

PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2009



KPMG
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INDEPENDENT AUDITORS' REPORT

To the Members of
PULSE INVESTMENTS LIMITED

Report on the Financial Statements

We have audited the financial statements of Pulse Investments Limited ("company"), set out on pages 3 to 30, which comprise the balance sheet as at June 30, 2009, statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Members of
PULSE INVESTMENTS LIMITED

Report on the Financial Statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at June 30, 2009, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Additional reporting requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner so required.

A handwritten signature of 'KPMG' in black ink, located below the main body of text.

August 31, 2009

Balance Sheet

June 30, 2009

	<u>Notes</u>	<u>2009</u> \$	<u>2008</u> \$
Current assets			
Cash and cash equivalents		10,152,171	62,416,413
Trade and other receivables	3	14,161,675	35,825,932
Advertising entitlements	4(a)	1,160,401,429	924,867,290
Unexpired sponsorships in kind	4(b)	<u>34,191,294</u>	<u>28,146,144</u>
		<u>1,218,906,569</u>	<u>1,051,255,779</u>
Current liabilities			
Bank overdraft	5	12,428,776	-
Accounts payable and accrued charges	6	15,763,072	14,133,283*
Due to related party	7	70,568,435	29,628,040
Current portion of long-term loans	8	<u>14,712,860</u>	<u>17,103,191</u>
		<u>113,473,143</u>	<u>60,864,514</u>
Net current assets		<u>1,105,433,426</u>	<u>990,391,265</u>
Non-current assets			
Investment property	9	58,022,260	59,313,872
Intangible assets	10	92,720,000	92,720,000
Property, plant & equipment	11	<u>459,694,960</u>	<u>353,047,501</u>
		<u>610,437,220</u>	<u>505,081,373</u>
		<u>1,715,870,646</u>	<u>1,495,472,638</u>
Financed by:			
Stockholders' equity			
Share capital	12	152,367,035	152,367,035
Share premium	13	366,375,604	366,375,604
Capital reserve	14	2,636,853	2,636,853
Capital redemption reserve	12	20,499,988	20,499,988
Shares to be issued	15	2,608,696	2,608,696*
Retained earnings		<u>1,163,335,680</u>	<u>940,136,357</u>
		1,707,823,856	1,484,624,533
Non-current liability			
Long-term loans	8	<u>8,046,790</u>	<u>10,848,105</u>
		<u>1,715,870,646</u>	<u>1,495,472,638</u>

The financial statements on pages 3 to 30 were approved for issue by the Board of Directors on August 31, 2009, and signed on its behalf by:

K. Cooper

Director

J. Cobham

Director

*Restated to conform with 2009 presentation.

The accompanying notes form an integral part of the financial statements.

PULSE INVESTMENTS LIMITED
Income Statement
Year ended June 30, 2009

	<u>Notes</u>	<u>2009</u> \$	<u>2008</u> \$
Operating revenue	16	1,554,791,126	1,356,745,012
Operating expenses		<u>(1,327,232,065)</u>	<u>(921,395,893)</u>
Operating profit		227,559,061	435,349,119
Other income		<u>1,926,203</u>	<u>3,251,983</u>
Profit before net finance costs	17	229,485,264	438,601,102
Net finance costs:			
Finance income		1,048,039	-
Finance cost	18	<u>(7,333,980)</u>	<u>(8,709,810)</u>
		<u>(6,285,941)</u>	<u>(8,709,810)</u>
Net profit attributable to members		<u>223,199,323</u>	<u>429,891,292</u>
Basic earnings per stock unit	19	<u>80¢</u>	<u>162¢</u>
Fully diluted earnings per stock unit	19	<u>80¢</u>	<u>158¢</u>

The accompanying notes form an integral part of the financial statements.

PULSE INVESTMENTS LIMITED**Statement of Changes in Stockholders' Equity**
June 30, 2009

	Share Capital (Note 12) \$	Share premium (Note 13) \$	Capital reserve (Note 14) \$	Capital redemption reserve (Note 12) \$	Shares to be Issued (Note 15) \$	Retained earnings \$	Total \$
Balances at June 30, 2007	25,367,036	373,188,302	2,636,853	-	-	530,745,053	931,937,244
Net profit attributable to members	-	-	-	-	-	429,891,292	429,891,292*
Transfer to capital redemption reserve	-	-	-	20,499,988	-	(20,499,988)	-
Cost of rights share issue	-	(6,812,698)	-	-	-	-	(6,812,698)*
Shares to be issued	-	-	-	-	2,608,696	-	2,608,696*
Rights share issue	<u>126,999,999</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,999,999*</u>
Balances at June 30, 2008	152,367,035	366,375,604	2,636,853	20,499,988	2,608,696	940,136,357	1,484,624,533
Net profit attributable to members	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,199,323</u>	<u>223,199,323*</u>
Balances as at June 30, 2009	<u>152,367,035</u>	<u>366,375,604</u>	<u>2,636,853</u>	<u>20,499,988</u>	<u>2,608,696</u>	<u>1,163,335,680</u>	<u>1,707,823,856</u>

*Total gains recognised for the year amounted to \$223,199,323 (2008:\$552,687,289)
The accompanying notes form an integral part of the financial statements.

