

**The Palace Amusement Company
(1921) Limited**

**Financial Statements
30 June 2009**

The Palace Amusement Company (1921) Limited

Index

30 June 2009

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Independent Auditors' Report

To the Members of
The Palace Amusement Company (1921) Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Palace Amusement Company (1921) Limited and its subsidiaries, and the accompanying financial statements of The Palace Amusement Company (1921) Limited standing alone set out on pages 1 to 48, which comprise the consolidated and company balance sheets as of 30 June 2009 and the consolidated and company profit and loss accounts, and statements of changes in equity and cash flows for the year then ended, and 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 these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

Members of The Palace Amusement Company (1921) Limited
Independent Auditors' Report
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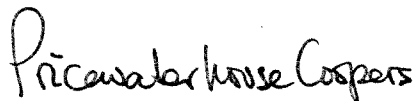
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 30 June 2009, and of financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by 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 kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Chartered Accountants

7 October 2009
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Profit and Loss Account

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Revenue		512,922	479,866
Direct expenses		(465,924)	(405,267)
Gross Profit		46,998	74,599
Other operating income	6	58,950	39,903
Administration expenses		(107,441)	(79,496)
Other operating expenses		(2,536)	(4,681)
Operating (Loss)/Profit		(4,029)	30,325
Finance costs – interest expense		(2,686)	(1,976)
(Loss)/Profit before Taxation		(6,715)	28,349
Taxation	9	1,429	(6,767)
NET (LOSS)/PROFIT		(5,286)	21,582
Attributable to:			
Stockholders of the company	10	(5,046)	20,393
Minority interest		(240)	1,189
		(5,286)	21,582
(Loss)/Earnings per Stock Unit Attributable to Stockholders of the Company	11	(\$3.51)	\$14.19

The Palace Amusement Company (1921) Limited

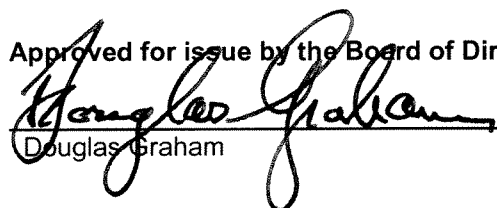
Consolidated Balance Sheet

30 June 2009

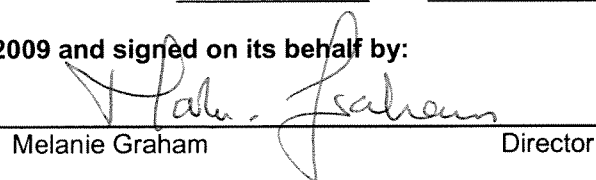
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Non-Current Assets			
Property, plant and equipment	12	184,169	149,992
Investments	13	8,758	10,243
Deferred tax assets	14	6,956	2,715
Post-employment benefit assets	15	25,016	32,475
Current Assets			
Inventories	17	21,952	19,227
Accounts receivable	18	30,250	15,327
Taxation recoverable		-	10,120
Cash and bank balances	19	71,693	95,115
		123,895	139,789
Current Liabilities			
Accounts payable	20	70,375	55,584
Taxation payable		117	-
Current portion of long term liabilities	21	1,077	4,390
Bank overdraft	19/21	8,456	3,773
		80,025	63,747
Net Current Assets		43,870	76,042
		268,769	271,467
Stockholders' Equity			
Share capital	22	1,437	1,437
Capital reserve	23	166,488	166,488
Fair value reserve	24	8,680	10,165
Retained earnings	10	67,649	74,851
		244,254	252,941
Minority Interest		5,601	5,841
		249,855	258,782
Non-Current Liabilities			
Long term liabilities	21	5,068	328
Deferred tax liabilities	14	13,846	12,357
		268,769	271,467

Approved for issue by the Board of Directors on 7 October 2009 and signed on its behalf by:


 Douglas Graham

Director


 Melanie Graham

Director

The Palace Amusement Company (1921) Limited

Consolidated Statement of Changes in Equity

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders					Minority Interest	Total
	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings		
	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	1,437	1,437	166,685	7,118	54,261	4,652	234,153
Net profit	-	-	-	-	20,393	1,189	21,582
Gains recognised directly in equity –							
Increase in fair value of investments	-	-	-	3,047	-	-	3,047
Total recognised gains for the year	-	-	-	3,047	20,393	1,189	24,629
Transfer of realised reserves	-	-	(197)	-	197	-	-
Balance at 30 June 2008	1,437	1,437	166,488	10,165	74,851	5,841	258,782
Net loss	-	-	-	-	(5,046)	(240)	(5,286)
Losses recognised directly in equity –							
Decrease in fair value of investments	-	-	-	(1,485)	-	-	(1,485)
Total recognised losses for the year	-	-	-	(1,485)	(5,046)	(240)	(6771)
Dividends paid	-	-	-	-	(2,156)	-	(2,156)
Balance at 30 June 2009	1,437	1,437	166,488	8,680	67,649	5,601	249,855

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 25)	7,186	42,764
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(55,634)	(10,543)
Proceeds from sale of property, plant and equipment	970	8,779
Proceeds from sale of investments	-	66
Interest received	9,037	6,331
Dividend received	238	205
Cash (used in)/provided by investing activities	<u>(45,389)</u>	<u>4,838</u>
Cash Flows from Financing Activities		
Long term loan received	5,923	-
Long term loans repaid	(4,495)	(7,603)
Interest paid	(2,686)	(1,976)
Dividends paid	(2,156)	-
Cash used in financing activities	<u>(3,414)</u>	<u>(9,579)</u>
	(41,617)	38,023
Exchange gain on foreign cash balances	<u>13,512</u>	<u>239</u>
(Decrease)/Increase in cash and cash equivalents	(28,105)	38,262
Cash and cash equivalents at beginning of year	<u>91,342</u>	<u>53,080</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	<u><u>63,237</u></u>	<u><u>91,342</u></u>

