	<b>169,218</b>

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Financial risk factors (continued)

#### (iii) Liquidity risk (continued)

#### *Cash flows of financial liabilities (continued)*

	The Company				
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>2015</b>					
Trade payables	54,868	-	-	-	54,868
Accruals and other payables	38,522	-	-	-	38,522
Due to subsidiary companies	22,367	-	-	-	22,367
Long term liabilities	9,410	16,051	3,315	-	28,776
<b>Total financial liabilities</b>	<b>125,167</b>	<b>16,051</b>	<b>3,315</b>	<b>-</b>	<b>144,533</b>
<b>2014</b>					
Trade payables	77,847	-	-	-	77,847
Accruals and other payables	43,148	-	-	-	43,148
Due to subsidiary companies	23,139	-	-	-	23,139
Long term liabilities	10,137	9,410	16,051	3,315	38,913
<b>Total financial liabilities</b>	<b>154,271</b>	<b>9,410</b>	<b>16,051</b>	<b>3,315</b>	<b>183,047</b>

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term deposits.

### (b) 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, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the Group is subject.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (c) 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. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1 and comprise equity instruments traded on the Jamaica Stock Exchange and Trinidad and Tobago Stock Exchange.

The only financial assets that are re-measured at fair value after initial recognition are available-for-sale equities of \$15,450,000 (2014 - \$14,789,000) and \$2,582,000 (2014 - \$1,628,000) for the Group and Company, respectively.

There were no transfers between levels during the year.

The fair values of financial instruments that are not traded in an active market are deemed to be or determined as follows:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include 'cash and bank balances', 'receivables' and 'payables'.
- (ii) The carrying values of long term liabilities 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.
- (iii) The fair value of the 'due from subsidiaries' balance could not be reasonably determined as there is no set repayment date. The Company has however indicated that it will not demand repayment of any portion of the balances receivable within 12 months of the reporting date.
- (iv) The fair value of unquoted equity instruments could not be determined as there is no active market for it.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(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 Group'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 and the discount rate. 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. Other key assumptions for the retirement benefits are based on current market conditions.

#### ***Depreciable assets***

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

**30 June 2015**

(expressed in Jamaican dollars unless otherwise indicated)

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## 5. Segment Reporting

The Group is managed in three main business segments based on business activities. The designated segments are as follows:

- (i) Cinema activities, which comprise mainly theatre operations and the sales of confectionery items;
- (ii) Film activities, which comprise the purchase and rental of films from distributors and the rental of films to cinema operators throughout the Caribbean; and
- (iii) Screen advertising activities.

Interest expense is included in the measure of segment results for Carib and Palace Cineplex. The remaining interest expense is not reviewed as part of the results of the reportable segments but is however regularly reviewed by the chief operating decision maker.

Interest income is not included in the measure of segment results and is not reviewed as part of the results of the reportable segments. Interest income is however regularly reviewed by the chief operating decision maker.

Deferred tax assets and post-employment benefit assets are not included in the measure of segment assets and are not reviewed as part of the result of the reportable segments. Deferred tax assets and post-employment benefit assets are however regularly reviewed by the chief operating decision maker.

Major customers comprise independent movie patrons who attend cinemas throughout the Group.

Revenue from film activities includes \$64,899,000 (2014 - \$56,718,000) earned from other Caribbean countries.

Segment eliminations comprise film rental charged to the cinemas and management fees charged by head office.

On 2 September 2014, the reporting segment, Odeon Cineplex ceased operations.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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## 5. Segment Reporting (Continued)

