THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Notes to the Financial Statements

30 June 2003

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1. Identification, Principal Activities and Related Party Transactions

The company and its subsidiaries are limited liability companies, incorporated and resident in Jamaica and are cinema operators. The company is a 62% subsidiary of Russgram Investments Limited, which is also incorporated in Jamaica. The registered office of the company, its subsidiaries and Russgram Investments Limited, is 1A South Camp Road, Kingston.

The company is a public listed company.

Films are rented from United International Pictures, which represents Universal Pictures, Paramount Pictures, Dreamworks and Disney; Independent Film Distributors of Trinidad; and the parent company, which represents Warner Bros, 20th Century Fox in the United States, Goldmine Productions and D.S. Pictures, both of Trinidad. Film rental paid to the parent company for the year was $72,745,000 (2002 – $49,254,000).

These financial statements are presented in Jamaican dollars.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

Jamaica adopted International Financial Reporting Standards (IFRSs) as its national accounting standards, effective for accounting periods beginning on or after 1 July 2002. The financial statements for the year ended 30 June 2003 have therefore been prepared in accordance and comply with IFRSs and comparative information has been restated to conform with the provisions of IFRSs. The company has opted for early adoption of IFRS 1, First-Time Adoption of International Financial Reporting Standards, and has applied the provisions of that standard in the preparation of these financial statements. The effect of adopting IFRSs on the equity and net profit as previously reported is detailed in Note 30.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates.

(b) Consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has 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 purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between the group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

The subsidiaries consolidated and percentage ownership are as follows:

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

(c) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange difference on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(d) Fixed assets and depreciation

Fixed assets are recorded at historical or deemed cost, less accumulated depreciation. Under IFRS 1, a first time adopter may elect to use a previous GAAP revaluation of an item of fixed assets at or before the date of transition to IFRS as deemed cost at the date of the revaluation. The Group has elected to apply this provision.

Depreciation is calculated mainly 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 fixed assets are as follows:

Theatre and other buildings	40 years
Leasehold improvements	10 years
Plant, equipment and furniture and fixtures	10 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

(e) Impairment of long-lived assets

Fixed assets 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.

(f) Investments

Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. 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, and are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets.

Purchases and sales of investments are recognised at trade date, which is the date that the company commits to purchase or sell the asset. The cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost, less a provision for impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(h) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written off during the year in which they are identified.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, and deposits held at call with banks, net of bank overdrafts.

(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 the income statement over the period of the borrowings.

(k) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

(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 liability in respect of the defined benefit plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

(m) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(n) Revenue recognition

Group revenue comprises box office receipts, theatre confectionery sales, advertising and rental income, net of General Consumption Tax. Box office receipts and concession sales are recognised on collection. Advertising and rental income are recognised on an accrual basis in accordance with the substance of the underlying contracts.

(o) Segment reporting

Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those of components operating in the other economic environments. Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

(p) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of International Financial Reporting Standards (Note 30).

3. Segment Reporting

Primary reporting format – geographical segments:

	Kingston 2003 $'000	Montego Bay 2003 $'000	Mandeville 2003 $'000	Portmore 2003 $'000	Total 2003 $'000
Revenue	341,474	58,118	7,300	14,724	421,616
Segment result	65,166	(4,569)	519	1,589	62,705
Unallocated costs					(72,687)
Operating loss					(9,982)
Segment assets	114,024	85,869	51,272	509	251,674
Unallocated assets					107,723
Total assets					359,397
Segment liabilities	66,937	26,708	22,755	-	116,400
Unallocated liabilities					14,975
Total liabilities					131,375
Other segment items –					
Capital expenditure	1,810	3,764	51,835	69	57,478
Depreciation	12,744	9,920	836	87	23,587

	Kingston 2002 $'000	Montego Bay 2002 $'000	Mandeville 2002 $'000	Portmore 2002 $'000	Total 2002 $'000
Revenue	304,672	35,381	-	12,705	352,758
Segment result	53,158	(7,744)	-	1,129	46,543
Unallocated costs					(54,964)
Operating loss					(8,421)
Segment assets	122,080	91,477	-	509	214,066
Unallocated assets					79,578
Total assets					293,644
Segment liabilities	57,046	-	-	-	57,046
Unallocated liabilities					13,415

Total liabilities					70,461
Other segment items –					=========
Capital expenditure	7,435	87,762	-	7	95,204
Depreciation	12,784	4,793	-	197	17,774

Unallocated costs represent head office expenses. Segment assets comprise mainly fixed assets, inventories, receivables and operating cash, and mainly exclude other cash equivalents, taxation and investments. Segment liabilities comprise operating liabilities and exclude taxation and bank overdraft.