PULSE INVESTMENTS LIMITEDStatement of Cash Flows
Year ended June 30, 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash flows from operating activities		
Net profit attributable to members	223,199,323	429,891,292
Adjustments to reconcile net profit attributable to members to net cash provided by operating activities:		
Depreciation	7,412,434	4,903,475
Foreign exchange loss	76,503	147,746
Interest income	(1,048,039)	-
Interest expense	<u>7,333,980</u>	<u>5,418,253</u>
Operating profit before changes in working capital	236,974,201	440,360,766
(Increase)/decrease in current assets:		
Trade and other receivables	21,664,257	14,597,797
Advertising entitlements	(235,534,139)	(448,311,414)
Unexpired sponsorships in kind	(6,045,150)	21,552,046
Increase/(decrease) in current liabilities:		
Accounts payable and accrued charges	375,532	709,061*
Due to related party	<u>40,940,395</u>	<u>17,122,760</u>
Cash provided by operating activities	58,375,096	46,031,016
Interest received	1,048,039	-
Interest paid	(6,079,723)	(5,136,261)
Net cash provided by operating activities	<u>53,343,412</u>	<u>40,894,755</u>
Cash flows from investing activities		
Acquisition of investment properties	-	(59,414,110)
Additions of property, plant & equipment	(112,768,281)	(22,017,408)
Net cash used by investing activities	(112,768,281)	(81,431,518)
Cash flows from financing activities		
Bank overdraft	12,428,776	(4,500,608)
Loans received	1,595,758	17,135,189
Loans repaid	(6,863,907)	(13,620,337)
Preference shares redeemed	-	(20,499,988)
Rights share issue	-	126,999,999
Cost of rights share issue	-	(6,812,698)
Shares to be issued	<u>-</u>	<u>2,608,696*</u>
Net cash provided by financing activities	<u>7,160,627</u>	<u>101,310,253</u>
Net (decrease)/ increase in cash and cash equivalents	(52,264,242)	60,773,490
Cash and cash equivalents at beginning of year	<u>62,416,413</u>	<u>1,642,923</u>
Cash and cash equivalents at end of year	<u>10,152,171</u>	<u>62,416,413</u>

*Restated to conform with 2009 presentation.

The accompanying notes form an integral part of the financial statements.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements **June 30, 2009**

1. The company

The company was incorporated in Jamaica under the Companies Act on August 6, 1993 and is domiciled in Jamaica. The company is controlled by Mr. Kingsley Cooper and commenced trading on November 1, 1993.

The principal activities of the company are model agency representation, multi-media production, marketing, show production and promotion and sub-letting of leasehold properties. The registered office of the company is situated at 38a Trafalgar Road, Kingston 10, Jamaica, W.I.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the company are as follows:

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity either in a single statement of comprehensive income, or in an income statement plus a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts on the face of the statement of changes in equity or in the notes.
- *IAS 23, Revised – Borrowing Costs* (effective January 1, 2009) removes the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.
- *IAS 32 Financial instruments: Presentation* (effective January 1, 2009). The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(a) Statement of compliance (cont'd):**

- *Amendments to IFRS 7 Financial Instruments: Disclosures* (effective January 1, 2009) require enhanced disclosures in respect of two aspects: disclosures over fair value measurement for financial instruments specifically in relation to disclosures over the inputs used in valuation techniques and the uncertainty associated with such valuations; and improving disclosures over liquidity risk, to address current diversity in practice.
- *IFRS 8 Operating Segments* (effective January 1, 2009) introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the company's 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

The adoption of *IAS 1 Revised*, *IAS 23 revised*, *IAS 32*, *amendments to IFRS 7 and IFRS 8* is expected to result in adjustments and additional disclosures to the financial statements. Management is currently in the process of evaluating the impact of adopting these standards on the financial statements.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company.

The financial statements are prepared using the historical cost basis and the accounting policies have been applied consistently by the company. The significant accounting policies stated in paragraph (c) to (g) below conform in all material respect with IFRS.

Where necessary, prior year comparatives have been restated and reclassified to conform to 2009.

(c) Use of estimates and judgement:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date, and the income and expense for the year then ended. Actual amounts could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(c) Use of estimates and judgement (cont'd):**

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Advertising entitlements and unexpired sponsorships in kind:

Estimates of fair value on initial recognition primarily relating to the cost of air time are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of value also take into consideration the purpose for which the sponsorship is held. Management also makes likely estimates of future cashflows from liquidating these entitlements and sponsorships. Estimates are also made of the expected utility by the company for those which will be utilised.