The Palace Amusement Company (1921) Limited

Company Profit and Loss Account

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Revenue		365,093	342,839
Direct expenses		(329,821)	(284,117)
Gross Profit		35,272	58,722
Other operating income	6	84,216	53,314
Administration expenses		(106,565)	(79,007)
Other operating expenses		(2,536)	(4,681)
Operating Profit		10,387	28,348
Finance costs – interest expense		(2,576)	(1,878)
Profit before Taxation		7,811	26,470
Taxation	9	(2,812)	(9,254)
NET PROFIT	10	4,999	17,216

The Palace Amusement Company (1921) Limited

Company Balance Sheet

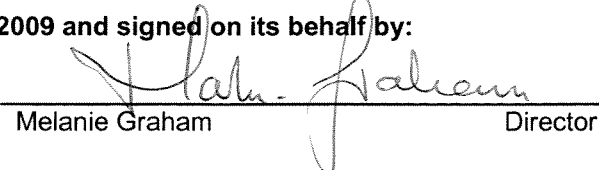
30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2009 \$'000	2008 \$'000
Non-Current Assets			
Property, plant and equipment	12	81,819	73,431
Investments	13	1,634	2,437
Post-employment benefit assets	15	25,016	32,475
Due from subsidiary companies	16	64,996	24,484
Current Assets			
Inventories	17	20,025	18,533
Accounts receivable	18	30,014	14,135
Taxation recoverable		-	10,190
Cash and bank balances	19	71,287	94,765
		121,326	137,623
Current Liabilities			
Accounts payable	20	60,079	45,494
Taxation payable		117	-
Current portion of long term liabilities	21	1,077	4,390
Bank overdraft	19/21	8,456	3,773
		69,729	53,657
Net Current Assets		51,597	83,966
		225,062	216,793
Stockholders' Equity			
Share capital	22	1,437	1,437
Capital reserve	23	148,365	148,365
Fair value reserve	24	1,077	1,880
Retained earnings	10	55,269	52,426
		206,148	204,108
Non-Current Liabilities			
Long term liabilities	21	5,068	328
Deferred tax liabilities	14	13,846	12,357
		225,062	216,793

Approved for issue by the Board of Directors on 7 October 2009 and signed on its behalf by:


 Douglas Graham Director


 Melanie Graham Director

The Palace Amusement Company (1921) Limited

Company Statement of Changes in Equity

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings	Total
	'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2007	1,437	1,437	148,365	1,725	35,210	186,737
Net profit	-	-	-	-	17,216	17,216
Gains recognised directly in equity –						
Increase in fair value of investments	-	-	-	155	-	155
Total gains recognised for the year	-	-	-	155	17,216	17,371
Balance at 30 June 2008	1,437	1,437	148,365	1,880	52,426	204,108
Net profit	-	-	-	-	4,999	4,999
Losses recognised directly in equity –						
Decrease in fair value of investments	-	-	-	(803)	-	(803)
Total (losses)/gains recognised for the year	-	-	-	(803)	4,999	4,196
Dividends paid					(2,156)	(2,156)
Balance at 30 June 2009	1,437	1,437	148,365	1,077	55,269	206,148

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

	2009 \$'000	2008 \$'000
Cash Flows from Operating Activities		
Cash (used in)/provided by operating activities (Note 25)	(21,356)	45,398
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(27,113)	(4,749)
Proceeds from sale of property, plant and equipment	970	278
Proceeds from sale of investments	-	66
Interest received	9,037	6,331
Dividend received	93	80
Cash (used in)/provided by investing activities	<u>(17,013)</u>	<u>2,006</u>
Cash Flows from Financing Activities		
Long term loan received	5,923	-
Long term loans repaid	(4,495)	(7,603)
Interest paid	(2,576)	(1,878)
Dividends paid	(2,156)	-
Cash used in financing activities	<u>(3,304)</u>	<u>(9,481)</u>
	(41,673)	37,923
Exchange gain on foreign cash balances	<u>13,512</u>	<u>239</u>
(Decrease)/Increase in cash and cash equivalents	(28,161)	38,162
Cash and cash equivalents at beginning of year	<u>90,992</u>	<u>52,830</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	<u><u>62,831</u></u>	<u><u>90,992</u></u>

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The Palace Amusement Company (1921) Limited (the company) and its subsidiaries (collectively referred to as the Group) are limited liability companies, incorporated and resident in Jamaica and are cinema operators. The company is a 62% subsidiary of Russgram Investments Limited (the parent company), which is also incorporated in Jamaica. The registered office of the company, its subsidiaries and the parent company, is 1A South Camp Road, Kingston.

The company is listed on the Jamaica Stock Exchange.

Films are rented from:

- (i) United International Pictures, which represents Universal Pictures, Paramount Pictures, Dreamworks and Disney;
- (ii) Independent Film Distributors of Trinidad; and
- (iii) The parent company, which represents Warner Bros, 20th Century Fox in the United States, as well as Goldmine Productions and D.S. Pictures, both of Trinidad.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Interpretations and amendments to published standards effective in 2009

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new interpretations and amendments and has adopted the following, which are relevant to its operations. The 2008 comparative figures have been amended as required, in accordance with the relevant requirements.