	2015						
	Cinema Activities				Film	Screen	
	Carib	Palace	Palace	Odeon	Activities	Advertising	Total
	Cinema	Cineplex	Multiplex	Cineplex		Activities	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue –</b>							
Box office receipts	299,655	88,629	152,907	6,870	-	-	548,061
Confectionery sales	126,835	36,633	55,084	2,777	-	-	221,329
Film rental	-	-	-	-	389,619	-	389,619
Screen advertising	23,246	9,136	15,094	712	-	29,086	77,274
Other activities	1,010	4,329	585	260	-	-	6,184
	450,746	138,727	223,670	10,619	389,619	29,086	1,242,467
Eliminations							(326,706)
Revenue from external customers							915,761
Segment result <sup>(1)</sup>	13,513	11,881	32,240	(6,159)	93,303	19,044	163,822
Eliminations							24,025
							187,847
<b>Segment assets <sup>(2)</sup></b>	143,913	30,648	24,706	-	560	7	199,834
Unallocated assets							260,888
Total assets							460,722
<b>Segment liabilities <sup>(3)</sup></b>	32,400	2,151	-	-	-	-	34,551
Unallocated liabilities							119,753
Total liabilities							154,304
<b>Other items –</b>							
Capital expenditure	2,125	819	634	-	-	-	3,578
Eliminations							-
Unallocated head office capital expenditure							6,993
Total capital expenditure							10,571
Depreciation	14,775	5,423	3,762	243	955	13	25,171
Unallocated head office depreciation							7,840
Total depreciation							33,011
Interest expense	2,236	317	-	-	-	-	2,553
Unallocated head office interest expense							2,332
Eliminations							(2,134)
Total interest expense							2,751

# The Palace Amusement Company (1921) Limited

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## 5. Segment Reporting (Continued)

	2014						
	Cinema Activities				Film	Screen	
	Carib Cinema \$'000	Palace Cineplex \$'000	Palace Multiplex \$'000	Odeon Cineplex \$'000	Activities \$'000	Advertising Activities \$'000	Total \$'000
<b>Revenue –</b>							
Box office receipts	265,587	91,460	127,134	28,376	-	-	512,557
Confectionery sales	107,174	36,400	46,082	12,040	-	-	201,696
Film rental	-	-	-	-	342,655	-	342,655
Screen advertising	20,182	8,104	11,589	3,117	-	25,934	68,926
Other activities	1,094	944	582	239	-	-	2,859
	394,037	136,908	185,387	43,772	342,655	25,934	1,128,693
Eliminations							(294,800)
Revenue from external customers							833,893
Segment result <sup>(1)</sup>	(6,626)	10,768	15,032	(7,852)	85,425	17,215	113,962
Eliminations							21,250
							135,212
<b>Segment assets <sup>(2)</sup></b>	157,144	35,019	26,991	4,498	1,514	20	225,186
Unallocated assets							229,294
Total assets							454,480
<b>Segment liabilities <sup>(3)</sup></b>	38,559	3,511	-	-	-	-	42,070
Unallocated liabilities							133,456
Total liabilities							175,526
<b>Other items –</b>							
Capital expenditure	18,146	5,055	2,084	168	-	-	25,453
Eliminations							(3,570)
Unallocated head office capital expenditure							8,876
Total capital expenditure							30,759
Depreciation	14,190	5,204	7,832	3,738	955	13	31,932
Unallocated head office depreciation							7,271
Total depreciation							39,203
Impairment charge	-	-	-	1,045	-	-	1,045
Interest expense	2,844	467	-	-	-	-	3,311
Unallocated head office interest expense							3,406
Eliminations							(2,713)
Total interest expense							4,004

# The Palace Amusement Company (1921) Limited

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## 5. Segment Reporting (Continued)

(1) Profit from the reportable segments is reconciled to the Group's profit/(loss) before taxation as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit from reportable segments	187,847	135,212
Unallocated income -		
Other operating income	12,889	11,361
Unallocated costs -		
Administrative expenses	(157,770)	(162,216)
Other	(1,148)	(970)
	(158,918)	(163,186)
Unallocated interest expense	(2,332)	(3,406)
Eliminations	2,134	2,713
	(198)	(693)
	<u>41,620</u>	<u>(17,306)</u>

(2) Reportable segments' assets are reconciled to the Group's total assets as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Segment assets from reportable segments	199,834	225,186
Unallocated assets -		
Property, plant and equipment	44,547	45,313
Investments	15,450	14,789
Post-employment benefit asset	24,040	29,415
Inventories	37,779	37,378
Receivables	49,727	31,013
Taxation recoverable	-	2,407
Cash and bank balances	89,345	68,979
	<u>460,722</u>	<u>454,480</u>

# The Palace Amusement Company (1921) Limited

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## 5. Segment Reporting (Continued)