Secondary reporting format – business segments:

	2003 $'000	2002 $'000
Box office receipts	241,298	207,307
Confectionery sales	99,503	86,974
Film exchange	69,763	48,184
Other activities	11,052	10,293
	421,616	352,758

Assets, liabilities, capital expenditure and depreciation cannot be separated into business segments due to the nature of the operations.

4. Results from Operations

The following items have been charged/(credited) in arriving at operating results:

	2003 $'000	2002 $'000
Auditors' remuneration -		
Current year	1,809	1,705
Prior year	-	2
Cost of inventories recognised as expense	43,301	37,193
Depreciation	23,587	17,774
Directors' emoluments -		
Fees	497	581
Management remuneration	9,428	8,458

Gain on sale of fixed assets	(835)	(85)
Impairment charge for bad and doubtful debts	87	870
Repairs, maintenance and renewals	15,073	14,812
Staff costs (Note 5)	80,181	69,932
	=======	=======

5. Staff Costs

	2003 $'000	2002 $'000
Wages and salaries	60,838	53,484
Statutory contributions	6,636	5,644
Pension costs	1,505	777
Other	11,202	10,032
	80,181	69,932
	========	========

The Group employed 208 persons at the end of the year (2002 - 2003).

6. Financial Income

	2003 $'000	2002 $'000
Interest income	9,692	11,973
Investment income	111	64
Gain on sale of theatres	-	3,528
Foreign exchange gains, net	8,262	3,590
Interest expense	(6,048)	(3,827)
	12,017	15,328
	========	========

7. Taxation Expense

	2003 $'000	2002 $'000
Deferred taxation	(1,421)	911

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 33 1/3%, as follows:

	2003 $'000	2002 $'000
Profit before taxation	2,035	6,907
Tax calculated at a tax rate of 33 1/3%	678	2,302
Income not subject to tax	(1,443)	(1,193)
Expenses not deductible for tax purposes	37	75
Other	(693)	(273)
	(1,421)	911

8. Net Profit and Retained Earnings Attributable to the Stockholders

	2003 $'000	2002 $'000
(a) Net profit is dealt with as follows in the financial statements of:		
The company	2,512	6,778
The subsidiaries	914	(790)
	3,426	5,988
(b) Retained earnings are dealt with as follows in the financial statements of:		
The company	37,551	35,326
The subsidiaries	18,546	17,632
	56,097	52,958

9. Earnings Per Stock Unit

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

	2003	2002
Net profit attributable to stockholders ($'000)	3,426	5,988
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit ($ per share)	2.38	4.17
	======	======

The company has no dilutive potential ordinary shares.

10. Capital Distribution

On 31 January 2002, the company paid a capital distribution of $2.00 per share, net of transfer tax, to registered shareholders as at 10 January 2002.

11. Dividends

On 11 April 2003, the company paid a dividend of $0.20 per share to registered shareholders as at 11 March 2003.

12. Fixed Assets

The Group

	Freehold Land $'000	Theatre Buildings $'000	Other Buildings $'000	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Cost -							
At 1 July 2002	2,110	75,017	1,183	42,393	166,303	656	287,662
Additions	-	-	-	2,504	24,982	29,992	57,478
Disposals	-	-	-	-	(1,225)	-	(1,225)
Transfers	-	-	-	16,612	14,036	(30,648)	-
At 30 June 2003	2,110	75,017	1,183	61,509	204,096	-	343,915
Depreciation -							
At 1 July 2002	-	9,554	275	6,089	67,605	-	83,523
Charge for the year	-	1,870	27	4,236	17,454	-	23,587
On disposals	-	-	-	-	(1,225)	-	(1,225)
At 30 June 2003	-	11,424	302	10,325	83,834	-	105,885

Net Book Value -							
30 June 2003	2,110	63,593	881	51,184	120,262	-	238,030
30 June 2002	2,110	65,463	908	36,304	98,698	656	204,139