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(iii) Residual value and expected useful life of property plant & equipment:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company. Impairment of property, plant and equipment is dependent upon management's internal assessment of future cash flows from cash generating units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rate used.

(iv) Valuation of construction work-in-progress:

The amount recognised for construction work in progress is determined by qualified quantity surveyors. The estimates are based on the current cost of carrying out the construction using prevailing standard market rates.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(d) Cash and cash equivalents:**

Cash and cash equivalents comprise cash and bank balances.

Bank overdrafts, which form an integral part of the company's cash management and financial support activities, are included as a component of financing activities for the purpose of the statement of cash flows.

(e) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses [see note 2(o)]

(f) Accounts payable:

Trade and other payables, are stated at amortised cost.

(g) Provisions:

A provision is recognised in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(h) Related parties:

A party is related to the company, if:

(i) Directly, or indirectly through one or more intermediaries, the party:

(a) is controlled by, or is under common control with, the company;

(b) has an interest in the company that gives it significant influence over the entity; or

(c) has joint control over the company;

(ii) The party is an associate of the company;

(iii) The party is a joint venture in which the company is a venturer;

(iv) The party is a member of the key management personnel of the entity or its parent;

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(h) Related parties (cont'd):**

- (v) The party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

The company has a related party relationship with its directors and key management personnel representing certain senior officers of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(i) Intangible assets:

Intangible assets represent expenditure incurred for the acquisition of trademarks and patents. These are recognised initially at purchase cost. Trademarks and patents are stated at cost less impairment losses. Trademarks and patents are determined to have an indefinite useful life but are tested annually for impairment.

(j) Taxation:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is computed using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)

(j) Taxation (cont'd):

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) Property, plant & equipment:

- (i) Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses [see note 2(o)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(ii) Depreciation:

Depreciation is computed and charged to the income statement on the straight-line basis at annual rates estimated to write down the property, plant & equipment to their estimated residual values over their expected useful lives.

No depreciation is charged on leasehold land and construction work-in-progress.

Depreciation rates are as follows:

Furniture and fixtures	-	10%
Equipment	-	20%
Computer	-	33⅓%
Motor vehicle	-	20%
Leasehold properties	-	over the life of the lease

Residual value, useful lives and depreciation/amortisation rates are reassessed at each reporting date.

(l) Investment property:

Investment property comprises a building which is depreciated at 2 ½%. Investment property is stated at deemed cost, less any accumulated depreciation and any accumulated impairment losses. Rented income from investment property is accounted for as described in accounting policy 2(n).

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(m) Foreign currency transactions:**

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaican dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies are stated at fair value and are translated to Jamaican dollars at foreign exchange rates prevailing at the dates the values were determined.

(n) Revenue recognition:

Operating revenue represents income from advertising entitlements, market sponsorship, model agency representation, show production and promotion and rental income from sub-letting leasehold properties.

Advertising entitlements

Advertising entitlements are received in part or full consideration for Pulse's produced and branded TV programmes sold to broadcasting stations. The company intends to utilize these entitlements or make them available to sponsors in exchange for fair value. These are capitalized upon initial recognition and are expensed to the income statement when utilised. Any unutilised portions carried forward are written off in the next financial year.

Unexpired sponsorships in kind

Unexpired sponsorships represent in kind services which have not been utilised and are recorded at estimated market value. The unexpired portion is carried forward and written off to the income statement in the following year.

Model agency representation

Revenue from model agencies is recognised when commissions are earned. Commissions are earned when models represented by the company have completed modelling assignments.

Show production and promotion

Revenue from the production and promotion of shows is recognised in accordance with the terms of the various contractual agreements.

Operating leases

Income and expenses under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd.)**(o) Impairment:**

The carrying amount of the company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount:

The recoverable amount of the company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Share capital:**(i) Preference share capital:**

Preference share capital is classified as equity if it is non-redeemable, or it is redeemable but only at the company's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity upon approval by the company's shareholders.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd).**(i) Preference share capital (cont'd):**

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholder or if the dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

(ii) Dividends on redeemable preference shares are recognised as a liability and recorded on the accrual basis. Other dividends are recognised as a liability in the period in which they are declared.**(q) Net financing costs:**

Net finance costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested, material bank charges and foreign exchange gains and losses recognised in the income statement.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(r) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(s) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, trade and other accounts receivable and related party receivables. Similarly, financial liabilities include accounts payable, short and long-term borrowings and related party payables.

(t) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(u) Earnings per share:

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held for the effects of all dilutive potential ordinary shares.

