

PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2005

CONTENTS

STATEMENT

FINANCIAL STATEMENTS

BALANCE SHEET

II

INCOME STATEMENT

III

STATEMENT OF CHANGES IN EQUITY

IV

STATEMENT OF CASH FLOW

V

NOTE TO FINANCIAL STATEMENTS

VI

## STATEMENT 11

## PULSE INVESTMENTS LIMITED

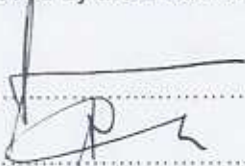
DECEMBER 31, 2005

## BALANCE SHEET

	Note	31-Dec-05 \$	30-Sep-05 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Bank Balances	(2j & 3)	739,775	564,808
Trade and other receivables	(4)	26,130,315	28,501,645
Owing by related company	(5)	10,645,978	10,645,978
Unexpired sponsorships in-kind	(2m)	207,912,567	174,071,621
		<u>245,428,635</u>	<u>213,784,052</u>
<b>Non-current assets</b>			
Property and equipment	(6)	333,233,068	333,161,282
Intangible assets	(7)	103,080,000	103,140,000
		<u>436,313,068</u>	<u>436,301,282</u>
<b>Total assets</b>		<u>681,741,703</u>	<u>650,085,334</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank overdraft	(3 & 8)	4,284,116	5,299,379
Payables and accruals	(9)	8,749,629	8,636,129
Owing to related company	(5)	14,005,094	15,426,820
		<u>27,038,839</u>	<u>29,362,328</u>
<b>Non-current liabilities</b>			
Bank Loans		11,250,000	12,200,000
Preference shares		511,222	511,222
		<u>11,761,222</u>	<u>12,711,222</u>
<b>Capital and reserves</b>			
Share capital		12,289,146	12,289,146
Share premium		393,177,078	393,177,078
Advance in respect of rights issue		9,070,558	9,070,558
Capital reserve		4,502,049	4,502,049
Accumulated profits		223,902,811	188,972,953
		<u>642,941,642</u>	<u>608,011,784</u>
<b>Total liabilities and equity</b>		<u>681,741,703</u>	<u>650,085,334</u>

The attached notes on Statement V1 form an integral part of these financial statements.

Approved by the Board of Directors on January 11, 2006 and signed on their behalf by:

.....)  
  
 .....)  
 ) DIRECTORS

PULSE INVESTMENTS LIMITEDINCOME STATEMENTSIX MONTHS ENDED DECEMBER 31, 2005

	Note	6 Mths. Ended 31-Dec-05 \$	Qrt. Ended 30-Sep-05 \$
Revenue	(2d)	111,227,469	60,205,307
Other operating income		1,896,646	175,897
Administrative and general expenses		(38,838,232)	(21,995,853)
Other operating expenses		(215,988)	(107,994)
Finance costs		<u>(1,228,377)</u>	<u>(365,697)</u>
Profit before tax	(16)	72,841,518	37,911,660
Income taxes	(17)	0	0
Net profit for the period		<u>72,841,518</u>	<u>37,911,660</u>
Earnings /(loss) per share	(20)	<u>0.59</u>	<u>0.31</u>

The attached notes on Statement V1 form an integral part of these financial statements

## PULSE INVESTMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## SIX MONTHS ENDED DECEMBER 31, 2005

	Share capital \$	Share premium \$	Advance in respect of rights issue \$	Capital reserve \$	Accumulated profits \$	Total \$
Balance as at June 30, 2005	12,289,146	393,177,078	9,070,558	4,502,049	151,061,293	570,100,124
Net profit for the six months	-	-	-	-	72,841,518	72,841,518
Balance as at December 31, 2005	12,289,146	393,177,078	9,070,558	4,502,049	223,902,811	642,941,642
Balance as at September 30, 2005	12,289,146	393,117,078	9,070,558	4,502,049	188,972,953	608,011,784