The Company

	Freehold Land $'000	Theatre Buildings $'000	Other Buildings $'000	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Cost -							
At 1 July 2002	1,076	96	1,183	42,393	98,154	656	143,558
Additions	-	-	-	2,504	24,958	29,992	57,454
Disposals		-	-	-	(1,225)	-	(1,225)
Transfers	-	-	-	16,612	14,036	(30,648)	-
At 30 June 2003	1,076	96	1,183	61,509	135,923	-	199,787
Depreciation -							
At 1 July 2002	-	24	275	6,089	30,812	-	37,200
Charge for the year	-	2	27	4,236	10,662	-	14,927
On disposals	-	-	-	-	(1,225)	-	(1,225)
At 30 June 2003	-	26	302	10,325	40,249	-	50,902
Net Book Value -							
30 June 2003	1,076	70	881	51,184	95,674	-	148,885
30 June 2002	1,076	72	908	36,304	67,342	656	106,358

Freehold land and buildings were revalued in 1972 and the revaluation surplus of $2,428,000 for the Group and $1,373,000 for the company was credited to capital reserve. The revalued amounts have been designated the deemed cost of these assets at the date of revaluation, under the provision of IFRS 1 (Note 2 (d)).

13. Long Term Receivables

	The Group & The Company 2003 $'000	2002 $'000
Flick Holdings Limited	7,646	10,538
Less: Current portion (included in accounts receivable)	(5,798)	(4,273)
	1,848	6,265

This represents rental paid in advance and is denominated in US dollars. The amount is recoverable in 30 consecutive monthly instalments commencing January 2002 and attracts interest at a rate of 11%.

14. Investments

	The Group		The Company	
	2003 $'000	2002 $'000	2003 $'000	2002 $'000
Quoted	3,989	2,289	1,792	1,008
Unquoted – Subsidiaries:				
Cinema Company of Jamaica Limited				
135,800 Ordinary shares of $2 each	-	-	272	272
Harbour View Cinema Company Limited				
34,303 Ordinary shares of $2 each	-	-	68	68
Tropical Cinema Company Limited				
72,342 Ordinary shares of $2 each	-	-	145	145
	3,989	2,289	2,277	1,493

15. Due from 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 Holding Company.

16. Inventories

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Cinemas	2,361	1,798	1,503	1,172
General stores	9,750	7,452	9,750	7,452
Other	1,738	882	1,738	882
	13,849	10,132	12,991	9,506
Less: Provision for obsolescence	(205)	(205)	(205)	(205)
	13,644	9,927	12,786	9,301
	========	=======	========	=======

17. Accounts Receivable

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Trade	10,728	9,029	10,727	9,027
Prepayments	2,029	2,144	2,029	2,144
Other	6,605	4,471	6,605	4,471
	19,362	15,644	19,361	15,642
	=======	=======	=======	=======

18. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
Cash at bank and in hand	13,173	4,238	12,853	3,747
Short term deposits	50,777	37,289	50,777	37,289
	63,950	41,527	63,630	41,036
Bank overdraft (Note 20)	(7,827)	(5,131)	(7,827)	(5,131)
	56,123	36,396	55,803	35,905
	========	========	========	========

The weighted average interest rate on short term deposits was 18% (2002 - 11%) and these deposits have an average maturity of 30 days.

19. Accounts Payable

	The Group		The Company	
	2003	2002	2003	2002
	$'000	$'000	$'000	$'000
(a) Trade payables	32,822	32,599	27,339	27,268
(b) Other payables and accruals	23,044	9,090	18,913	6,460
	55,866	41,689	46,252	33,728
	=======	=======	=======	=======

(a) This balance includes $13,141,000 (2002 - $18,079,000) payable to Russgram Investments Limited in respect of film hireage expenses and short term advances.

(b) This balance includes $Nil (2002 - $1,097,000) due to the Managing Director, and a provision of $9,919,000 (2002 - $Nil) for outstanding commission on the sale of the Odeon Complex (Note 27).

20. Borrowings

	The Group & The Company	
	2003	2002
	$'000	$'000
Bank overdraft	7,827	5,131
Long term liabilities	60,534	15,357
	68,361	20,488
	========	========

(a) Bank overdraft

The company has a bank overdraft facility totalling $20,000,000 (2002 – $20,000,000), which attracts interest at 23.75% (2002 – 25%) and is immediately rate sensitive. The facility is partially secured by Government of Jamaica Local Registered Stock of $10 million held with RBTT Bank Jamaica Limited.