3. Trade and other receivables

	<u>2009</u>	<u>2008</u>
	\$	\$
Trade receivables	30,719,998	45,497,620
Other receivables and advances	<u>3,205,182</u>	<u>3,063,686</u>
	33,925,180	48,561,306
Less: Allowances for doubtful debts	(19,763,505)	(12,735,374)
Trade receivables that are past due:	<u>14,161,675</u>	<u>35,825,932</u>

The company establishes an allowance for impairment that represents its best estimate of incurred losses in respect of trade and other receivables for which collectibility appears doubtful. Management believes that an impairment allowance for these receivables is adequate on the basis of expected collection of amounts owed to the company. An aged analysis of the carrying amounts of these trade receivables is presented below:

	0 to 60 days	60-90 days	More than 90 days	Total
	\$	\$	\$	\$
	<u>2009</u>			
Receivable arising from				
- Model agents	2,090,000	2,090,000	1,460,000	5,640,000
- Cash sponsors	9,015,456	1,135,889	7,170,428	17,321,773
- Lease agreements	201,700	605,400	5,689,535	6,496,635
- Other trade receivables	-	-	<u>1,261,590</u>	<u>1,261,590</u>
	11,307,156	3,831,289	15,581,553	30,719,998
Less: Allowance for impairment	(1,739,114)	(2,442,838)	(15,581,553)	(19,763,505)
	<u>9,568,042</u>	<u>1,388,451</u>	<u>-</u>	<u>10,956,493</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

3. Trade and other receivables

Trade receivables that are past due (cont'd):

	0 to 60 days	60-90 days	More than 90 days	Total
	\$	\$	\$	\$
	<u>2008</u>			
Receivable arising from				
- Model agents	1,816,269	1,816,269	8,588,950	12,221,488
- Cash sponsors	19,835,411	-	5,619,085	25,454,496
- Lease agreements	679,702	638,902	5,599,563	6,918,167
- Other trade receivables	-	-	<u>903,469</u>	<u>903,469</u>
	22,331,382	2,455,171	20,711,067	45,497,620
Less: Allowance for impairment	-	-	<u>(12,735,374)</u>	<u>(12,735,374)</u>
	<u>22,331,382</u>	<u>2,455,171</u>	<u>7,975,693</u>	<u>32,762,246</u>

The movement in allowance for doubtful debts in respect of trade receivables during the year was as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Balance at beginning of year	12,735,374	1,742,961
Impairment loss recognised	<u>7,028,131</u>	<u>10,992,413</u>
Balance at end of year	<u>19,763,505</u>	<u>12,735,374</u>

During the year bad debt expenses aggregating \$31,293,552 (2008: \$15,201,815) have been recognised in the income statement.

4. Advertising entitlements and unexpired sponsorships in kind

(a) Advertising entitlements

	<u>2009</u>	<u>2008</u>
	\$	\$
Opening balance	924,867,290	476,555,876
Sponsorships received	1,575,900,536	1,537,691,900
Amount recognised in income (note 16)	<u>(1,340,366,397)</u>	<u>(1,089,380,486)</u>
Closing balance	<u>1,160,401,429</u>	<u>924,867,290</u>

(b) Unexpired sponsorships in kind

Opening balance	28,146,144	49,698,190
Sponsorships received	124,002,111	85,037,563
Amount recognised in income (note 16)	<u>(117,956,961)</u>	<u>(106,589,609)</u>
Closing balance	<u>34,191,294</u>	<u>28,146,144</u>

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 2009**5. Bank overdraft**

The bank overdraft was secured by a bill of sale over a motor vehicle owned by a director and an unlimited personal guarantee from that director.

6. Accounts payable and accrued charges

	<u>2009</u>	<u>2008</u>
	\$	\$
Trade payables	4,667,692	4,287,837
Deposits	1,203,600	1,026,000
GCT payable	5,933,462	3,843,044
Accrued charges	<u>3,958,318</u>	<u>4,976,402</u>
	<u>15,763,072</u>	<u>14,133,283</u>

7. Related parties

	<u>2009</u>	<u>2008</u>
	\$	\$
Samurai Investments Limited	<u>70,568,435</u>	<u>29,628,040</u>

This balance arose during the ordinary course of business from arms length transactions. The amounts due are interest free and has no fixed repayment terms.