(3) Reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

	<b>The Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Segment liabilities from reportable segments	34,551	42,070
Unallocated liabilities -		
Deferred tax liabilities	8,351	6,520
Payables	110,043	126,936
Taxation payable	1,359	-
	<u>154,304</u>	<u>175,526</u>

## 6. Other Operating Income

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Dividend income	357	138	162	67
Gain on sale of property, plant and equipment	6,355	-	6,355	-
Interest income	1,952	2,332	4,086	5,045
Management fees	-	-	24,025	21,250
Net foreign exchange gains	2,676	5,336	2,676	5,336
Other	1,549	3,555	1,549	3,555
	<u>12,889</u>	<u>11,361</u>	<u>38,853</u>	<u>35,253</u>

# The Palace Amusement Company (1921) Limited

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### 7. Expenses by Nature

Total direct and administration expenses:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Advertising and promotion	23,838	24,581	14,000	14,264
Auditors' remuneration:				
Current year	4,730	4,370	3,800	3,502
Prior year	-	230	-	245
Bank security and fees	5,769	5,734	2,941	2,940
Cost of inventories recognised as expense	108,802	99,699	44,323	44,087
Depreciation	33,011	39,203	18,236	25,013
Film cost	289,063	249,689	289,063	249,689
Impairment charge	-	1,045	-	1,045
Insurance	19,266	17,476	12,226	11,189
Legal and professional fees	1,968	1,752	1,495	1,272
Licence fees	5,608	5,552	2,667	2,590
Motor vehicle expenses	4,806	5,527	4,806	5,527
Other	21,522	23,308	15,576	17,165
Repairs, maintenance and renewals	32,425	33,946	23,682	25,304
Security	18,862	21,240	8,259	10,087
Staff costs (Note 8)	198,387	200,378	152,445	155,842
Stationery and supplies	19,051	19,991	9,878	12,093
Theatre rental	32,111	32,964	32,111	32,964
Transportation and courier	1,000	1,362	928	1,234
Utilities	64,060	70,509	33,681	38,567
	<u>884,279</u>	<u>858,556</u>	<u>670,117</u>	<u>654,619</u>

### 8. Staff Costs

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	159,637	162,540	122,580	126,689
Payroll taxes – Employer's portion	15,939	16,593	11,849	12,480
Pension (Note 15)	1,574	(10)	1,574	(10)
Other	21,237	21,255	16,442	16,683
	<u>198,387</u>	<u>200,378</u>	<u>152,445</u>	<u>155,842</u>

# The Palace Amusement Company (1921) Limited

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## 9. Taxation Expense

Taxation is computed on the profit for the year adjusted for tax purposes and comprises income tax at 25%.

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Current taxation	5,434	-	4,321	-
Prior year under/(over) accrual	630	(797)	630	(797)
Deferred taxation (Note 14)	3,561	(3,982)	1,773	(2,055)
	<u>9,625</u>	<u>(4,779)</u>	<u>6,724</u>	<u>(2,852)</u>

The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25%, as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(Loss) before taxation	<u>41,620</u>	<u>(17,306)</u>	<u>28,900</u>	<u>(9,944)</u>
Tax calculated at applicable tax rates	10,405	(4,326)	7,225	(2,485)
Adjusted for the effects of:				
Prior year under/(over) accrual	630	(797)	630	(797)
Income subject to different tax rates	(7)	(12)	(7)	(12)
Disallowed expenses	114	579	83	358
Effect of change in tax rate	-	(223)	-	84
Employment tax credit	(1,619)	-	(1,142)	-
Prior year deferred tax on tax losses	(213)	-	(182)	-
Other	315	-	117	-
	<u>9,625</u>	<u>(4,779)</u>	<u>6,724</u>	<u>(2,852)</u>

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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## 10. Net Profit/Loss and Retained Earnings Attributable to the Stockholders

	2015 \$'000	2014 \$'000
(a) Net profit/(loss) attributable to the stockholders of the Company is dealt with as follows in the financial statements of:		
The company	22,176	(7,092)
The subsidiaries	9,974	(5,296)
	<u>32,150</u>	<u>(12,388)</u>
	2015 \$'000	2014 \$'000
(b) Retained earnings attributable to the stockholders of the Company are dealt with as follows in the financial statements of:		
The company	68,539	51,555
The subsidiaries	49,958	39,984
	<u>118,497</u>	<u>91,539</u>

## 11. Earnings Per Stock Unit

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the number of ordinary stock units in issue at year end.

