

THE PALACE AMUSEMENT COMPANY (1921) LIMITED 1997

Directors' Report

OVERVIEW

The twelve month period to June 1997 saw a recurrence of many of the economic factors which impacted on the economy in 1996. The continued decline in the value of the Jamaican dollar, the "lull" in the real estate market and the general "chaos" in the financial sector placed many businesses under enormous pressure from a slow down in activity and hence a cash flow shortage. These conditions flowed through to increased unemployment and crime.

The period also saw the Company striving to maintain its operations without The Carib cinema which was destroyed by fire on September 21, 1996. This major loss of income impacted on our profitability for the financial year.

THE RESULTS

Against this background, the Directors still managed to guide the Company to a Turnover position of \$207,627,000 compared to \$210,030,000 in 1996. This was due mainly to the Island Cinema having a full year's income compared to eight months in 1996 and increased Box Office Income in Palace Cineplex.

The year saw the "After Tax" position of a Loss of \$5,512,000 in 1996 moving to \$10,189,000 before Extraordinary Item of \$43,458,000 in 1997. This decline in the Group position was influenced by factors such as: one-off expenses for the re-building of The Carib, the continued poor performance of our "low - income" cinemas (Odeon H.W.T. and Gaiety), and increased Administrative costs.

During the year, The Odeon cinema in Mandeville was sold. This property, though prime real estate, proved in recent years to be a disappointment in generating income for our core business. In an effort to promote a more efficient operation, that is, debt reduction, the property was disposed of.

QUALITY OF PRODUCT

The quality of our product got a major boost with the re-opening of The Carib cinema on June 25, 1997. A five screen multi-plex was introduced to the public with offerings such as:

- First - class sound and picture quality
- Plush and spacious auditorium seating
- Complete air conditioning and improved concession facilities

The rebirth of The Carib is proof of the management team's commitment to the programme of upgrading in our cinemas.

DIVIDENDS

As a result of the loss made in 1997 the Directors will not be recommending a dividend to be paid to Shareholders.

DIRECTORS

Under Articles 94 and 95 of the Articles of Association, the retiring Directors are:

Messrs. Elon Beckford
 K. L. Robertson
Mrs. Melanie Graham

all of whom being eligible offer themselves for re-election.

AUDITORS

Price Waterhouse has signified their willingness to continue in the office of Auditors.

FUTURE

Subsequent to the year end, with the advent of The Carib, our patrons have shown a healthy appetite for the wide choice of pictures that will now be made available to them and this can only serve to improve our bottom - liner. An aggressive programme has been embarked upon to dispose of our Non-performing" assets - mainly Land and Building in the Down Town area. It is hoped that the 1997/98 year will see an improvement in the real estate arena which will enable us to profit from the sale of these assets.

ACKNOWLEDGEMENT

We acknowledge the hard work and cooperation put in by Management, Staff and Third Parties in order to meet our opening deadline for The Carib cinema.

Eric Abrahams
Chairman of the Board

Douglas Graham
Managing Director
