PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

CONTENTS	**STATEMENT**

Mair Russell Grant Thornton

Chartered Accountants

AUDITORS' REPORT

TO THE MEMBERS OF

PULSE INVESTMENTS LIMITED

We have audited the accompanying balance sheet of Pulse Investments Limited as of June 30, 2005, and the related income statement, statements of changes in equity and cash flows for the year then ended, and have obtained all the information and explanations which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the company's affairs as at June 30, 2005, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Mair Russell Grant Thornton

CHARTERED ACCOUNTANTS

October 12, 2005

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PULSE INVESTMENTS LIMITED

BALANCE SHEET **JUNE 30,2005**

	Note	2005 $	2004 $
ASSETS			
Current assets			
Bank balances	(2j & 3)	773,624	193,457
Trade and other receivables	(4)	32,157,777	27,204,441
Owing by related company	(5)	10,492,153	34,300,429
Unexpired sponsorships in-kind		131,616,363	69,251,200
		175,039,917	130,949,527
Non-current assets			
Property and equipment	(6)	333,204,876	1,279,573
Intangible assets	(7)	103,200,000	3,440,000
		436,404,876	4,719,573
Total assets		611,444,793	135,669,100
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft	(3 & 8)	5,020,425	543,423
Payables and accruals	(9)	10,069,635	7,427,365
Owing to related company	(5)	13,543,387	11,373,831
		28,633,447	19,344,619
Non-current liabilities			
Bank loans	(10)	12,200,000	-
Preference shares	(11)	511,222	-
		12,711,222	-
Capital and reserves			
Share capital	(12)	12,289,146	3,154,977
Share premium	(13)	393,177,078	16,042,281
Advances in respect of rights issue	(14)	9,070,558	9,070,558
Capital reserve	(15)	4,502,049	-
Accumulated profits		151,061,293	88,056,665
		570,100,124	116,324,481
Total liabilities and equity		611,444,793	135,669,100

The attached notes on Statement VI form an integral part of these financial statements.

Approved by the Board of Directors on October 12, 2005 and signed on their behalf by:

…………………………….)
) DIRECTORS
…………………………….)

PULSE INVESTMENTS LIMITED

INCOME STATEMENT

YEAR ENDED JUNE 30, 2005

	Note	2005 $	2004 $
Revenue	(2d)	221,158,089	134,217,546
Other operating income		274,114	11,496,948
Administrative and general expenses		(157,661,059)	(114,014,398)
Other operating expenses		(448,264)	(147,899)
Finance costs		(318,252)	(153,129)
Profit before tax	(16)	63,004,628	31,399,068
Income taxes	(17)	-	946,931
Net profit for the year		63,004,628	32,345,999

The attached notes on Statement VI form an integral part of these financial statements.

STATEMENT IV

PULSE INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED JUNE 30, 2005

	Share capital $	Share premium $	Advance in respect of rights issue $	Capital reserve $	Accumulated profits $	Total $
Balance as at June 30, 2003	3,154,977	16,042,281	9,070,558	-	55,710,666	83,978,482
Net profit for the year	-	-	-	-	32,345,999	32,345,999
Balance as at June 30, 2004	3,154,977	16,042,281	9,070,558	-	88,056,665	116,324,481
Issue of shares	9,134,169	377,134,797	-	-	-	386,268,966
Surplus on acquisition	-	-	-	4,502,049	-	4,502,049
Net profit for the year	-	-	-	-	63,004,628	63,004,628
Balance as at June 30, 2005	12,289,146	393,177,078	9,070,558	4,502,049	151,061,293	570,100,124

The attached notes on Statement VI form an integral part of these financial statements.