	2015	2014
Net profit attributable to stockholders (\$'000)	31,250	12,388
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit (\$ per share)	<u>22.37</u>	<u>(8.62)</u>

The Company has no potentially dilutive ordinary shares.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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## 12. Property, Plant and Equipment

	The Group					Total \$'000
	Freehold Land \$'000	Theatre Buildings \$'000	Other Buildings \$'000	Leasehold Improvements \$'000	Equipment, Fixtures & Motor Vehicles \$'000	
Cost or deemed cost -						
At 1 July 2013	19,883	72,690	9,129	63,920	483,751	649,373
Additions	-	-	7,432	-	23,327	30,759
At 30 June 2014	19,883	72,690	16,561	63,920	507,078	680,132
Additions	-	-	-	-	10,571	10,571
Disposals	-	-	-	-	(10,851)	(10,851)
At 30 June 2015	19,883	72,690	16,561	63,920	506,798	679,852
Depreciation and impairment -						
At 1 July 2013	-	28,899	742	63,918	283,973	377,532
Charge for the year	-	1,814	542	2	36,845	39,203
Impairment charge	-	-	-	-	1,045	1,045
At 30 June 2014	-	30,713	1,284	63,920	321,863	417,780
Charge for the year	-	1,818	412	-	30,781	33,011
Relieved on disposal	-	-	-	-	(8,101)	(8,101)
At 30 June 2015	-	32,531	1,696	63,920	344,543	442,690
Net Book Value -						
30 June 2015	19,883	40,159	14,865	-	162,255	237,162
30 June 2014	19,883	41,977	15,277	-	185,215	262,352

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

### 12. Property, Plant and Equipment (Continued)

	The Company					Total \$'000
	Freehold Land \$'000	Theatre Buildings \$'000	Other Buildings \$'000	Leasehold Improvements \$'000	Equipment, Fixtures & Motor Vehicles \$'000	
Cost or deemed cost -						
At 1 July 2013	1,010	6	9,129	63,920	306,357	380,422
Additions	-	-	7,432	-	8,751	16,183
At 30 June 2014	1,010	6	16,561	63,920	315,108	396,605
Additions	-	-	-	-	8,446	8,446
Disposals	-	-	-	-	(10,851)	(10,851)
At 30 June 2015	1,010	6	16,561	63,920	312,703	394,200
Depreciation and impairment -						
At 1 July 2013	-	2	742	63,918	197,342	262,004
Charge for the year	-	-	542	2	24,469	25,013
Impairment charge	-	-	-	-	1,045	1,045
At 30 June 2014	-	2	1,284	63,920	222,856	288,062
Charge for the year	-	1	412	-	17,823	18,236
Relieved on disposal	-	-	-	-	(8,101)	(8,101)
At 30 June 2015	-	3	1,696	63,920	232,578	298,197
Net Book Value -						
30 June 2015	1,010	3	14,865	-	80,125	96,003
30 June 2014	1,010	4	15,277	-	92,252	108,543

Deemed cost of the freehold land and buildings includes revaluation surpluses of \$2,231,000 and \$1,373,000 for the Group and Company, respectively. These revaluation surpluses were designated as part of the deemed cost on adoption of IFRS in 2002.

The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives would not be affected.

# The Palace Amusement Company (1921) Limited

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## 13. Investments

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Quoted equities – available for sale at fair value	15,450	14,789	2,582	1,628
Unquoted – Subsidiaries, at cost:				
Cinema Company of Jamaica Limited				
56,101 Ordinary shares	-	-	272	272
Harbour View Cinema Company Limited				
133,998 Ordinary shares	-	-	68	68
Tropical Cinema Company Limited				
116,296 Ordinary shares	-	-	145	145
	<u>15,450</u>	<u>14,789</u>	<u>3,067</u>	<u>2,113</u>