Other related party balances and transactions

	<u>2009</u>	<u>2008</u>
	\$	\$
Development Bank of Jamaica:		
Loan payable	7,667,492	11,548,375
Accrued interest	566,473	105,172
Interest expense	1,479,961	1,521,882
Redemption of preference shares	-	20,500,000
Preference dividend	-	2,412,261
Samurai Investments Limited:		
Cash sponsorship	<u>17,613,018</u>	<u>5,700,000</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued) June 30, 2009

8. Long-term loans

Bank loans comprise:

	Currency	Nominal Interest Rate	Year of maturity	2009		2008	
				Face value	Carrying amount	Face value	Carrying amount
				\$	\$	\$	\$
(a) First Caribbean International Bank (Jamaica) Limited	J\$	23.75%	2011	4,100,000	2,709,560	4,100,000	3,189,214
(b) First Caribbean International Bank (Jamaica) Limited	J\$	23.75%	2012	10,000,000	8,056,660	10,000,000	9,200,568
(c) Development Bank of Jamaica Limited	J\$	13%	2009	12,600,000	7,667,492	12,600,000	11,548,375
(d) First Global Premium Finance	J\$	3.96%	2009	-	-	1,621,311	540,436
(e) Caricom Trade Support Programme	US\$	0%	2009	5,513,878	3,129,118	5,513,878	3,472,703
(f) Pan Caribbean Premium Finance	J\$	2.95%	2009	1,595,758	<u>1,196,820</u>	-	-
					22,759,650		27,951,296
Less: Current maturities					<u>(14,712,860)</u>		<u>(17,103,191)</u>
					<u>8,046,790</u>		<u>10,848,105</u>

- (a) The loan has a maximum repayment period of 60 months which commenced November 2006. The loan is secured by a second mortgage over properties owned by a director and an unlimited guarantee from that director.
- (b) The loan has a maximum repayment period of 60 months which commenced October 2007. The loan is secured by mortgages over properties owned by a director and an unlimited guarantee from that director.
- (c) The loan is secured by a second mortgage over properties owned by a director and an unlimited guarantee from that director.
- (d) The loan is repayable in six monthly instalments of \$270,218 commencing February 2008. The company assigned as security any and all unearned return premium and amounts which may become payable under the policy. The loan was repaid during the year.
- (e) The loan is interest free and secured by a letter of credit in the amount of US\$19,070 issued by First Caribbean International Bank. The loan is repayable in 18 monthly payments of US\$4,391 commencing June 2007.
- (f) The loan is repayable in four monthly installments of \$398,940 beginning May 2009. There is no assigned security or collateral for the loan.

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 2009

9. Investment property	Building
	\$
At cost or deemed cost:	
June 30, 2008, 2009	<u>59,414,110</u>
Depreciation:	
Charge for the year	<u>100,238</u>
June 30, 2008	100,238
Charge for the year	<u>1,291,612</u>
June 30, 2009	<u>1,391,850</u>
Net book values:	
June 30, 2009	<u>58,022,260</u>
June 30, 2008	<u>59,313,872</u>

The investment property represents building acquired during the prior year from a related party (see note 17(b)).

The directors are of the opinion that the fair value of the investment property as at June 30, 2008 and 2009 was equivalent to its carrying amount.

During the year, the following income and expenses were (earned from)/incurred by investment properties.

	<u>2009</u>	<u>2008</u>
	<u>\$</u>	<u>\$</u>
Income earned from properties	(660,698)	-
Expenses incurred by properties	<u>39,963</u>	<u>-</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

10. Intangible assets

	<u>2009</u>	<u>2008</u>
	\$	\$
Patents, at carrying amounts	90,000,000	90,000,000
Trademarks, at carrying amounts	<u>2,720,000</u>	<u>2,720,000</u>
	<u>92,720,000</u>	<u>92,720,000</u>

11. Property, plant & equipment

	Construction Work-in- progress	Leasehold Property	Leasehold improvement	Furniture, office equipment and computer	Motor Vehicle	Total
	\$	\$	\$	\$	\$	\$
At cost or deemed cost:						
June 30, 2007	-	331,880,000	8,545,916	9,464,188	-	349,890,104
Acquisition	<u>15,675,000</u>	<u>-</u>	<u>-</u>	<u>642,408</u>	<u>5,700,000</u>	<u>22,017,408</u>
June 30, 2008	15,675,000	331,880,000	8,545,916	10,106,596	5,700,000	371,907,512
Acquisition	<u>112,178,830</u>	<u>-</u>	<u>-</u>	<u>589,451</u>	<u>-</u>	<u>112,768,281</u>
June 30, 2009	<u>127,853,830</u>	<u>331,880,000</u>	<u>8,545,916</u>	<u>10,696,047</u>	<u>5,700,000</u>	<u>484,675,793</u>
Depreciation:						
June 30, 2007	-	7,262,400	347,164	6,447,210	-	14,056,774
Charge for the year	<u>-</u>	<u>3,631,200</u>	<u>174,388</u>	<u>997,649</u>	<u>-</u>	<u>4,803,237</u>
June 30, 2008	-	10,893,600	521,552	7,444,859	-	18,860,011
Charge for the year	<u>-</u>	<u>3,631,200</u>	<u>174,407</u>	<u>1,175,215</u>	<u>1,140,000</u>	<u>6,120,822</u>
June 30, 2009	<u>-</u>	<u>14,524,800</u>	<u>695,959</u>	<u>8,620,074</u>	<u>1,140,000</u>	<u>24,980,833</u>
Net book values:						
June 30, 2009	<u>127,853,830</u>	<u>317,355,200</u>	<u>7,849,957</u>	<u>2,075,973</u>	<u>4,560,000</u>	<u>459,694,960</u>
June 30, 2008	<u>15,675,000</u>	<u>320,986,400</u>	<u>8,024,364</u>	<u>2,661,737</u>	<u>5,700,000</u>	<u>353,047,501</u>

