

THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Notes to the Financial Statement

30 June 1995

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Consolidation -

The group financial statements incorporate the financial statements of the company and three subsidiaries, all of which are cinema operators.

The subsidiaries consolidated are as follows:

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

Group turnover comprises box office receipts net of general consumption tax, theatre confectionery sales, rent receivable, miscellaneous commissions and income from third parties.

(b) Fixed assets -

Fixed assets are stated at cost or subsequent valuation.

Depreciation is provided on the straight line basis, using expected useful lives of 40 years for buildings, 10 years for plant, leasehold buildings, equipment and fixtures and 5 years for motor vehicles.

(c) Inventories -

Inventories are stated at the lower of cost or realisable value.

(d) Leases -

In accordance with accounting standard c28, which became effective for accounting periods commencing on or after April 1, 1993, assets which are financed by leasing agreements that give rights approximating to ownership are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to operating profit. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the annuity method. All other leases, including leases in existence prior to April 1, 1993, are accounted for as operating leases and the annual rentals are charged to operating profit on a straight line basis over the lease term.

(e) These financial statements are expressed in Jamaican dollars.

2. TRADING PROFIT:

Trading profit is arrived at after charging/ (crediting) the following:-

	1995	1994
	\$	\$
Depreciation	4,006,646	2,740,157
Auditors' remuneration		
- current year	1,018,000	778,000
- prior year	70,300	115,840
Directors' emoluments-		
Fees	237,200	223,498
Remuneration	3,225,478	1,679,328
Interest paid	3,565,751	3,200,739
Interest received	(607,549)	(801,047)
Investment income	(160,801)	(92,582)
Gain on exchange	(1,847,052)	(2,479,141)

3. EXCEPTIONAL ITEM:

This represents the cost of major renovations in progress of a cinema owned by a subsidiary.

4. TAXATION:

- (a) Taxation charged is based on the group's results of operations for the year, adjusted for taxation purposes, and comprises:-

	1995	1994
	\$	\$
Income tax at 33 1/3%	715,719	521,224
Prior year under provision	119,752	-
	835,471	521,224

The tax charge for the year is disproportionate to the profit before taxation due primarily to provision for repairs of approximately \$2,950,000 (1994 - \$4,000,000) which is not allowable for tax until the expenditure is actually incurred and losses realised by certain subsidiaries.

- (b) Subject to agreement with the Commissioner of Income Tax, losses available for offset against future profits of group companies amount to approximately \$553,611 (1994-\$53,000) and may be carried forward indefinitely.

5. Dividend:

	1995	1994
	\$	\$
Proposed, \$0.25 gross (1994- \$0.25 gross)	359,257	359,257

6. EARNINGS PER STOCK UNIT:

The calculation of earnings per stock unit is based on net profit attributable to stock holders and 1,437,028 ordinary stock units in issue at the end of both years.

7. FIXED ASSETS

	The Group						
	Freehold Land \$	Buildings- theatres \$	Other buildings \$	Leasehold buildings \$	Equipment fixtures & motor vehicles \$	Capital work-in- Progress \$	Total \$
Cost or valuation -							
At 1 July 1994	2,712,637	2,126,169	2,834,647	4,177,785	22,333,773	-	34,185,011
Additions	-	-	274,543	-	11,754,081	500,000	12,528,624
Disposals	-	-	-	-	(72,277)	-	(72,277)
At 30 June 1995	2,712,637	2,126,169	3,109,190	4,177,785	34,015,577	500,000	46,641,358
Depreciation -							
At 1 July 1994	-	203,103	58,916	1,024,503	7,019,659	-	8,306,181
Charge for year	-	51,066	22,235	417,778	3,515,567	-	4,006,646
Amounts relieved on disposal	-	-	-	-	(70,477)	-	(70,477)
At 30 June 1995	-	254,169	81,151	1,442,281	10,464,749	-	12,242,350
Net book value:							
30 June 1995	2,712,637	1,872,000	3,028,039	2,735,504	23,550,828	500,000	34,399,008
30 June 1994	2,712,637	1,923,066	2,775,731	3,153,282	15,314,114	-	25,878,830
	The Company						
Cost or valuation -							
At 1 July 1994	1,678,891	452,264	2,834,647	4,177,785	14,460,979	-	23,604,566
Additions	-	-	274,543	-	2,654,847	500,000	3,429,390
Disposals	-	-	-	-	(72,277)	-	(72,277)
At 30 June 1995	1,678,891	452,264	3,109,190	4,177,785	17,043,549	500,000	26,961,679
Depreciation -							
At 1 July 1994	-	22,614	58,916	1,024,503	4,855,720	-	5,961,753
Charge for year	-	11,307	22,235	417,778	1,810,795	-	2,262,115
Amounts relieved on disposals	-	-	-	-	(70,477)	-	(70,477)
At 30 June 1995	-	33,921	81,151	1,442,281	6,596,038	-	8,153,391
Net book value							