## 14. Deferred Income Taxes

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

The movement in deferred taxation is as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	(6,520)	(13,830)	(2,136)	(7,519)
(Charge)/Credit in profit or loss (Note 9)	(3,561)	3,982	(1,773)	2,055
Credit in other comprehensive income	1,731	3,328	1,731	3,328
Balance at end of year	<u>(8,351)</u>	<u>(6,520)</u>	<u>(2,179)</u>	<u>(2,136)</u>

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## 14. Deferred Income Taxes (Continued)

Deferred taxation includes the following, prior to offsetting of balances:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets to be recovered after more than 12 months	6,814	10,448	3,992	6,068
Deferred tax liabilities to be settled after more than 12 months	(15,004)	(16,119)	(6,010)	(7,354)

Deferred taxation is due to the following temporary differences:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Tax loss carry forwards	2,822	5,405	-	1,025
Unrealised foreign exchange gains	(85)	(637)	(85)	(637)
(Accelerated)/decelerated capital allowances	(5,003)	(3,721)	3,992	5,043
Pension surplus	(6,010)	(7,354)	(6,010)	(7,354)
Interest receivable	(76)	(213)	(76)	(213)
	(8,351)	(6,520)	(2,179)	(2,136)

Deferred taxation (charged)/credited to profit or loss and other comprehensive income comprises the following temporary differences:

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit or loss –				
Tax loss carry forwards	(2,583)	3,874	(1,025)	1,025
Unrealised foreign exchange gains and losses	552	(136)	552	(136)
Accelerated capital allowances	(1,281)	(1,623)	(1,051)	(701)
Pension surplus	(387)	1,852	(387)	1,852
Interest receivable	137	15	137	15
	(3,561)	3,982	(1,773)	2,055
Other comprehensive income –				
Pension surplus	1,731	3,328	1,731	3,328

# The Palace Amusement Company (1921) Limited

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## 14. Deferred Income Taxes (Continued)

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 periods is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately \$12,757,000 for the Group and nil for the Company (2014 – \$23,089,000 and \$4,099,000, respectively) are available for set off against future profits and may be carried forward indefinitely.

No deferred tax assets have been recognised on tax losses amounting to \$247,000 (2014 - \$247,000) and \$1,221,000 (2014 - \$1,221,000) for Tropical Cinema Company Limited and Harbour View Cinema Company Limited, respectively, as there are significant doubts that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested, and will be tax free if distributed. Such undistributed earnings totalled \$71,391,000 (2014 - \$61,572,000).

## 15. Post-employment Benefit assets

The amounts recognised in the statement of financial position are determined as follows:

	<b>The Group and The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Present value of funded obligations		
Head office employees pension plan	(207,439)	(186,847)
Cinema employees pension plan	(43,604)	(40,041)
	<u>(251,043)</u>	<u>(226,888)</u>
Fair value of plan assets:		
Head office employees pension plan	219,922	199,382
Cinema employees pension plan	67,979	61,928
	<u>287,901</u>	<u>261,310</u>
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	<u>(12,818)</u>	<u>(5,007)</u>
Asset in the statement of financial position	<u>24,040</u>	<u>29,415</u>

### **Head office employees pension plan**

The Company participates in a defined benefit plan, which is open to all permanent head office employees and administered for The Palace Amusement Company (1921) Limited by Sagicor Life Jamaica Limited. Retirement benefits are based on the average annual earnings in the last three years to retirement, and death benefits on members' accumulated contribution.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

## 15. Post-employment Benefit Assets (Continued)

### *Cinema employees pension plan*

The Company participates in a defined benefit plan which is open to all permanent cinema employees and administered by Sagcor Life Jamaica Limited. Retirement benefits are based on the average annual earnings in the last three years to retirement, and death benefits on members' accumulated contribution.

The plans are valued annually by internal actuaries using the Projected Unit Credit Method. The latest actuarial valuation was done as at 30 June 2015.