- **IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'** (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As this interpretation only clarifies accounting requirements already practiced by the Group, there is no effect on the financial statements or accounting policies on adoption.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2009 (continued)

- **IAS 39 (Amendment) - Financial Instruments: Recognition and Measurement** (effective 1 July 2008). This amendment, issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) which are held-for-trading out of the fair value through profit or loss category if the entity no longer holds the assets for sale or repurchase in the short term. The amendment also permits an entity to transfer financial assets from the available-for-sale category to the loans and receivables category, if those financial assets have met the definition of loans and receivables at the date of reclassification, and if the entity has the intention and ability to hold these financial assets for the foreseeable future or to maturity. The Group has not reclassified any financial assets under the provision of this amendment and therefore, this amendment has no effect on the financial statements or accounting policies on adoption.
- **IFRS 7 (Amendment) - Financial Instruments: Disclosures** (effective 1 July 2008). This amendment requires an entity to disclose details of carrying amounts and the fair value of all financial assets that have been reclassified under IAS 39 (Amendment), until they are derecognised, together with details of the fair value gains or losses that would have been recognised in the profit and loss or equity if the financial assets had not been reclassified. As the Group has not reclassified any financial assets, this amendment has no effect on the financial statements or accounting policies on adoption.
- **IFRIC 13, Customer Loyalty Programmes** (effective 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. Management has determined that there are no material transactions in the Group to which this applies.

All standards, interpretations and amendments adopted by the Group require retrospective application. There was no impact on opening retained earnings at 1 July 2007 from the adoption of any of the above-mentioned standards, interpretations and amendments.

Interpretation effective in current year that is not relevant to the Group's operations

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

Standard early adopted by the Group

- **IFRS 8, Operating Segments** (effective for annual periods beginning on or after 1 January 2009) IFRS 8 replaces IAS 14 – Segment Reporting, and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 have been restated.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective for the Group at balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following standards may be relevant to its operations, and has concluded as follows:

- **IAS 23 (Amendment), 'Borrowing costs'** (effective for annual periods beginning on or after 1 January 2009). The amendment to IAS 23 requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 1 July 2009 but is currently not applicable to the Group as there are no qualifying assets.
- **IAS 27 (Revised), Consolidated and Separate Financial Statements** (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 July 2009.
- **IFRS 3 (Revised), Business Combinations** (effective for annual periods beginning on or after 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. It requires that all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit and loss account. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 July 2009.
- **IAS 1, Presentation of Financial Statements (Revised)** (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. IAS 1 will require an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate profit and loss account and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in equity. The Group will apply IAS 1 (Revised) from 1 July 2009. It is likely that all non-owner changes in equity will be presented in one statement of comprehensive income.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

The Group has concluded that the following standards, interpretations and amendments to existing standards, which are published but not yet effective are either relevant to its operations but will have no material impact on adoption; or are not relevant to its operations and will therefore have no material impact on adoption; or contain inconsequential clarifications that will have no material impact when they come into effect:

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).
- IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 32 Financial Instruments: Presentation/ IAS 1 Presentation of Financial Statements (Amendments) - Puttable Financial Instruments and Obligations Arising on Liquidation (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' Amendment to IAS 39, 'Eligible hedged items' (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16)' (effective from 1 January 2009).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IFRS 1 (Amendment), 'First time adoption of IFRS' and IAS 27 (Amendment), 'Consolidated and separate financial statements' – 'Cost of an investment in a subsidiary, jointly controlled entity or associate' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009).
- IFRIC 15, 'Agreements for the construction of real estate' (effective from 1 January 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009).
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009).

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless the associated cost cannot be recovered.

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group and are recorded in the profit and loss account. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

The subsidiaries consolidated and percentage ownership are as follows:

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

Items of property, plant and equipment are recorded at historical or deemed cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Theatre and other buildings	40 years
Leasehold improvements	10 years
Equipment and fixtures	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(e)).

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(e) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial assets (continued)

(i) Classification (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents'.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as 'gains and losses from investment securities'.

Dividends on available-for-sale equity instruments are recognised in the profit and loss account as part of other operating income when the Group's right to receive payments is established.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade receivables is described in note 2(h).

The Palace Amusement Company (1921) Limited

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2. Significant Accounting Policies (Continued)

(f) Financial instruments (Continued)

Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the balance sheet date, the following items were classified as financial liabilities: bank overdraft, long term loans and trade payables.

(g) Inventories

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

(h) Trade receivables

Trade receivables are carried at original invoiced amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

(i) Cash and cash equivalents

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

(j) Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the profit and loss account over the period of the borrowings.

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2. Significant Accounting Policies (Continued)

(k) Current and deferred income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the balance sheet date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

Deferred income tax liabilities are not recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested.

(l) Employee benefits

The Group operates defined benefit plans, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The schemes are generally funded through payments to trustee administered funds, determined by periodic actuarial calculations.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to the profit and loss account over the remaining service lives of the employees.

Past service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on a straight line basis over the vesting period.

The Palace Amusement Company (1921) Limited

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2. Significant Accounting Policies (Continued)

(m) Provisions

Provisions for restructuring costs and legal claims are recognised when: the Group has 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 the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(n) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described above.

(o) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting.

(p) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

(q) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the segment information for 2008 was restated to conform with the reportable segments in 2009.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Management seeks to minimise potential adverse effects on the financial performance of the Group.

Financial risk management is carried out by the Finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from US dollar transactions for purchases, film rental income and US dollar cash and bank balances. The Group manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding net foreign currency assets.

The table below summarises the Group's and company's exposure to foreign currency exchange rate risk at 30 June.