30 June 1995	1,678,891	418,343	3,028,039	2,735,504	10,447,511	500,000	18,808,288
30 June 1994	1,678,891	429,650	2,775,731	3,153,282	9,605,259	-	17,642,813

With the exception of Harbour View Cinema Company Limited, group freehold land and buildings were independently appraised and revalued in 1972. On 30 June 1984 the free-hold land of Harbour View Cinema Company Limited was revalued by Orville Grey and Associates (Valuators and Appraisers). Subsequent additions are stated at cost.

The increments arising from the revaluations of fixed assets have been credited to capital reserve (note 11).

8. INVESTMENTS:

	Group		Company	
	1995	1994	1995	1994
	\$	\$	\$	\$
Quoted (market value				
\$1,796,966; 1994				
\$1,415,060)	182,513	182,513	172,513	172,513
Investments in Carib				
Pipe Limited -				
Ordinary shares	87,332	87,332	72,332	72,332
Mortgage and other				
unquoted	29,720	29,720	25,100	25,100
	299,565	299,565	269,945	269,945

9. SUBSIDIARY COMPANIES:

	1995	1994
	\$	\$
Shares at cost	484,889	484,889
Due from subsidiaries	3,709,060	2,493,213
Loans	(73,269)	(73,269)
	4,120,680	2,904,833

10. **SHARE CAPITAL:**

	1995	1994
Authorised - 1,500,000 shares of \$1 each	1,500,000	1,500,000
Issued and fully paid - 1,437,028 stock units of \$1 each	1,437,028	1,437,028

11. **CAPITAL RESERVE:**

	Group		Company	
	1995	1994	1995	1994
	\$	\$	\$	\$
Balance at beginning of year -				
Unrealised surplus on revaluation	2,230,641	2,230,641	1,372,857	1,372,857
Realised capital gains	197,298	197,298	-	-
Reserve on consolidation	388,922	385,308	-	-
	2,816,861	2,813,247	1,372,857	1,372,857
Movement during the year -				
Reserve on consolidation	-	3,614	-	-
At end of year	2,816,861	2,816,861	1,372,857	1,372,857
Comprised of -				
Unrealised surplus on revaluation	2,230,641	2,230,641	1,372,857	1,372,857
Realised capital gains	197,298	197,298	-	-

Reserve on consolidation	388,922	388,922	-	-
	2,816,861	2,816,861	1,372,857	1,372,857

12. LONG TERM LIABILITIES:

The Group and the Company

	1995 \$	1994 \$
(a) Jamaica General Insurance -30% loan	1,000,000	1,000,000
(b) Jamaica Mutual Life Assurance Society -30% Mortgage loan	4,866,575	4,902,980
	5,866,575	5,902,980
Less: current portion	1,067,507	1,058,929
	4,799,068	4,844,051

(a) The loan by Jamaica General Insurance is repayable by August 1995 and is secured by an unconditional personal guarantee of a director.

(b) The mortgage by Jamaica Mutual Life Assurance Society is secured by a charge on certain fixed assets and the life insurance of a director.

13. SHAREHOLDER'S LOAN:

There are no specific repayment terms and interest is charged based on current bank rates relating to short term deposits. The loan is not due within the next twelve months.

14. FINANCE LEASES:

The group, in the ordinary course of business, has entered into finance lease arrangements for equipment and motor vehicles. Future payments under

the lease commitments are as follows:

	The Group	The Company
	\$	\$
In the year ending June 30, 1996	4,289,335	481,480
1997	4,222,388	414,533
1998	2,067,352	163,424
Total minimum lease payments	10,579,075	1,059,437
Less: Future finance charges	(4,528,078)	(490,091)
Present value of minimum lease payments	6,050,997	569,346
Less: Current portion	(1,748,710)	(284,123)
	4,302,287	285,223

15. NATIONAL HOUSING TRUST:

Compulsory contributions made to 31 July 1979, which were charged to profit and loss account, amounted to \$74,565 (company - \$41,612) and are recoverable in the years 2001 - 2004.

16. PENSION PLAN:

The company participates in a pension plan administered for The Palace Amusement Company (1921) Limited by Life of 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. Based on the latest actuarial valuation of the plan as at 31 March 1992, the plan is adequately funded and contribution rates have been set at 5% of earnings for employees and 5 1/4% for employers.

Contributions charged in these financial statements amount to \$789,452 for the group and \$722,187 for the company (1994 - \$475,911 and \$416,925, respectively).