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



## STATEMENT V

PULSE INVESTMENTS LIMITEDSTATEMENT OF CASH FLOWSSIX MONTHS ENDED DECEMBER 31, 2005

	6 Mths. ended <u>31-Dec-05</u> \$	Qrt. Ended <u>30-Sep-05</u> \$
<b>Cash flow from operating activities:</b>		
Profit before tax	72,841,518	37,911,660
Adjustments for:		
Depreciation - current year	95,988	47,994
- prior year		
Amortisation of trademarks	<u>120,000</u>	<u>60,000</u>
	<u>73,057,506</u>	<u>38,019,654</u>
Increase in unexpired sponsorships in-kind	(76,296,204)	(42,455,258)
(Increase)/decrease in trade and other receivables	6,027,462	3,656,132
Increase in owing by related company	(63,825)	(153,825)
Increase/ (decrease) in payables and accruals	(1,320,006)	(1,433,506)
Increase /(decrease) in bank loans	(1,130,000)	
Increase /(decrease) in owing to related company	<u>551,707</u>	<u>1,883,433</u>
Net cash (used in ) / generated from operations	826,640	(483,370)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(124,180)</u>	<u>(4,400)</u>
Net cash used in investing activities	(124,180)	(4,400)
<b>Net (decrease) / increase in cash and cash equivalents</b>	702,460	(487,770)
<b>Cash and cash equivalents at beginning of year</b>	<u>(4,246,801)</u>	<u>(4,246,801)</u>
<b>Cash and cash equivalents at end of period (Note3)</b>	<u>(3,544,341)</u>	<u>(4,734,571)</u>

The attached notes on Statement V1 forms an integral part of these financial statements.

**PULSE INVESTMENTS LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED DECEMBER 31, 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 recognized 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 amortized over its useful lives, which is forty-nine (49) years. (Note 6).



**PULSE INVESTMENTS LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED DECEMBER 31, 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 recognized in these financial statements, as deferred tax liability is not expected to crystallise in the future. (Note17).

(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/loss arising from fluctuations in exchange rates are included in the Income Statement.

(i) **Financial Instruments**

Financial assets and liabilities are recognized 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 values less specific provision for doubtful debts.

PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 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 assets is estimated in order to determine the extent of the impairment loss (if any). Impairment losses are recognized as an expense immediately.

(l) Provision

Provisions are recognized 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 utilized. 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.

All prior year unexpired sponsorships in-kind are written off in the subsequent year whether or not they are expired.

3. CASH AND CASH EQUIVALENTS COMPRISE:

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
Demand deposit	739,775	564,808
Less: bank overdraft	<u>(4,284,116)</u>	<u>(5,299,379)</u>
	<u>(3,544,341)</u>	<u>(4,734,571)</u>



PULSE INVESTMENTS LIMITEDNOTES TO FINANCIAL STATEMENTSSIX MONTHS ENDED DECEMBER 31, 20054. **TRADE AND OTHER RECEIVABLES**

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
Trade	25,605,590	27,976,920
Other	<u>631,813</u>	<u>693,648</u>
	26,237,403	28,608,733
Less: provision for doubtful debts	<u>107,088</u>	<u>107,088</u>
	<u>26,130,315</u>	<u>28,501,645</u>

Included in trade receivables are rental receivables totaling \$1,177,610. Claims have been filed before the courts for recovery of these amounts. However, no provision 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:

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
Owing by related party	<u>10,645,978</u>	<u>10,645,978</u>
Owing to related party		
Directors	(12,816,875)	(11,395,149)
Samurai Investments Limited	<u>26,821,969</u>	<u>26,821,969</u>
	<u>14,005,094</u>	<u>15,426,149</u>

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

	<u>31/12/05</u>	<u>30/9/05</u>
Management Fees	2,313,441	2,313,441
Rent	<u>600,000</u>	<u>600,000</u>

PULSE INVESTMENTS LIMITEDNOTES TO FINANCIAL STATEMENTSSIX MONTHS ENDED DECEMBER 31, 20056 **PROPERTY AND EQUIPMENT COMPRISE:**

	<u>Leasehold properties</u>	<u>Furniture fixtures and equipment</u>	<u>Total</u>
	\$	\$	\$
At cost:			
June 30, 2005	331,880,000	6,309,346	338,189,346
Additions		124,180	124,180
	<u>331,880,000</u>	<u>6,433,526</u>	<u>338,313,526</u>
Depreciation:			
June 30, 2005	-	4,984,470	4,984,470
Charge for the six months		95,988	95,988
December 31, 2005		<u>5,080,458</u>	<u>5,080,458</u>
Net book values:			
December 31, 2005	<u>331,880,000</u>	<u>1,353,068</u>	<u>333,233,068</u>
September 30, 2005	<u>331,880,000</u>	<u>1,281,282</u>	<u>333,161,282</u>

Leasehold properties represent 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 to PEG Limited a related company and forms part of the assets acquired by the company on the reconstruction of PEG Limited.