(b) Long term liabilities

	The Group & The Company	
	2003	2002
	$'000	$'000
(i) Development Bank of Jamaica Limited	11,071	15,357
(ii) Development Bank of Jamaica Limited	26,708	-
(iii) Private Export Funding Corporation	22,755	-
	60,534	15,357
Less: Current portion	(13,732)	(4,286)
	46,802	11,071
	========	=======

(i) This loan attracts interest at a rate of 13% and is repayable by January 2006. The company had received a moratorium on principal repayments until February 1999. The loan is secured by a first mortgage over the Carib Cinema.

(ii) This loan attracts interest at a rate of 13% and is repayable by May 2009. The loan is secured by a first mortgage over the Carib Cinema.

(iii) This loan attracts interest at a rate of LIBOR + 3.5% and is repayable by May 2008. The loan is secured by promissory notes to the value of the loan.

The aggregate amount of principal repayments required in each of the next five years is as follows:

	$'000
2004	13,732
2005	13,734
2006	11,947
2007	9,447
2008 and thereafter	11,674
	60,534
	=======

21. Share Capital

	2003	**2002**
	$'000	**$'000**
Authorised -		
1,500,000 ordinary shares of $1 each	1,500	1,500
	=======	=======
Issued and fully paid -		
1,437,028 stock units of $1 each	1,437	1,437
	=======	=======

22. Capital Reserve

	The Group		**The Company**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Comprised of –				
Unrealised surplus on revaluation of fixed assets	2,428	2,428	1,373	1,373
Realised capital gains	163,868	163,868	146,992	146,992
Reserve on consolidation	389	389	-	-
	166,685	166,685	148,365	148,365
	=======	=======	=======	=======

23. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

24. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3%.

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 amounts determined after appropriate offsetting are as follows:

	The Group		**The Company**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	(7,050)	(5,076)	(6,478)	(4,561)
Deferred tax liabilities	6,752	6,199	-	-
	(298)	1,123	(6,478)	(4,561)

These balances include the following:

	The Group		**The Company**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	(17,847)	(12,436)	(16,619)	(10,440)
Deferred tax liabilities to be settled after more than 12 months	14,571	12,220	7,163	4,540

The movement in deferred taxation is as follows:

	The Group		**The Company**	
	2003	**2002**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**
Balance at start of year	1,123	212	(4,561)	(5,806)
(Credit)/charge for the year	(1,421)	911	(1,917)	1,245
Balance at end of year	(298)	1,123	(6,478)	(4,561)

The movement in deferred tax assets and liabilities, prior to offsetting of balances, is as follows:

The Group

Deferred tax liabilities

	Accelerated tax depreciation	Unrealised foreign exchange gains	Interest receivable	Total
At 1 July 2002	12,220	1,197	142	13,559
Charge for the year	2,351	1,557	82	3,990
At 30 June 2003	14,571	2,754	224	17,549

Deferred tax assets

	Tax loss carry forwards	Total
At 1 July 2002	12,436	12,436
Credit for the year	5,411	5,411
At 30 June 2003	17,847	17,847

The Company

Deferred tax liabilities

	Accelerated tax depreciation	Unrealised foreign exchange gains	Interest receivable	Total
At 1 July 2002	4,540	1,197	142	5,879
Charge for the year	2,623	1,557	82	4,262
At 30 June 2003	7,163	2,754	224	10,141

Deferred tax assets

	Tax loss carry forwards	Total
At 1 July 2002	10,440	10,440
Credit for the year	6,179	6,179
At 30 June 2003	16,619	16,619

Deferred income tax assets are recognised for tax loss carry forwards 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 $53,541,000 for the group and $49,858,000 for the company (2002 – $37,309,000 and $31,321,000 respectively) are available for set off against future profits of the company and may be carried forward indefinitely.