	The Group		
	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
At 30 June 2009:			
Financial Assets			
Investments	8,758	-	8,758
Trade receivables	2,551	8,619	11,170
Other receivables	13,055	-	13,055
Cash and bank	3,803	67,890	71,693
Total financial assets	<u>28,167</u>	<u>76,509</u>	<u>104,676</u>
Financial Liabilities			
Trade payables	38,155	-	38,155
Accruals and other payables	32,220	-	32,220
Long term liabilities	6,145	-	6,145
Bank overdraft	8,456	-	8,456
Total financial liabilities	<u>84,976</u>	<u>-</u>	<u>84,976</u>
Net financial position	<u>(56,809)</u>	<u>76,509</u>	<u>19,700</u>

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Group		
	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
At 30 June 2008:			
Financial Assets			
Investments	10,243	-	10,243
Trade receivables	254	6,581	6,835
Other receivables	4,299	-	4,299
Cash and bank	35,101	60,014	95,115
Total financial assets	<u>49,897</u>	<u>66,595</u>	<u>116,492</u>
Financial Liabilities			
Trade payables	23,895	-	23,895
Accruals and other payables	31,689	-	31,689
Long term liabilities	4,718	-	4,718
Bank overdraft	3,773	-	3,773
Total financial liabilities	<u>64,075</u>	<u>-</u>	<u>64,075</u>
Net financial position	<u>(14,178)</u>	<u>66,595</u>	<u>52,417</u>

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
At 30 June 2009:			
Financial Assets			
Investments	1,634	-	1,634
Trade receivables	2,551	8,619	11,170
Other receivables	12,819	-	12,819
Cash and bank	3,397	67,890	71,287
Total financial assets	20,401	76,509	96,910
Financial Liabilities			
Trade payables	38,155	-	38,155
Accruals and other payables	21,924	-	21,924
Long term liabilities	6,145	-	6,145
Bank overdraft	8,456	-	8,456
Total financial liabilities	74,680	-	74,680
Net financial position	(54,279)	76,509	22,230

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	Jamaican J\$'000	US\$ J\$'000	Total J\$'000
At 30 June 2008:			
Financial Assets			
Investments	2,437	-	2,437
Trade receivables	254	6,581	6,835
Other receivables	3,107	-	3,107
Cash and bank	34,751	60,014	94,765
Total financial assets	40,549	66,595	107,144
Financial Liabilities			
Trade payables	23,895	-	23,895
Accruals and other payables	21,599	-	21,599
Long term liabilities	4,718	-	4,718
Bank overdraft	3,773	-	3,773
Total financial liabilities	53,985	-	53,985
Net financial position	(13,436)	66,595	53,159

Foreign currency sensitivity

The following table indicates the sensitivity of the net profit to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances and receivables and adjusts their translation at the year end for 15% (2008 – 3%) depreciation and a 5% (2008 – 3%) appreciation of the Jamaican dollar against the US dollar.

	The Group and Company			
	% Change in Currency Rate	Effect on Net Profit and Stockholders' Equity	% Change in Currency Rate	Effect on Net Profit and Stockholders' Equity
		30 June 2009 \$'000		30 June 2008 \$'000
	2009	\$'000	2008	\$'000
Currency:				
USD	-15	7,709	-3	1,338
USD	+5	(2,570)	+3	(1,338)

The Palace Amusement Company (1921) Limited

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk arising from its holding of available-for-sale investments. As the Group does not have a significant exposure, market price fluctuations are not expected to have a material effect on the net results or stockholders' equity.

Cash flow and fair value 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 Group earns interest on its short term deposits disclosed in Note 19. As these deposits have a short term to maturity and are constantly reinvested at current market rates, they are not significantly exposed to interest rate risk.

The Group incurs interest on its borrowings disclosed in Note 21. The Group analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

The Group's management is of the view that:

- There is no significant exposure for short term bank borrowings, as these instruments continuously re-price to market and the Group has a positive net cash position.
- Long term borrowings issued at fixed rates expose the Group to fair value interest rate risk. As the Group does not have fixed rate long term borrowings at year end, interest rate fluctuations will not have an impact on the net results or stockholders' equity.
- Long term borrowings issued at variable rates expose the Group to cash flow interest rate risk. This risk is managed by analysing the economic environment and obtaining fixed rate loans when interest rates are expected to rise and floating rate loans when interest rates are expected to fall. Management has assessed that a reasonably possible change in interest rates is a 1% rise or fall in interest rates. As the Group does not have significant variable rate long term borrowings at year end, a 1% change in interest rates will not have a material effect on the net results or stockholders' equity.

(ii) 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 from trade receivables and cash and bank balances.

Trade receivables

The Group has no significant credit risk arising from its principal activities as its primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

The table below shows the Group's and company's maximum exposure to credit risk.

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Credit risk exposures are as follows:				
Trade receivables	11,170	6,835	11,170	6,835
Other receivables	13,055	4,299	12,819	3,107
Cash and bank balances (excluding cash on hand)	70,271	93,584	70,271	93,584
	94,496	104,718	94,260	103,526

There was no renegotiation of terms for trade or other receivables during 2009 (2008 – no instances).

Trade receivables that are past due but not impaired

As at 30 June 2009, trade receivables of \$445,000 (2008 - \$279,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As of 30 June 2009, trade receivables of \$3,244,000 (2008 - \$125,000) were impaired. The amount of the provision was \$3,244,000 (2008 – \$125,000).