The movement in the defined benefit obligation over the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at beginning of year	186,847	135,569	40,041	37,233
Current service cost	3,213	2,451	1,633	1,490
Interest cost	17,478	12,965	3,619	2,920
	207,538	150,985	45,293	41,643
Re-measurements -				
Loss from change in demographic assumptions	-	7,522	-	2,710
Loss from change in financial assumptions	-	7,540	-	2,266
Experience losses/(gains)	934	(801)	(24)	(5,114)
	208,472	165,246	45,269	41,505
Members' contributions	4,845	4,260	2,321	2,290
Benefits paid	(5,878)	(16,622)	(3,986)	(8,027)
Purchased annuities	-	33,963	-	4,273
Balance at end of year	207,439	186,847	43,604	40,041

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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## 15. Post-employment Benefit Assets (Continued)

The movement in the defined benefit asset during the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Balance at beginning of year	199,382	157,312	61,928	57,270
Interest income	18,983	15,134	5,861	4,681
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	665	4,760	658	1,055
Members' contributions	4,845	4,260	2,321	2,290
Employers' contributions	1,925	574	1,197	386
Benefits paid	(5,878)	(16,622)	(3,986)	(8,027)
Purchased annuities	-	33,964	-	4,273
Balance at end of year	<u>219,922</u>	<u>199,382</u>	<u>67,979</u>	<u>61,928</u>

The movement on the asset ceiling during the year is as follows:

	Cinema employees pension plan	
	2015 \$'000	2014 \$'000
Balance at beginning of year	5,007	-
Interest on asset	475	-
Change in asset ceiling, excluding amounts included in interest expense	<u>7,336</u>	<u>5,007</u>
	<u>12,818</u>	<u>5,007</u>

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 15. Post-employment Benefit Assets (Continued)

The amounts recognised in profit or loss are as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Current service cost	3,213	2,451	1,633	1,490
Interest cost	17,478	12,965	3,619	2,920
Interest income on plan assets	(18,983)	(15,135)	(5,861)	(4,681)
Interest on effect of asset ceiling	-	-	475	-
Total included in staff costs	1,708	281	(134)	(271)

The distribution of plan assets in respect of each plan was as follows:

	Head office employees pension plan				Cinema employees pension plan			
	2015		2014		2015		2014	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Pooled investment funds –								
Equity Fund	18,719	9	-	-	7,513	11	5,536	9
International Equity Fund	18,098	8	-	-	5,835	9	-	-
Mortgage and Real Estate Fund	55,072	25	30,322	14	15,972	23	12,984	21
Fixed Income Fund	-	-	48,979	25	3,636	5	6,334	10
Global Market Funds	7,496	4	-	-	5,777	8	5,395	9
Money Market Fund	7,027	3	7,373	4	4	-	90	-
Foreign Currency Fund	63,371	29	56,697	28	15,985	24	14,660	23
CPI- Indexed	12,056	5	11,169	6	3,794	6	7,940	13
Purchased Annuities	37,458	17	37,382	19	9,176	14	8,995	15
Other	625		7,460	4	287	-	(6)	-
	219,922	100	199,382	100	67,979	100	61,928	100

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

### 15. Post-employment Benefit Assets (Continued)

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment portfolio. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected contributions to the post-employment plan for the year ending 30 June 2016 are \$4,196,000 Cinema employees and \$7,835,000 Head Office employees. The actual return on the plan assets was \$8,684,000 and 23,197,000 for Cinema and Head office employees respectively (2014 - \$7,120,000 and 21,978,000 respectively).

Movements in the amounts recognised in the statement of financial position:

	Head office employees pension plan		Cinema employees pension plan	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Asset at beginning of year	12,535	21,743	16,880	20,037
Amounts recognised in the income statement (Note 8)	(1,708)	(281)	134	271
Remeasurements recognised in OCI	(269)	(9,501)	(6,654)	(3,814)
Contributions paid	1,925	574	1,197	386
Asset at end of year	<u>12,483</u>	<u>12,535</u>	<u>11,557</u>	<u>16,880</u>

Taxation in relation to the remeasurements recognised in OCI is disclosed in note 14.