25. Pension Obligations

(a) The company participates in a defined benefit scheme, which is open to all permanent head office employees and administered for The Palace Amusement Company (1921) Limited by Guardian Life 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 defined benefit asset/(liability) was determined as follows:

	2003 $'000	2002 $'000
Fair value of plan assets	52,187	38,198
Present value of obligations	(46,769)	(39,917)
	5,418	(1,719)
Unrecognised actuarial gain	(4,559)	-
	859	(1,719)

The movement in the defined benefit asset/(liability) during the year is as follows:

	2003 $'000	2002 $'000
At beginning of year	(1,719)	(3,627)
Amounts recognised in the income statement	(1,092)	(1,230)
Contributions paid	3,670	3,138
At end of year	859	(1,719)

The amounts recognised in the income statement in staff costs are as follows:

	2003 $'000	2002 $'000
Current service cost	(2,220)	(1,683)
Employee contributions	2,470	1,781
	250	98
Interest cost	(5,248)	(4,412)
Expected return on plan assets	3,906	3,084
	(1,092)	(1,230)
Actual return on plan assets	8,155	3,575

The principal actuarial assumptions used were as follows:

	2003 $'000	2002 $'000
Discount rate	12.5%	12.5%
Long term inflation rate	7%	7%
Expected return on plan assets	9.5%	9.5%
Future salary increases	9%	9%
Future pension increases	Nil	Nil

(b) The company participates in a defined benefit scheme which is open to all permanent cinema employees and administered 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.

The defined benefit asset was determined as follows:

	2003 $'000	2002 $'000
Fair value of plan assets	12,975	11,365
Present value of obligations	(7,702)	(6,084)
	5,273	5,281
Unrecognised actuarial loss	2,947	1,696
	8,220	6,977
Limitation on recognition of surplus due to uncertainty of obtaining future benefits	(4,196)	(3,361)
	4,024	3,616

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

	2003 $'000	2002 $'000
At beginning of year	3,616	2,643
Amounts recognised in the income statement	(413)	453
Contributions paid	821	520
At end of year	4,024	3,616

The amounts recognised in the income statement in staff costs are as follows:

	2003	2002
	$'000	$'000
Current service cost	(609)	(593)
Employee contributions	425	419
	(184)	(174)
Interest cost	(741)	(510)
Actuarial loss recognised during the year	(20)	-
Expected return on plan assets	1,367	1,241
	422	557
Surplus not eligible for recognition due to limitation	(835)	(104)
	(413)	453
	=====	=====
Actual return on plan assets	687	746
	=====	=====

The principal actuarial assumptions used were as follows:

	2003	2002
	$'000	$'000
Discount rate	12.5%	12.5%
Expected return on plan assets	12.5%	12.5%
Future salary increases	10%	10%
Future pension increases	4%	4%
	=======	=======

26. Cash Provided By/(Used In) Operating Activities

	2003	2002
	$'000	$'000
Net profit	3,426	5,988
Items not affecting cash resources:		
Depreciation	23,587	17,774
Deferred taxation	(1,421)	911
Gain on sale of theatres	-	(3,528)
Gain on sale of other fixed assets	(835)	(85)
Interest income	(9,692)	(11,973)
Interest expense	6,048	3,827
Investment income	(111)	(64)
Minority interest in results of the year	30	8
	21,032	12,858
Change in non-cash working capital balances:		
Inventories	(3,717)	1,986
Accounts receivable	(1,947)	(761)

Taxation withheld	(1,480)	(1,321)
Pension obligations, net	(2,986)	(2,881)
Accounts payable	14,177	(121,079)
Cash provided by/(used in) operating activities	25,079	(111,198)
	========	=========

27. Provisions

C. D. Alexander Company Realty Limited has filed a Writ of Summons claiming outstanding commission of 5% on the sale of the Odeon Complex, which amounts to approximately $9,919,000 inclusive of General Consumption Tax. The Courts have laid down a preliminary ruling stating that the company will be held liable for the commission and, as such, a provision has been made in these financial statements for that amount. This provision has been included in other payables (Note 19). The Company is appealing the ruling.

28. National Housing Trust

Compulsory contributions made to 31 July 1979, which were charged to profit and loss account, amounted to approximately $49,000 for the group and $42,000 for the company, and are recoverable in the years 2001 - 2004.

29. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign exchange rates and interest rates. Risk management is carried out by a central treasury function, which identifies, evaluates and manages risk based on guidelines set by the Board of Directors.

(i) Foreign exchange risk

The consolidated balance sheet at 30 June 2003 includes aggregate net foreign assets of approximately US$273,000 (2002 – US$845,000) in respect of transactions arising in the ordinary course of business.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. At 30 June 2003, the Group has interest-bearing assets as disclosed in Notes 13 and 18 and interest-bearing liabilities as disclosed in Note 20.