Leasehold properties represent properties situated at 38a Trafalgar Road, Kingston 10, Stony Hill, St. Andrew and Constant Spring Road, St. Andrew which are leased from a director and shareholder for a period of forty-nine (49) years. These properties were previously leased by Pulse Entertainment Group Limited, a related company, and the leases are part of the assets acquired on the restructuring of Pulse Entertainment Group Limited. At June 30, 2009, freehold land included in leasehold property aggregated \$153,880,000 (2008: \$153,880,000).

The carrying amount of construction work-in-progress is the estimated cost as determined by Chartered Quantity Surveyors, Neville Mills & Associates. Cost to complete the construction will be undertaken by a related party [see note 16(b)]. Pulse Investments Limited has no further commitment to the related party until the project is completed and handed over.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

12. Share capital

Authorised:

336,825,181 (2008: 336,825,181) ordinary shares at no par value
8,913,043 13% cumulative redeemable convertible
preference shares of no par value

	2009		2008		Convertible redeemable preference shares	\$
	No. of shares	Ordinary share capital \$	No. of shares	Ordinary share capital \$		
Stated, issued and fully paid at July 1	280,702,717	152,367,035	262,583,405	25,367,036	8,913,043	891,304
Preference shares redeemed	-	-	-	-	(8,913,043)	(891,304)
Exercise of share option	-	-	18,119,312	126,999,999	-	-
Stated, issued and fully paid as stock units at June 30	<u>280,702,717</u>	<u>152,367,035</u>	<u>280,702,717</u>	<u>152,367,035</u>	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at meetings of the company. All issued shares are fully paid and rank equally with regard to the company's residual assets.

The Companies Act requires that preference shares be included on the balance sheet as part of share capital. International Financial Reporting Standards ("IFRS") require preference shares to be classified as a liability where the terms of issue provide for a fixed rate of dividend and/or for mandatory redemption by the issuer for a fixed or determinable amount at a fixed or determinable future date or gives the holder the right to require the issuer to redeem the shares at or after a particular date for a fixed or determinable amount. IFRS requires that such payments to preference shareholders as return on capital, be classified as interest expense and presented as a charge in arriving at profit or loss for the period.

The redeemable preference shares were shown as a liability as required by IFRS. These shares were redeemed for cash in the prior year. In accordance with the Companies Act, the total redemption value was transferred from retained earnings to a Capital Redemption Reserve.

On May 5, 2008, following a 1 for 14 Rights Issue of its shares to the existing stockholders, the company increased its ordinary shares in issue by 18,119,312 new ordinary shares bringing the issued share capital of the company to 280,702,717 ordinary stock units. The proceeds from the issue were \$126,999,999.

On March 10, 2008, the authorised ordinary share capital was increased from 286,825,181 shares to 336,825,181 shares by the creation of an additional 50,000,000 shares, such new shares to rank pari passu in all respects with the existing ordinary shares in the capital of the company.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

13. Share premium

Share premium is made up as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
31,549,768 (2008: 31,549,768) ordinary shares - premium of \$0.51 each	16,042,281	16,042,281
91,341,692 (2008: 91,341,692) ordinary shares – premium of \$3.91 per share	<u>357,146,021</u>	<u>357,146,021</u>
	373,188,302	373,188,302
	-	-
Cost of rights issue	<u>(6,812,698)</u>	<u>(6,812,698)</u>
	<u>366,375,604</u>	<u>366,375,604</u>

Share premium is retained in accordance with the provisions of Section 39(7) of the Companies Act.

14. Capital reserve

The amount represents surplus arising on the purchase of assets and liabilities of Pulse Entertainment Group Limited.

15. Shares to be issued

This represents the value of professional services provided by Capital Options Limited which has confirmed its intention to convert 434,783 ordinary shares in the company.