PULSE INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2005

	2005 $	2004 $
Cash flow from operating activities:		
Profit before tax	63,004,628	31,399,068
Adjustments for:		
Depreciation - current year	191,978	167,731
- prior year	-	(94,391)
Amortisation of trademarks	240,000	240,000
	63,436,606	31,712,408
Increase in unexpired sponsorships in-kind	(62,365,163)	(22,033,601)
(Increase)/decrease in trade and other receivables	(4,953,336)	6,690,109
Increase in owing by related company	(4,589,487)	(11,350,262)
Increase in payables and accruals	2,642,270	407,521
Increase/(decrease) in owing to related company	2,169,556	(4,986,780)
Net cash (used in)/generated from operations	(3,659,554)	439,395
Cash flows from investing activities:		
Purchase of property and equipment	(237,281)	(282,088)
Net cash used in investing activities	(237,281)	(282,088)
Net (decrease)/increase in cash and cash equivalents	(3,896,835)	157,307
Cash and cash equivalents at beginning of year	(349,966)	(507,273)
Cash and cash equivalents at end of year (Note 3)	(4,246,801)	(349,966)

The attached notes on Statement VI form an integral part of these financial statements.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

1. **IDENTIFICATION**

The company was incorporated under the laws of Jamaica on August 6, 1993 and commenced trading on November 1, 1993. The company was listed on the Jamaica Stock Exchange in April 1994. However, effective May 9, 2003 the company was delisted from the Jamaica Stock Exchange.

The principal activities of the company are model agency representation; multi-media production, marketing show promotion and rental of properties.

The registered office of the company is located at 38a Trafalgar Road, Kingston 10, Jamaica.

Except where otherwise stated, these financial statements are expressed in Jamaican Dollars.

2. **SIGNIFICANT ACCOUNTING POLICIES**

(a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) Accounting Convention

These financial statements have been prepared under the historical cost convention.

(c) Use of Estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

(d) Revenue Recognition

Revenue is recognized on the accrual basis except for sponsorships in kind, which is reflected as income at management estimated market value, when activities to be performed by the company in return for sponsorships have been substantially completed.

(e) Property and equipment

(i) Property and equipment is carried at cost less accumulated depreciation and any recognised impairment losses.

(ii) Depreciation is charged on the assets from the date of acquisition.

(iii) Depreciation is provided on the straight line basis at such rates as will write off the cost of the various assets over the period of their expected useful lives. The useful lives approximate to five (5) years for equipment and ten (10) years for furniture, fixtures and motorcycle.

(iv) Leasehold properties are being amortised over its useful lives, which is forty-nine (49) years. (Note 6).

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) Income Taxes

Income tax on profit for the year comprises current and deferred tax.

Provision is made for deferred taxation of current tax rates for temporary differences between profits computed for taxation purposes and profits stated in the financial statements.

Deferred tax is accounted for using the balance sheet liability method, in providing for temporary differences between the carrying amount of assets and liabilities for the financial reporting purposes and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the Income Statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

However, the company sustained a tax loss during the current year, and as a result no deferred tax is recognised in these financial statements, as deferred tax liability is not expected to crystalise in the future. (Note 17).

(g) Intangible Assets

Intangible assets include trademarks and patents. These are measured initially at purchase cost. Trademarks are amortised over their estimated useful lives on a straight-line basis of twenty-five, (25) years. In addition patents and trademarks are subject to impairment testing as described in the note 2k.

(h) Foreign Currencies:

(i) Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling at that date.

(ii) Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions.

(iii) Gains/losses arising from fluctuations in exchange rates are included in the Income Statement.

(i) Financial Instruments

Financial assets and liabilities are recognised when the company has become a party to the contractual provisions of the instrument.

(i) Trade and Other Receivables

The above are stated at nominal value less specific provision for doubtful debts.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

2. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(i) Financial Instruments (cont'd)

(ii) Owing to Related Company

Amounts owing to related company is stated at nominal value

(iii) Trade and Other Payables

These are stated at nominal value.

(j) Cash and Cash Equivalents

The above represents current accounts held with banks net of bank overdraft.

(k) Impairment

At balance sheet date the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Impairment losses are recognized as an expense immediately.

(l) Provisions

Provisions are recognised when there is 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 a reliable estimate of the amount can be made.

(m) Unexpired Sponsorships In-kind

Unexpired sponsorships represent in kind services which have not been utilised.

Expenses relating to sponsorship in kind are estimated by management. The unexpired portion is carried forward as stated in the paragraph above, the balance is written off to expense.