(iii) Market risk

The Group has no significant exposure to market risk as the financial instruments subject to this risk are not material to the Group.

(iv) Credit risk

Cash is held with substantial financial institutions. There are no significant concentrations of risk attached to trade receivables as these amounts are not concentrated in any given sector or institution.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the Group aims at maintaining flexibility in funding by keeping committed lines of credit available.

(b) Fair value estimation

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented below are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

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 are cash, short term deposits, trade receivables and payables, and bank overdraft.

The estimated fair values of the Group's other financial instruments are as follows:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	$'000	$'000	$'000	$'000
Financial assets				
Long term receivables (including current portion)	7,646	7,646	10,358	10,358
Investments	3,989	3,989	2,289	2,289
Financial liability				
Long term liabilities (including current portion)	60,534	60,534	15,357	15,357

Fair values were estimated as follows:

Long term receivables and long term liabilities
For disclosure purposes, the fair values of long term receivables and long term liabilities are estimated by discounting the future contractual cash flows at the current market rate available to the Group for similar financial instruments.

Investments
Investments comprise marketable equity securities and are fair valued annually at the balance sheet date. The fair value of investments is determined by reference to quoted bid prices on the Stock Exchange.

30. Effect of Transition to IFRSs

(a) Reconciliation of equity at 1 July 2001

The Group

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Assets				
Fixed assets		127,931	-	127,931
Investment property		164,840	-	164,840
Other investments	(i)	188	1,245	1,433

Deferred tax assets	(ii)	-	6,328	6,328
Pension surplus	(iii)	-	2,643	2,643
Inventories		11,913	-	11,913
Accounts receivable		11,578	-	11,578
Taxation recoverable		3,840	-	3,840
Cash and bank balances		93,164	-	93,164
Total Current Assets		120,495	-	120,495
Total Assets		413,454	10,216	423,670
Liabilities				
Accounts payable		162,774	-	162,774
Current portion of long term liabilities		4,286	-	4,286
Bank overdraft		3,978	-	3,978
Total Current Liabilities		171,038	-	171,038
Long term liabilities		22,675	-	22,675
Deferred tax liabilities	(ii)	-	6,540	6,540
Pension obligations	(iii)	-	3,627	3,627
Minority interest	(iv)	17	337	354
Total Liabilities		193,730	10,504	204,234
Total Assets Less Total Liabilities		219,724	(288)	219,436
Shareholders' Equity				
Share capital		1,437	-	1,437
Capital reserve		50,184	-	50,184
Investment reserve		162,633	-	162,633
Fair value reserve	(i)	-	1,245	1,245
Retained earnings	(ii), (iii), (iv)	5,470	(1,533)	3,937
Total Equity		219,724	(288)	219,436

The Company

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Assets				
Fixed assets		22,272	-	22,272
Investment property		164,840	-	164,840
Other investments	(i)	653	354	1,007
Deferred tax assets	(ii)	-	5,806	5,806
Pension surplus	(iii)	-	2,643	2,643
Due from subsidiary companies		57,529	-	57,529
Inventories		11,197	-	11,197
Accounts receivable		11,576	-	11,576
Taxation recoverable		3,712	-	3,712
Cash and bank balances		92,706	-	92,706
Total Current Assets		119,191	-	119,191
Total Assets		364,485	8,803	373,288
Liabilities				
Accounts payable		156,919	-	156,919
Current portion of long term liabilities		4,286	-	4,286
Bank overdraft		3,978	-	3,978
Total Current Liabilities		165,183	-	165,183
Long term liabilities		22,675	-	22,675
Pension obligations	(iii)	-	3,627	3,627
Total Liabilities		187,858	3,627	191,485
Total Assets Less Total Liabilities		176,627	5,176	181,803
Shareholders' Equity				
Share capital		1,437	-	1,437
Capital reserve		31,864	-	31,864
Investment reserve		162,633	-	162,633
Fair value reserve	(i)	-	354	354
Accumulated deficit	(ii), (iii)	(19,307)	4,822	(14,485)
Total Equity		176,627	5,176	181,803