The aging of these receivables is as follows:

	The Group and Company	
	2009 \$'000	2008 \$'000
61 – 90 days	10	-
Over 90 days	3,234	125
	3,244	125

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Trade receivables that are past due and impaired (continued)

Movements on the provision for impairment of trade receivables are as follows:

	<u>The Group and Company</u>	
	2009 \$'000	2008 \$'000
At 1 July	125	470
Provision for receivables impairment	3,244	-
Receivables written off during the year as uncollectible	(125)	(345)
At 30 June	<u>3,244</u>	<u>125</u>

The creation and release of provision for impaired receivables have been included in expenses in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

There are no financial assets other than those listed above that were individually impaired.

Concentration of risk – trade receivables

The following table summarises the Group's and company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	<u>The Group and Company</u>	
	2009 \$'000	2008 \$'000
Independent cinemas	8,470	4,183
Advertising agencies	5,089	2,520
Other	855	257
	<u>14,414</u>	<u>6,960</u>
Less: Provision for credit losses	(3,244)	(125)
	<u>11,170</u>	<u>6,835</u>

The Palace Amusement Company (1921) Limited

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Finance department, includes:

- (i) Monitoring future cash flows and liquidity on a daily basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the Group's and company's long term liabilities, based on contractual undiscounted payments, is as follows:

	The Group			Total
	Within 1 Year	1 to 2 Years	2 to 5 Years	
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2009				
Trade payables	38,155	-	-	38,155
Accruals and other payables	32,220	-	-	32,220
Long term liabilities	2,370	2,038	5,641	10,049
Bank overdraft	8,456	-	-	8,456
Total financial liabilities (contractual maturity dates)	81,201	2,038	5,641	88,880
As at 30 June 2008				
Trade payables	23,895	-	-	23,895
Accruals and other payables	31,689	-	-	31,689
Long term liabilities	4,742	371	-	5,113
Bank overdraft	3,773	-	-	3,773
Total financial liabilities (contractual maturity dates)	64,099	371	-	64,470

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company			
	Within 1	1 to 2	2 to 5	Total
	Year	Years	Years	Total
	\$'000	\$'000	\$'000	\$'000
As at 30 June 2009				
Trade payables	38,155	-	-	38,155
Accruals and other payables	21,924	-	-	21,924
Long term liabilities	2,370	2,038	5,641	10,049
Bank overdraft	8,456	-	-	8,456
Total financial liabilities				
(contractual maturity dates)	70,905	2,038	5,641	78,584
As at 30 June 2008				
Trade payables	23,895	-	-	23,895
Accruals and other payables	21,599	-	-	21,599
Long term liabilities	4,742	371	-	5,113
Bank overdraft	3,773	-	-	3,773
Total financial liabilities				
(contractual maturity dates)	54,009	371	-	54,380

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term deposits.

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the Group is subject.

(c) Fair value estimation

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The Palace Amusement Company (1921) Limited

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3. Financial Risk Management (Continued)

(c) Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of these financial instruments are determined as follows:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables and payables.
- (ii) The carrying values of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognised in the financial statements.

(b) Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Retirement benefit obligations

The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality Government of Jamaica bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. Other key assumptions for the retirement benefits are based on current market conditions.

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5. Segment Reporting

The Group is managed in three main business segments based on business activities. The designated segments are as follows:

- (i) Cinema activities, which comprise mainly theatre operations and the sales of confectionery items;
- (ii) Film activities, which comprise the purchase of films from distributors and the rental of films to cinema operators throughout the Caribbean; and
- (iii) Screen advertising activities.

Interest expense is included in the measure of segment results for Carib and Palace Multiplex, (2008 – Carib, Palace Multiplex and Odeon Cineplex); however the remaining interest expense is not reviewed by the other reportable segments.

Unallocated income mainly comprises interest income and net foreign exchange gains. Unallocated costs mainly represent head office administrative expenses.

Segment assets comprise property, plant and equipment, inventories, and operating cash, and exclude short term deposits, receivables, taxation recoverable, retirement benefits, head office property, plant and equipment and investments for all reportable segments excluding the Carib segment. Total assets are reviewed for the Carib segment by the chief operating decision maker.

Segment liabilities comprise long term loans and exclude payables, taxation payable and bank overdraft for all reportable segments excluding the Carib segment. Total liabilities are reviewed for the Carib segment by the chief operating decision maker.

Major customers comprise independent movie patrons who attend cinemas throughout the Group.

Revenue from film activities includes \$35,240,000 (2008 - \$24,689,000) earned from other Caribbean Countries.

Segment eliminations comprise film rental charged to the cinemas, management fees charged by head office and due to holding company balances reported for the Carib segment.

The Palace Amusement Company (1921) Limited

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5. Segment Reporting (Continued)

⁽¹⁾ Revenue from the reportable segments is reconciled to the Group's revenue as follows:

	The Group	
	2009	2008
	\$'000	\$'000
Revenue from reportable segments	528,906	488,310
Screen advertising – included in other operating income	(15,984)	(8,444)
	<u>512,922</u>	<u>479,866</u>

⁽²⁾ Profit from the reportable segments is reconciled to the Group's (loss)/profit before taxation as follows:

	The Group	
	2009	2008
	\$'000	\$'000
Profit from reportable segments	59,624	77,242
Unallocated income -		
Other operating income	58,950	39,903
Less: Screen advertising income	(15,984)	(8,444)
	42,966	31,459
Unallocated costs -		
Administrative expenses	(107,441)	(79,496)
Other	(35)	(205)
	(107,476)	(79,701)
Carib audit fees – included in segment results	395	345
Unallocated interest expense	(2,224)	(996)
	<u>(6,715)</u>	<u>28,349</u>