The principal actuarial assumptions used were as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2015	2014	2015	2014
Discount rate	9.5%	9.5%	9.5%	9.5%
Inflation rate	6.0%	5.5%	6.0%	5.5%
Future salary increases	6.0%	5.5%	6.0%	5.5%
Future pension increases	-	-	1.5%	1.0%

Mortality assumptions are based on the American 1994 Group Annuitant Mortality (GAM94) table.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

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## 15. Post-employment Benefit Assets (Continued)

### *Plan risks*

Through its defined benefit pension plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

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

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 Group's ALM objective is to match assets to the pension obligations by investing in long-term assets 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.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investments.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore an increase in the salary of members will increase the plan's liability.

(iv) 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.

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2015

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## 15. Post-employment Benefit Assets (Continued)

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

### Head Office employees

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(19,256)	24,070
Future salary increases	1%	9,541	(8,010)
Expected pension increase	1%	-	-
Life expectancy	1 year	2,542	(2,626)

### Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(4,876)	6,321
Future salary increases	1%	3,097	(2,619)
Expected pension increase	1%	3,543	(3,070)
Life expectancy	1 year	476	(492)

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.

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

### 16. Due from/to Subsidiary Companies

This represents the year end balance arising mainly from the Group's centralised treasury function. The subsidiaries conduct all transactions through their current account with the Company. No interest is charged on these balances, with the exception of amounts on-lent to a subsidiary to finance the purchase of 3D equipment in 2009 and new air conditioning units in 2014. Interest is charged by the holding company on a reducing balance basis on these loans at rates of 11% and 8% respectively (2014 - 11% and 8%) per annum. The reduced balance is deemed to be the original loan proceeds, less principal repayments made by the holding company on behalf of the subsidiary. The balance at year end was \$21,399,000 (2014 - \$27,593,000)

There are no fixed terms of repayment. The balances are classified as non-current as the Company and subsidiaries have expressed their intention to not demand repayment of any portion of the balance until after 1 July 2016.

### 17. Inventories

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Confectionery and snacks	16,346	22,811	14,433	20,321
General stores	18,002	19,821	18,002	19,821
Goods in transit	7,556	88	7,556	88
	<u>41,904</u>	<u>42,720</u>	<u>39,991</u>	<u>40,230</u>

### 18. Receivables

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	34,525	16,328	34,525	16,328
Prepayments	9,124	11,509	9,124	11,509
Other	6,585	3,371	6,079	3,176
	<u>50,234</u>	<u>31,208</u>	<u>49,728</u>	<u>31,013</u>

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

30 June 2015

(expressed in Jamaican dollars unless otherwise indicated)

### 19. Short Term Deposits

Short term deposit includes interest receivable amounting to \$303,000 (2014 – \$852,000).

The weighted average interest rate on short term deposits which are denominated in United States dollars was 3.54% (2014 – 4.07%) and these deposits mature within 180 days (2014 – 180 days).

### 20. Cash and cash equivalents

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	37,767	20,598	36,885	19,404
Short term deposits (with original maturity 90 days or less)	1,045	1,024	1,045	1,024
Cash and cash equivalents	<u>38,812</u>	<u>21,622</u>	<u>37,930</u>	<u>20,428</u>

The weighted average interest rate on short term deposits which are denominated in Jamaican dollars was 0.07% to 0.2% (2014 – 5.68%) and these deposits mature within 90 days (2014 – 90 days).

### 21. Payables

	<b>The Group</b>		<b>The Company</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	62,452	78,591	61,889	77,847
Accruals and other payables	57,509	59,312	47,855	48,814
	<u>119,961</u>	<u>137,903</u>	<u>109,744</u>	<u>126,661</u>

# The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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## 22. Borrowings

### (a) Bank overdraft

In the event that there is an overdraft balance with the bank, the Group and Company have bank overdraft facilities totalling \$22,430,000 (2014 - \$22,794,000) which attract interest at 14% (2014 – 14%) and are immediately rate sensitive.

### (b) Long term liabilities

	<b>The Group &amp; The Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving loan (i)	6,454	10,531
Development Bank of Jamaica Limited, non-revolving term loan (ii)	17,096	20,572
	23,550	31,103
Less: Current portion	(7,553)	(7,554)
	<u>15,997</u>	<u>23,549</u>

(i) This loan incurs interest at a rate of 11% (2014 – 11%) and is repayable in April 2017. The Cinema Company of Jamaica, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee is supported by a first legal mortgage over the Carib Cinema. The loan is also secured by assignment of peril insurance in respect of the Carib cinema, at full market value.