16. Operating revenue

Operating revenue comprises income from advertising entitlements, market sponsorships, model agency representation, income from sub-letting of leasehold properties and ticket sales as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Market sponsorship and advertising entitlements:		
In kind sponsorship and advertising entitlements	1,458,323,358	1,195,970,095
Cash sponsorship	66,299,146	124,107,365
Model agency income	10,091,249	9,563,037
Sub-let of leasehold properties	15,505,202	22,126,985
Ticket sales	<u>4,572,171</u>	<u>4,977,530</u>
	<u>1,554,791,126</u>	<u>1,356,745,012</u>

17. Profit before net finance costs

(a) Profit before net finance costs is stated after charging:

	<u>2009</u>	<u>2008</u>
	\$	\$
Depreciation	7,412,434	4,903,475
Directors' emoluments:		
Management fees paid to related party	1	17,323,045
Lease expense - related party	1,000	1,000
Audit fees	<u>2,750,000</u>	<u>2,000,000</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

17. Profit before net finance costs (cont'd)

(b) Transactions with key management personnel:

	<u>2009</u>	<u>2008</u>
	\$	\$
Investment property acquired (see note 9)	-	59,414,110
Construction work in progress acquired (see note 11)	112,178,830	-
Key management personnel compensation is as follows:		
Short-term employee benefits	<u>1</u>	<u>17,323,045</u>

18. Net finance costs

	<u>2009</u>	<u>2008</u>
	\$	\$
Finance income:		
Interest income	(1,048,039)	-
Finance cost:		
Interest on bank loans	4,651,952	4,736,070
Bank overdraft interest	<u>1,803,264</u>	<u>682,183</u>
	6,455,216	5,418,253
Foreign exchange loss	76,503	147,746
Preference dividends	-	2,412,261
Bank charges	729,604	496,648
Loan cost	56,414	234,902
Insurance premium finance charge	<u>16,243</u>	<u>-</u>
	<u>7,333,980</u>	<u>8,709,810</u>
	<u>6,285,941</u>	<u>8,709,810</u>

19. Earnings per stock unit

Basic and fully diluted earnings per share are calculated based on the net profit for the year attributable to members of \$223,199,323 (2008: \$429,891,292) and the weighted average number of shares of 280,702,717 (2008: 265,603,290) and 280,702,717 (2008: 273,030,826) ordinary stock units in issue at the end of the year.

20. Income taxes

	<u>2009</u>	<u>2008</u>
	\$	\$
Reconciliation of effective tax rate:		
Profit before tax	<u>223,199,323</u>	<u>429,891,292</u>
Computed "expected" tax expense	74,399,774	143,297,097
Difference between profit for financial statements and tax reporting purposes on:		
Depreciation charge and capital allowances	6,618,940	753,896
Other disallowed expenses and adjustments	878,123	(16,277)
Tax relieved income	<u>(81,896,837)</u>	<u>(144,034,716)</u>
Actual tax expense in the income statement	<u>-</u>	<u>-</u>

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

20. Income taxes (cont'd)

The company was declared "a recognized motion picture producer" under the Motion Picture Industry (Encouragement) Act. Under the Act, income earned from motion picture development activities is exempt from income tax.

21. Financial instruments

Financial instruments risks:

The company has exposure to credit risk, liquidity risk, and market risk from the use of financial instruments.

Senior management has responsibility for monitoring the company's risk management policies and periodically report to the Board of Directors on their activities.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed on a regular basis and reflect changes in market conditions and the company's activities. The audit committee has monitoring oversight of the risk management policies.

(a) 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. Credit risk arises primarily from credit given to customers; transactions with related parties and deposits with financial institutions. Balances arising from those activities are accounts receivable; and cash and cash equivalents. The maximum credit exposure is represented by the carrying amount of financial assets on the balance sheet.

(i) Exposure to credit risk:

The company's key areas of exposure to credit risk include:

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash and cash equivalents	10,152,171	62,416,413
Trade and other receivables	<u>14,161,675</u>	<u>35,825,932</u>
	<u>24,313,846</u>	<u>98,242,345</u>

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

21. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(a) Credit risk (cont'd):

Cash and cash equivalents

Cash and cash equivalents are placed with counter-parties who are believed to have minimal risk of default.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. Management has put in place policies to monitor the revenues from model agents and has put in place a collection mechanism to liquidate those receivables in a timely manner. The normal policy of the model agents is to settle agency fees receivable on a rolling quarterly basis in arrears. Trade receivables that relate to pledged cash sponsorship are accrued when there is sufficient basis on which the revenue can be recognised.

Management also has established a credit policy under which each prospective tenant is analysed for credit worthiness prior to entering into a rental agreement. There are also comprehensive procedures for the eviction of tenants and the recovery of amounts owing by defaulting tenants.

(b) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, 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 company aims at maintaining flexibility in funding by keeping lines of funding available with banks and related parties as well as by maintaining prudent financial assets in appropriate terms and currencies.

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

21. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(b) Liquidity risk (cont'd):

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments (both interest and principal).