3. **CASH AND CASH EQUIVALENTS COMPRISE:**

	2005 $	2004 $
Demand deposit	773,624	193,457
Less: bank overdraft	(5,020,425)	(543,423)
	(4,246,801)	(349,966)

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

4. **TRADE AND OTHER RECEIVABLES COMPRISE:**

	2005 $	2004 $
Trade	31,571,217	27,009,650
Other	693, 648	1,187,792
	32,264,865	28,197,442
Less: provision for doubtful debts	107,088	993,001
	32,157,777	27,204,441

Included in trade receivables are rental receivables totalling $867,160. Claims have been filed before the courts for the recovery of these amounts. However, no provisions has been made in these financial statements for any possible loss, as the Directors are of the opinion that the company's claims will be successful and the amounts will be collected.

5. **RELATED PARTY BALANCES AND TRANSACTIONS:**

(a) Two parties are considered to be related if:

(i) one party holds shares in the other and/or have significant influence on financial operating policy;

(ii) both parties are subject to common control or significant influence from similar shareholders or Directors.

(b) The Balance Sheet includes balances arising in the normal course of business, with related parties as follows:

	2005 $	2004 $
Owing by related party	10,492,153	34,300,429
Owing to related parties		
Directors	(10,965,141)	(7,400,933)
Samurai Investments Limited	24,508,528	18,774,764
	13,543,387	11,373,831

(c) The Income Statement includes expenses incurred in transactions with related parties as follows:

	2005 $	2004 $
Management fees	9,253,764	5,140,980
Rent	2,400,000	2,400,000

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

6. PROPERTY AND EQUIPMENT COMPRISE:

	Leasehold properties $	Furniture fixtures and equipment $	Total $
At cost:			
June 30, 2004	-	6,072,065	6,072,065
Additions	-	237,281	237,281
Acquisition from Pulse Entertainment Group Limited	331,880,000	-	331,880,000
June 30, 2005	331,880,000	6,309,346	338,189,346
Depreciation:			
June 30, 2004	-	4,792,492	4,792,492
Charge for the year	-	191,978	191,978
June 30, 2005	-	4,984,470	4,984,470
Net book values:			
June 30, 2005	331,880,000	1,324,876	333,204,876
June 30, 2004	-	1,279,573	1,279,573

Leasehold properties represents properties situated at 38A Trafalgar Road, Kingston 10, Stony Hill, St. Andrew and Constant Spring Road, St. Andrew leased from Kingsley Cooper a Shareholder for a period of forty-nine (49) years. These properties were previously leased by PEG Limited a related company and forms part of the assets acquired by the company on the reconstruction of PEG Limited.

7. INTANGIBLE ASSETS

	Patents $	Trademarks $	Total $
Cost:			
June 30, 2004	-	6,000,000	6,000,000
Acquisition from Pulse Entertainment Group Limited	100,000,000	-	100,000,000
June 30, 2005	100,000,000	6,000,000	106,000,000
Accumulated Amortization:			
June 30, 2004	-	2,560,000	2,560,000
Charge for the year	-	240,000	240,000
June 30, 2005	-	2,800,000	2,800,000
Carrying Value:			
June 30, 2005	100,000,000	3,200,000	103,200,000
June 30, 2004	-	3,440,000	3,440,000

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

8. **BANK OVERDRAFT COMPRISE:**

	2004 $	2003 $
Bank overdraft	(5,020,425)	(543,423)
	(5,020,425)	(543,423)

Bank overdraft is secured by:

(i) Bill of sale over 1996 Mazda Capella.

(ii) A guarantee from Kingsely Cooper in favour of Pulse Investments Limited for an unlimited amount.

Bank overdraft bears an interest rate of twenty four point two five percent (24.25%).

9. **PAYABLES AND ACCRUALS COMPRISE:**

	2005 $	2004 $
Payables	2,865,130	776,143
Accruals	1,932,140	3,229,640
Other	881,657	-
GCT	4,390,708	3,421,582
	10,069,635	7,427,365

10. **BANK LOANS**

Bank loans comprise:

	2005 $	2004 $
(i) National Investment Bank of Jamaica Limited	10,000,000	-
(ii) Dehring, Bunting and Golding Limited	1,200,000	-
(iii) First Global Bank Limited	1,000,000	-
	12,200,000	-

(i) The loan is repayable monthly at $311,000 per month over a five (5) year period. The loan is secured by second Mortgage over property at 38A Trafalgar Road.

(ii) The loan is repayable on demand and is secured by first Mortgage over property registered at Volume 311, Folio 22 covering all that parcel of land at Villa Ronai, St. Andrew.