6. Other Operating Income

	The Group		The Company	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Management fees	-	-	25,411	23,086
Interest income	9,037	6,331	9,037	6,331
Dividend income	238	205	93	80
Net foreign exchange gains	23,649	7,796	23,649	7,796
Gain on sale of property, plant and equipment	414	9,828	414	278
Screen advertising	15,984	8,444	15,984	8,444
Proceeds from claims for hurricane damages	-	3,984	-	3,984
Rental and other income	9,628	3,315	9,628	3,315
	<u>58,950</u>	<u>39,903</u>	<u>84,216</u>	<u>53,314</u>

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7. Expenses by Nature

Total direct, administration and other operating expenses:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Advertising and promotion	32,052	17,038	18,358	9,679
Auditors' remuneration	2,775	2,505	2,200	2,000
Bank security & fees	2,907	2,744	1,620	1,575
Cost of inventories recognised as expense	78,639	72,734	32,853	31,864
Depreciation	20,901	23,994	18,169	17,478
Film cost	159,018	134,173	159,018	134,173
Insurance	10,141	9,102	6,343	5,509
Legal and professional fees	1,447	792	1,103	707
Licence fees	3,284	3,066	1,551	1,485
Motor vehicle expenses	3,607	3,099	3,607	3,099
Other	15,379	8,778	13,913	7,997
Repairs, maintenance and renewals	18,046	17,790	13,591	12,263
Security	13,935	11,008	7,207	6,190
Staff costs (Note 8)	139,230	114,150	106,573	85,533
Stationery and supplies	12,071	11,891	7,802	7,814
Theatre rental	20,245	18,009	20,245	18,009
Transportation and courier	1,824	1,460	1,704	1,460
Utilities	40,400	37,111	23,065	20,970
	<u>575,901</u>	<u>489,444</u>	<u>438,922</u>	<u>367,805</u>

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8. Staff Costs

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Wages and salaries	105,419	94,000	79,808	71,778
Statutory contributions	9,944	8,867	7,125	6,342
Pension (Note 15)	8,119	(2,921)	8,119	(2,921)
Other	15,748	14,204	11,521	10,334
	<u>139,230</u>	<u>114,150</u>	<u>106,573</u>	<u>85,533</u>

9. Taxation Expense

Taxation is computed on the profit for the year adjusted for tax purposes and comprises income tax at 33 $\frac{1}{3}$ %:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current taxation	1,323	1,864	1,323	1,864
Deferred taxation (Note 14)	(2,752)	4,903	1,489	7,390
	<u>(1,429)</u>	<u>6,767</u>	<u>2,812</u>	<u>9,254</u>

The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 33 $\frac{1}{3}$ %, as follows:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(Loss)/profit before taxation	(6,715)	28,349	7,811	26,470
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	(2,238)	9,450	2,604	8,823
Adjusted for the effects of:				
Capital gains on the sale of property	-	(3,183)	-	-
Income not subject to tax	(79)	(68)	(31)	(27)
Disallowed expenses	888	568	239	458
	<u>(1,429)</u>	<u>6,767</u>	<u>2,812</u>	<u>9,254</u>

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10. Net Profit/(Loss) and Retained Earnings Attributable to the Stockholders

	2009 \$'000	2008 \$'000
(a) Net profit/(loss) attributable to the stockholders of the company is dealt with as follows in the financial statements of:		
The company	4,999	17,216
The subsidiaries	(10,045)	3,177
	<u>(5,046)</u>	<u>20,393</u>
(b) Retained earnings attributable to the stockholders of the company are dealt with as follows in the financial statements of:		
The company	55,269	52,426
The subsidiaries	12,380	22,425
	<u>67,649</u>	<u>74,851</u>

11. (Loss)/Earnings Per Stock Unit

(Loss)/earnings per stock unit is calculated by dividing the net (loss)/profit attributable to stockholders by the number of ordinary stock units in issue at year end.

	2009	2008
Net (loss)/profit attributable to stockholders (\$'000)	(5,046)	20,393
Number of ordinary stock units ('000)	1,437	1,437
(Loss)/earnings per stock unit (\$ per share)	<u>(3.51)</u>	<u>14.19</u>

The company has no potentially dilutive ordinary shares.

The Palace Amusement Company (1921) Limited

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12. Property, Plant and Equipment

	The Group					Total \$'000
	Freehold Land \$'000	Theatre Buildings \$'000	Other Buildings \$'000	Leasehold Improvements \$'000	Equipment, Fixtures & Motor Vehicles \$'000	
Cost -						
At 1 July 2007	19,903	72,364	1,183	63,051	209,090	365,591
Additions	-	-	-	-	10,543	10,543
Disposals	(20)	(84)	-	-	(515)	(619)
At 30 June 2008	19,883	72,280	1,183	63,051	219,118	375,515
Additions	-	-	-	-	55,634	55,634
Disposals	-	-	-	-	(1,432)	(1,432)
At 30 June 2009	19,883	72,280	1,183	63,051	273,320	429,717
Depreciation -						
At 1 July 2007	-	18,418	414	33,832	149,380	202,044
Charge for the year	-	1,807	28	5,887	16,272	23,994
Relieved on disposal	-	-	-	-	(515)	(515)
At 30 June 2008	-	20,225	442	39,719	165,137	225,523
Charge for the year	-	1,807	28	5,887	13,179	20,901
Relieved on disposal	-	-	-	-	(876)	(876)
At 30 June 2009	-	22,032	470	45,606	177,440	245,548
Net Book Value -						
30 June 2009	19,883	50,248	713	17,445	95,880	184,169
30 June 2008	19,883	52,055	741	23,332	53,981	149,992