(ii) This loan incurs interest at a rate of 8% (2014 – 8%) and is repayable in May 2020. The Cinema Company of Jamaica, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee is supported by a first legal mortgage over the Carib Cinema. The loan is also secured by assignment of peril insurance in respect of the Carib cinema, at full market value.

## 23. Share Capital

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Authorised -		
1,500,000 ordinary shares		
Issued and fully paid –		
1,437,028 stock units of no par value	<u>1,437</u>	<u>1,437</u>

# The Palace Amusement Company (1921) Limited

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30 June 2015

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## 24. Capital Reserve

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Surplus on assets carried at deemed cost	1,373	1,373	1,373	1,373
Realised capital gains	164,726	164,726	146,992	146,992
Other	389	389	-	-
	<u>166,488</u>	<u>166,488</u>	<u>148,365</u>	<u>148,365</u>

## 25. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

## 26. Cash from Operating Activities

	The Group		The Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Net profit/(loss)	31,995	(12,527)	22,176	(7,092)
Items not affecting cash resources:				
Depreciation	33,011	39,203	18,236	25,013
Impairment charge	-	1,045	-	1,045
Gain on sale of property, plant and equipment	(6,355)	-	(6,355)	-
Interest income	(1,952)	(2,332)	(4,086)	(5,045)
Dividend income	(357)	(138)	(162)	(67)
Exchange gain on foreign balances	(2,676)	(5,337)	(2,676)	(5,337)
Interest expense	2,751	4,004	2,649	3,872
Taxation	9,625	(4,779)	6,724	(2,852)
	<u>66,042</u>	<u>19,139</u>	<u>36,506</u>	<u>9,537</u>
Changes in operating assets and liabilities:				
Inventories	816	(4,844)	239	(4,285)
Receivables	(18,642)	11,900	(18,331)	12,025
Post-employment benefits	(1,548)	(950)	(1,548)	(950)
Due from subsidiaries	-	-	24,893	(10,489)
Payables	(18,262)	(24,706)	(17,237)	(22,368)
	<u>28,406</u>	<u>539</u>	<u>24,522</u>	<u>(16,530)</u>
Taxation paid	(591)	(1,909)	(561)	(1,909)
Cash provided by/(used in) operating activities	<u>27,815</u>	<u>(1,370)</u>	<u>23,961</u>	<u>(18,439)</u>

# The Palace Amusement Company (1921) Limited

## Notes to the Financial Statements

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### 27. Related Party Transactions and Balances

**(a) Purchases of services**

Film rental charged by the parent company for the year amounted to \$113,999,000 (2014 - \$127,074,000) respectively. Trade payables include \$16,679,000 (2014 - \$56,719,000) due to the parent company in respect of these expenses.

**(b) Key management compensation**

	2015 \$'000	2014 \$'000
Wages and salaries	43,333	45,657
Payroll taxes – Employer's portion	2,521	1,920
Pension	754	167
Other	5,942	5,283
	<u>52,550</u>	<u>53,027</u>
Directors' emoluments –		
Fees	1,532	1,552
Management remuneration (included above)	<u>27,524</u>	<u>26,571</u>

**(c) Transactions between the Company and its subsidiaries**

During the year, the Company earned management fees of \$24,025,000 (2014 - \$21,250,000), film revenue of \$183,762,000 (2014 - \$161,262,000) and screen advertising administrative fees of \$14,036,000 (2014 - \$12,178,000) from a subsidiary.

**(d) Year end balances arising from transactions with related parties**

	2015 \$'000	2014 \$'000
Receivables -		
Subsidiary company	<u>76,171</u>	<u>101,836</u>
Payables -		
Subsidiary companies	<u>22,367</u>	<u>23,139</u>

**(e) Guarantees**

The Cinema Company of Jamaica Limited has provided an unlimited guarantee in respect of the Bank of Nova Scotia Jamaica Limited loans (Note 22). The guarantee is secured by a first legal mortgage over the Carib cinema building.

### 28. Contingent Liabilities

At 30 June 2015, the Group and Company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling \$3,121,000 (2014 - \$2,966,000).