(iii) The loan is secured by first mortgage over property at 38A Trafalgar Road and is repayable on demand.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

11. **PREFERENCE SHARES**

	2005 $	2004 $
5,112,219 13 percent convertible cumulative preference shares at $0.10	511,222	-

As part of the restructuring, the National Investment Bank of Jamaica Limited, agreed to accept twenty point five million dollars ($20.5M) preference shares in Pulse Investments Limited (PIL). The shares were issued at a premium of $3.91.

12. **SHARE CAPITAL**

	2005 $	2004 $
Authorised:		
160,000,000 (2004 - 80,000,000) ordinary shares of 10¢ each	16,000,000	8,000,000
Issued and fully paid:		
122,891,460 (2004 - 31,549,768) ordinary stock units of 10¢ each	12,289,146	3,154,977

The company by ordinary resolution dated June 7, 2005 increased its authorised share capital with the creation of 16,000,000 ordinary shares of $0.10 each to rank pari passu with the existing shares.

During the year a further 91,341,692 ordinary shares were subscribed for as fully paid at a premium of $3.91 per shares.

These shares rank pari passu with existing shares.

13. **SHARE PREMIUM**

This represents premium of $3.91 per shares issue on both Ordinary and Preference shares.

14. **ADVANCES IN RESPECT OF RIGHTS ISSUE:**

During the year ended June 30,1996, the company attempted to raise funds in the aggregate amount of $9,070,558, by way of a rights issue in the ratio of one share for every eight shares held at a premium of $2.20 per share. Due to the downturn in the quoted equities market and the uncertainty prevailing in the wider economy, the rights issue was not fully subscribed and was extended into the year ended June 30, 1997.

In that year, the rights issue was fully subscribed in the following manner:

(i) The company collected $4,949,178 by way of additional subscription to the rights issue;

(ii) A Director assumed a bank overdraft of the company amounting to $4,121,380 to be adjusted by allotment of ordinary shares under the rights issue at a premium of $2.20 per share.

However the shares have not yet been allotted to the subscribers.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

15. CAPITAL RESERVE

The above represents surplus arising on the purchase of asset and liabilities of Pulse Entertainment Group Limited.

16. NET PROFIT BEFORE TAX

Net profit before tax is stated after charging/(crediting):

	2005 $	2004 $
Depreciation - current year	191,978	167,731
- prior year	-	(94,391)
Amortisation of trademarks	240,000	240,000
Auditors' remuneration	350,000	350,000
Loss/(gain) on foreign exchange	16,286	(165,441)

17. INCOME TAXES

(a) The company was declared "a recognized motion picture producer" under the Motion Picture Industry (Encouragement) Act with effect from April 1995 and income earned from motion picture development activities are exempt from income tax.

(b) Subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, losses of approximately $295,719,575 (2004 - $215,799,120) are available to be set off against future taxable profits. This loss if not utilised, will be carried forward indefinitely.

(c) Prior year tax adjustment represents over provision of tax expense in prior year.

(d) The company has a potential deferred tax asset of approximately $536,712 (2004 - $48,899,643). This amount has not been recorded in these financial statements, as it is not probable that taxable profits will be available against which deductible temporary differences can be utilized. (Note 2f)

18. RESTRUCTURING

On June 30, 2005, Pulse Investments Limited (PIL), entered into an agreement with Pulse Entertainment Group Limited (PEGL) a related entity, to acquire certain PEGL assets and liabilities in exchange for shares in PIL.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

19. **FINANCIAL INSTRUMENTS**

(a) Fair Value

Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable, willing parties in an arm's length transaction.

The carrying amounts for each class of financial instruments approximate their fair values due to the straight maturity of these instruments.

(b) 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.

There are no significant concentrations of credit risk as the company's bank accounts are maintained with financial institutions considered to be stable and its debts are due from a diverse number of companies and individuals.

(c) 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.

The company's current accounts are not subject to interest rate risk as funds are held in non-interest bearing accounts with no overdraft facilities.

(d) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The currency giving rise to this risk is the United States Dollar.

The company is however, able to minimize this risk by maintaining foreign currency bank accounts.

Foreign currency exposure is as follows:

Assets:

	2005 US$	2004 US$
Cash and cash equivalents	673	3,177