(b) Reconciliation of equity at 30 June 2002

The Group

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Assets				
Fixed assets		204,139	-	204,139
Long term receivables		6,265	-	6,265
Investments	(i)	188	2,101	2,289
Deferred tax assets	(ii)	-	5,076	5,076
Pension surplus	(iii)	-	3,616	3,616
Inventories		9,927	-	9,927
Accounts receivable		15,644	-	15,644
Taxation recoverable		5,161	-	5,161
Cash and bank balances		41,527	-	41,527
Total Current Assets		72,259	-	72,259
Total Assets		282,851	10,793	293,644
Liabilities				
Accounts payable	(v)	41,695	(6)	41,689
Current portion of long term liabilities		4,286	-	4,286
Bank overdraft		5,131	-	5,131
Total Current Liabilities		51,112	(6)	51,106
Long term liabilities		11,071	-	11,071
Deferred tax liabilities	(ii)	-	6,199	6,199
Pension obligations	(iii)	-	1,719	1,719
Minority interest	(iv),(v)	105	261	366
Total Liabilities		62,288	8,173	70,461
Total Assets Less Total Liabilities		220,563	2,620	223,183
Shareholders' Equity				
Share capital		1,437	-	1,437
Capital reserve		166,685	-	166,685
Fair value reserve	(i)	-	2,103	2,103
Retained earnings	(ii),(iii),(iv)	52,441	517	52,958
Total Equity		220,563	2,620	223,183

The Company

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Assets				
Fixed assets		106,358	-	106,358
Long term receivables		6,265	-	6,265
Investments	(i)	653	840	1,493
Deferred tax assets	(ii)	-	4,561	4,561
Pension surplus	(iii)	-	3,616	3,616
Due from subsidiary companies		48,598	-	48,598
Inventories		9,301	-	9,301
Accounts receivable		15,642	-	15,642
Taxation recoverable		5,033	-	5,033
Cash and bank balances		41,036	-	41,036
Total Current Assets		71,012	-	71,012
Total Assets		232,886	9,017	241,903
Liabilities				
Accounts payable		33,728	-	33,728
Current portion of long term liabilities		4,286	-	4,286
Bank overdraft		5,131	-	5,131
Total Current Liabilities		43,145	-	43,145
Long term liabilities		11,071	-	11,071
Pension obligations	(iii)	-	1,719	1,719
Total Liabilities		54,216	1,719	55,935
Total Assets Less Total Liabilities		178,670	7,298	185,968
Shareholders' Equity				
Share capital		1,437	-	1,437
Capital reserve		148,365	-	148,365
Fair value reserve	(i)	-	840	840
Retained earnings	(ii),(iii)	28,868	6,458	35,326
Total Equity		178,670	7,298	185,968

(c) Reconciliation of profit and loss for the year ended 30 June 2002

The Group

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRSs $'000	IFRSs $'000
Revenue		352,758	-	352,758
Direct expenses		(290,662)	-	(290,662)
Gross profit		62,096	-	62,096
Other operating income		6,192	-	6,192
Administration expenses	(iii)	(75,619)	2,881	(72,738)
Other operating expenses		(3,971)	-	(3,971)
Operating loss		(11,302)	2,881	(8,421)
Finance income, net		15,328	-	15,328
Profit before taxation		4,026	2,881	6,907
Taxation	(ii)	-	(911)	(911)
Profit before minority interest		4,026	1,970	5,996
Minority interest in results of subsidiaries	(iv)	(88)	80	(8)
Net Profit		3,938	2,050	5,988

The Company

	Note	Previous Jamaican GAAP $'000	Effect of Transition to IFRS $'000	IFRS $'000
Profit before taxation	(iii)	5,142	2,881	8,023
Taxation	(ii)	-	(1,245)	(1,245)
Net Profit		5,142	1,636	6,778

(i) Financial assets are classified as available-for-sale under IFRSs and are carried at their fair values. They were carried at cost less provision for diminution under previous Jamaican GAAP. Unrealised gains arising from changes in fair values are recognised in Fair Value Reserve.

(ii) Provision for deferred tax, which was not required under previous Jamaican GAAP, is now made in full using the liability method.

(iii) Provision for pension obligations, which was not required under previous Jamaican GAAP, is now made in full. The provision for pension obligations is determined by independent actuaries using the projected unit credit method.

(iv) Minority interest has been adjusted to reflect the minority shareholders' share of losses and equity in the subsidiaries, based on the effect of transition to IFRSs in the accounts of the subsidiaries.

(v) This amount of $6,000 reflects the balance under Jamaican GAAP after a reclassification to minority interest. The reclassification is not as a result of the adoption of IFRSs.