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12. Property, Plant and Equipment (Continued)

	The Company					Total \$'000
	Freehold Land \$'000	Theatre Buildings \$'000	Other Buildings \$'000	Leasehold Improvements \$'000	Equipment, Fixtures & Motor Vehicles \$'000	
Cost -						
At 1 July 2007	1,010	6	1,183	63,051	147,890	213,140
Additions	-	-	-	-	4,749	4,749
Disposals	-	-	-	-	(481)	(481)
At 30 June 2008	1,010	6	1,183	63,051	152,158	217,408
Additions	-	-	-	-	27,113	27,113
Disposals	-	-	-	-	(1,432)	(1,432)
At 30 June 2009	1,010	6	1,183	63,051	177,839	243,089
Depreciation -						
At 1 July 2007	-	2	414	33,832	92,732	126,980
Charge for the year	-	-	28	5,887	11,563	17,478
Relieved on disposal	-	-	-	-	(481)	(481)
At 30 June 2008	-	2	442	39,719	103,814	143,977
Charge for the year	-	-	28	5,887	12,254	18,169
Relieved on disposal	-	-	-	-	(876)	(876)
At 30 June 2009	-	2	470	45,606	115,192	161,270
Net Book Value -						
30 June 2009	1,010	4	713	17,445	62,647	81,819
30 June 2008	1,010	4	741	23,332	48,344	73,431

Deemed cost of the freehold land and buildings includes revaluation surpluses of \$2,231,000 (2008 - \$2,231,000) and \$1,373,000 (2008 - \$1,373,000) for the Group and company respectively. These revaluation surpluses were designated as the deemed cost on adoption of IFRS in 2002.

Motor vehicle additions totaling \$5,923,000 (2008 – nil) were financed by way of a long term loan agreement with PanCaribbean Bank Limited (note 21).

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13. Investments

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Quoted equities – available for sale	8,758	10,243	1,149	1,952
Unquoted – Subsidiaries, at cost:				
Cinema Company of Jamaica Limited				
56,101 Ordinary shares	-	-	272	272
Harbour View Cinema Company Limited				
133,998 Ordinary shares	-	-	68	68
Tropical Cinema Company Limited				
116,296 Ordinary shares	-	-	145	145
	<u>8,758</u>	<u>10,243</u>	<u>1,634</u>	<u>2,437</u>

14. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33½%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred tax assets	6,956	2,715	-	-
Deferred tax liabilities	(13,846)	(12,357)	(13,846)	(12,357)
	<u>(6,890)</u>	<u>(9,642)</u>	<u>(13,846)</u>	<u>(12,357)</u>

The movement in deferred taxation is as follows:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at start of year	(9,642)	(4,739)	(12,357)	(4,967)
Credit/(charge) for the year (Note 9)	2,752	(4,903)	(1,489)	(7,390)
Balance at end of year	<u>(6,890)</u>	<u>(9,642)</u>	<u>(13,846)</u>	<u>(12,357)</u>

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14. Deferred Income Taxes (Continued)

Deferred taxation includes the following, prior to offsetting of balances:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Deferred tax assets to be recovered after more than 12 months	9,707	2,226	-	-
Deferred tax liabilities to be settled after more than 12 months	(12,638)	(11,825)	(9,887)	(12,314)

Deferred taxation is due to the following temporary differences, prior to offsetting of balances:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tax loss carry forwards	9,707	2,226	-	-
Unrealised foreign exchange (gains)/losses	(3,931)	84	(3,931)	84
Accelerated capital allowances	(4,299)	(1,000)	(1,548)	(1,489)
Pension surplus	(8,339)	(10,825)	(8,339)	(10,825)
Interest receivable	(28)	(127)	(28)	(127)
	(6,890)	(9,642)	(13,846)	(12,357)

Deferred taxation credited/(charged) in the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Tax loss carry forwards	7,481	(6,197)	-	(7,781)
Unrealised foreign exchange gains and losses	(4,015)	462	(4,015)	462
Accelerated capital allowances	(3,299)	1,881	(59)	978
Pension surplus	2,486	(1,142)	2,486	(1,142)
Interest receivable	99	93	99	93
	2,752	(4,903)	(1,489)	(7,390)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately \$30,588,000 for the Group and \$Nil for the company (2008 – \$6,679,000 and \$Nil, respectively) are available for set off against future profits and may be carried forward indefinitely.

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14. Deferred Income Taxes (Continued)

No deferred tax assets have been recognised on tax losses amounting to \$246,000 (2008 - \$246,000) and \$1,221,000 (2008 - \$1,221,000) for Tropical Cinema Company Limited and Harbour View Cinema Company Limited respectively as there are significant doubts that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled \$42,670,000 (2008 - \$45,075,000).

15. Post-employment benefit assets

	The Group and The Company	
	2009	2008
	\$'000	\$'000
Amounts recognised in the balance sheet –		
Head office employees pension scheme	18,400	18,345
Cinema employees pension scheme	6,616	14,130
	<u>25,016</u>	<u>32,475</u>
(Debit)/Credit recognised in the profit and loss account (Note 8) –		
Head office employees pension scheme	(317)	1,943
Cinema employees pension scheme	(7,802)	978
	<u>(8,119)</u>	<u>2,921</u>

Head office employees pension scheme

The company participates in a defined benefit scheme, which is open to all permanent head office employees and administered for The Palace Amusement Company (1921) Limited by Guardian Life Limited. Retirement benefits are based on the average annual earnings in the last three years to retirement, and death benefits on members' accumulated contribution.