	2009					
	Carrying Amount	Contractual Cash flows	Within 6 months	Six to 12 months	Over 12 months	No specific maturity
	\$	\$	\$	\$	\$	\$
<u>Financial liabilities</u>						
Accounts payable and accrued charges	15,763,012	15,763,012	15,763,012	-	-	-
Bank overdraft	12,428,776	12,428,776	-	-	-	12,428,776
Due to related party	70,568,435	70,568,435	-	-	-	70,568,435
Loans payable cumulative	<u>22,759,650</u>	<u>27,540,806</u>	<u>14,414,938</u>	<u>2,421,509</u>	<u>10,704,359</u>	<u>-</u>
Total liabilities	<u>121,519,873</u>	<u>126,301,029</u>	<u>30,177,950</u>	<u>2,421,509</u>	<u>10,704,359</u>	<u>82,997,211</u>

Management believes that the company will be able to meet its financial liabilities.

	2008					
	Carrying Amount	Contractual Cash flows	Within 6 months	Six to 12 months	Over 12 months	No specific maturity
	\$	\$	\$	\$	\$	\$
<u>Financial liabilities</u>						
Accounts payable and accrued charges	16,741,979	16,741,979	16,741,979	-	-	-
Due to related party	29,628,040	29,628,040	-	-	-	29,628,040
Loans payable cumulative	<u>27,951,296</u>	<u>34,882,975</u>	<u>10,416,970</u>	<u>9,940,595</u>	<u>14,525,410</u>	<u>-</u>
Total liabilities	<u>74,321,315</u>	<u>81,252,994</u>	<u>27,158,949</u>	<u>9,940,595</u>	<u>14,525,410</u>	<u>29,628,040</u>

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

21. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(c) Market risk (cont'd):

There has been no change to the company's exposure to market risk or the manner in which it manages and measures the risk.

(i) Foreign currency risk:

Foreign currency risk is the risk that the market value of, or cash flows from, financial instruments will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currencies giving rise to this risk are the United States Dollar and the Pound Sterling. The company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits. The table below shows the company's foreign currency exposure, at the balance sheet date.

	Net foreign currency monetary assets		Net foreign currency monetary assets	
	2009		2008	
	US\$	£	US\$	£
Accounts receivable	85,463	8,803	118,387	26,620
Cash and cash equivalents	112,348	-	222,249	-
Loans	(35,130)	-	(48,446)	-
	<u>162,681</u>	<u>8,803</u>	<u>292,190</u>	<u>26,620</u>
	Balances		Exchange rates	
	2009	2008	2009	2008
	\$	\$	\$	\$
United States dollars	162,681	292,190	88.59	71.53
Pound Sterling	<u>8,803</u>	<u>26,620</u>	<u>145.40</u>	<u>140.95</u>

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
June 30, 2009

21. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(c) Market risk (cont'd):

(i) Foreign currency risk (cont'd):

Sensitivity analysis:

A 2% (2008: 5%) weakening of the United States dollar and Pound Sterling against the Jamaica dollar and the pound sterling at year-end would have decreased profit by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	<u>2009</u>		<u>2008</u>	
	<u>2%</u> <u>weakening</u>	<u>10%</u> <u>strengthening</u>	<u>5%</u> <u>weakening</u>	<u>5%</u> <u>strengthening</u>
Effect of change in United States dollar (US\$) exchange rate	(288,238)	1,441,191	(1,045,017)	1,045,017
Effect of change in Pound Sterling (£) exchange rate	(<u>25,599</u>)	<u>127,996</u>	(<u>185,279</u>)	<u>185,279</u>

A 10% (2008: 5%) strengthening of the United States dollar and Pound Sterling against the Jamaica dollar and the pound sterling would have increased profit by the amount shown above on the basis that all other variables remain constant.

(ii) 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 materially contracts financial liabilities at fixed exchange rates. These primarily relate to bank overdrafts and loans which are subject to interest which are fixed in advance and which may be varied by appropriate notice by the lenders. At June 30, 2009, financial liabilities subject to interest aggregated approximately \$32,059,308 (2008: \$27,951,296).

(d) Capital management:

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders. The Board of Directors together with responsible senior management monitor the return on capital. The objective is to maintain a strong capital base so as to sustain future development of the business. There were no changes in the company's approach to capital management during the year. Also, the company is not exposed to any externally imposed capital requirements.

PULSE INVESTMENT LIMITED

Notes to the Financial Statements (Continued)
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22. Fair value of financial instruments

The carrying value reflected in the financial statements for cash and cash equivalents, accounts receivable, other financial assets and other financial liabilities are assumed to approximate to their fair values due to their short-term nature. Amounts due to/from related companies are considered to approximate their carrying value as they represent an ability to effect set-offs in the future in the amounts disclosed. Long-term assets and liabilities are carried at their contracted settlement value. Additionally, the cost of all monetary assets and liabilities has been appropriately adjusted to reflect estimated losses on realisation or discounts on settlement.