7 **INTANGIBLE ASSETS**

	<u>Patents</u>	<u>Trademarks</u>	<u>Total</u>
	\$	\$	\$
Cost:			
30-Jun-05	<u>100,000,000</u>	<u>6,000,000</u>	<u>106,000,000</u>
Accumulated Amortization:			
June 30, 2005	-	2,800,000	2,800,000
Charge for the six months		120,000	120,000
	<u>-</u>	<u>2,920,000</u>	<u>2,920,000</u>
Carrying Value:			
December 31, 2005	<u>100,000,000</u>	<u>3,080,000</u>	<u>103,080,000</u>
September 30, 2005	<u>100,000,000</u>	<u>3,140,000</u>	<u>103,140,000</u>

**PULSE INVESTMENTS LIMITED**  
**NOTES TO FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED DECEMBER 31, 2005**

**8 BANK OVERDRAFT COMPRISE:**

	<u>31-Dec-05</u>	<u>30-Sep-05</u>
	\$	\$
Bank overdraft	(4,284,116)	(5,299,379)
	<u>(4,284,116)</u>	<u>(5,299,379)</u>

Bank overdraft is secured by:

A guarantee from Kingsley 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 ACCURUALS COMPRISE:**

	<u>31-Dec-05</u>	<u>30-Sep-05</u>
	\$	\$
Payables	1,174,715	1,227,215
Accruals	1,919,640	1,919,640
Other	1,284,657	1,118,657
GCT	4,370,617 *	4,370,617
	<u>8,749,629</u>	<u>8,636,129</u>

\* GCT accrual has been settled subsequently.

**10 BANK LOANS**

Bank loans comprise:

	<u>31-Dec-05</u>	<u>30-Sep-05</u>
	\$	\$
(i) National Investment Bank of Jamaica Limited	10,000,000	10,000,000
(ii) Dehring, Bunting and Golding Limited	890,000	1,200,000
(iii) First Global Bank Limited	360,000	1,000,000
	<u>11,250,000</u>	<u>12,200,000</u>

(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 Trafalger Road and is payable on demand.



PULSE INVESTMENTS LIMITEDNOTES TO FINANCIAL STATEMENTSSIX MONTHS ENDED DECEMBER 31, 2005

## 11. PREFERENCE SHARES

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
5,112,219 13 Percent Convertible Cumulative preference shares at \$0.10	<u>511,222</u>	<u>511,222</u>

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

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
Authorized: 160,000,000 (30/6/05 – 160,000,000) ordinary shares of 10¢ each	<u>16,000,000</u>	<u>16,000,000</u>
Issued and fully paid: 122,891,460 (30/6/05 – 122,891,460) ordinary stock units of 10¢ each	<u>12,289,146</u>	<u>12,289,146</u>

The company by ordinary resolution dated June 7, 2005 increased its authorized share capital with the creation of an additional 80,000,000 ordinary shares of \$0.10 each to rank pari passu with the existing shares.

During the year ended 30/6/05 a further 91,341,692 ordinary shares were subscribed for as fully paid at a premium of \$3.91 per share.

These shares rank pari passu with existing shares.

## 13. SHARE PREMIUM

This represents premium of \$3.91 per share issued 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 LIMITEDNOTES TO FINANCIAL STATEMENTSSIX MONTHS ENDED DECEMBER 31, 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):

	<u>31/12/05</u>	<u>30/9/05</u>
	\$	\$
Depreciation – current year	95,988	47,994
- prior year	-	-
Amortization of trademarks	120,000	60,000
Auditors' remuneration	175,000	87,500
Loss/(gain) on foreign exchange	<u>-</u>	<u>-</u>

## 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 (30/6/05 - \$295,719,575) are available to be set off against future taxable profits. This loss if not utilized, 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 asset of approximately \$536,712 (30/6/05 - \$536,712). 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 LIMITEDNOTES TO FINANCIAL STATEMENTSSIX MONTHS ENDED DECEMBER 31, 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.

## (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:	<u>31/12/05</u>	<u>30/9/05</u>
	<u>US\$</u>	<u>US\$</u>
Cash and cash equivalents	1.15	<u>-5</u>



PULSE INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

SIX MONTHS ENDED DECEMBER 31, 2005

20. **EARNINGS / (LOSS) PER SHARE:**

The calculation of earnings per share is based on the profit /(loss) attributed to shareholders of \$72,841,518 (\$37,911,660 at 30/9/05) and the 122,891,460 issued and fully paid ordinary shares.