Cinema employees pension scheme

The company participates in a defined benefit scheme which is open to all permanent cinema employees and administered by Sagicor Life Jamaica Limited. Retirement benefits are based on the average annual earnings in the last three years to retirement, and death benefits on members' accumulated contribution.

The schemes are valued annually by independent actuaries. The latest actuarial valuation was done as at 30 June 2009.

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15. Post-employment benefit assets (Continued)

The amounts recognised in the balance sheet in respect of each scheme were determined as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Fair value of plan assets	109,698	103,856	37,626	36,529
Present value of funded obligation	(64,892)	(56,946)	(31,010)	(18,888)
	44,806	46,910	6,616	17,641
Unrecognised actuarial (gains)/losses	(22,694)	(28,565)	9,386	(3,511)
Unrecognised asset due to limit in 58(b)	(3,712)	-	(9,386)	-
Asset in the balance sheet	18,400	18,345	6,616	14,130

The (debit)/credit recognised in the profit and loss account in respect of each scheme was as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Current service cost	(3,004)	(3,406)	(2,782)	(2,278)
Interest cost	(7,473)	(6,304)	(2,168)	(1,863)
Employee contributions	2,765	2,563	1,491	1,111
Expected return on plan assets	10,296	8,610	5,043	4,008
Actuarial gains recognised	811	480	-	-
Change in income not eligible for recognition due to limit	(3,712)	-	(9,386)	-
Total included in staff costs	(317)	1,943	(7,802)	978

The movement in the fair value of plan assets in respect of each scheme was as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Balance at start of year	103,856	85,237	36,529	33,084
Employee contributions	2,765	2,563	1,491	1,111
Employer contributions	373	288	289	216
Expected return on plan assets	10,296	8,610	5,043	4,008
Benefits paid	(4,933)	(1,125)	(74)	(681)
Actuarial (losses)/gains	(2,659)	8,283	(5,652)	(1,209)
Balance at end of year	109,698	103,856	37,626	36,529

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15. Post-employment benefit assets (Continued)

The actual return on plan assets was \$7,637,000 (2008 – \$16,893,000) for the head office employees scheme and (\$609,000) (2008 - \$2,799,000) for the cinema employees scheme.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

Expected employer contributions for the year ended 30 June 2010 amount to \$407,000 for the head office employees scheme and \$344,000 for the cinema employees scheme.

The distribution of plan assets in respect of each scheme was as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009	2008	2009	2008
	%	%	%	%
Pooled investment funds –				
Equity Fund	15	25	16	14
Mortgage and Real Estate Fund	-	-	22	14
Fixed Income Fund	55	58	32	71
Money Market Fund	-	-	12	-
Foreign Currency Fund	-	-	21	-
Other	30	17	(3)	1
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

The movement in the present value of the funded obligation in respect of each scheme was as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Balance at start of year	(56,946)	(49,693)	(18,888)	(18,075)
Current service cost	(3,004)	(3,406)	(2,782)	(2,278)
Interest cost	(7,473)	(6,304)	(2,168)	(1,863)
Benefits paid	4,933	1,125	74	681
Actuarial (losses)/gains	(2,402)	1,332	(7,246)	2,647
	<u>(64,892)</u>	<u>(56,946)</u>	<u>(31,010)</u>	<u>(18,888)</u>

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15. Post-employment benefit assets (Continued)

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities in respect of each scheme are as follows:

	Head office employees pension scheme				
	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
Fair value of plan assets	109,698	103,856	85,237	74,660	103,805
Defined benefit obligation	(64,892)	(56,946)	(49,693)	(41,066)	(63,857)
Surplus	44,806	46,910	35,544	33,594	39,948
Experience adjustments –					
Fair value of plan assets	(2,659)	8,283	1,183	(8,942)	7,869
Defined benefit obligation	2,402	(1,332)	1,119	448	640
	Cinema employees pension scheme				
	2009 \$'000	2008 \$'000	2007 \$'000	2006 \$'000	2005 \$'000
Fair value of plan assets	37,626	36,529	33,084	28,451	25,818
Defined benefit obligation	(31,010)	(18,888)	(18,075)	(14,490)	(12,371)
Surplus	6,616	17,641	15,009	13,961	13,447
Experience adjustments –					
Fair value of plan assets	(5,652)	(1,209)	590	(649)	2,180
Defined benefit obligation	7,246	(2,647)	(567)	(10)	271

The principal actuarial assumptions used were as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2009	2008	2009	2008
Discount rate	19.00%	13.00%	19.00%	13.00%
Expected return on plan assets	12.00%	10.00%	17.00%	13.50%
Long term inflation rate	14.00%	8.75%	14.00%	9.00%
Future salary increases	14.00%	9.00%	14.00%	10.50%
Future pension increases	7.50%	Nil%	14.00%	4.00%
Expected remaining working lives (years)	22.40	23.00	17.00	24.00

Mortality assumptions are based on the American 1994 Group Annuitant Mortality (GAM94) table.

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16. Due from Subsidiary Companies

This represents the year end balance arising mainly from the Group's centralised treasury function. The subsidiaries conduct all transactions through their current account with the company. No interest is charged on these balances, and there are no fixed terms of repayment.

17. Inventories

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cinemas	4,056	2,220	2,129	1,526
General stores	18,414	17,565	18,414	17,565
	22,470	19,785	20,543	19,091
Less: Provision for obsolescence	(518)	(558)	(518)	(558)
	21,952	19,227	20,025	18,533

18. Accounts Receivable

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade receivables	11,170	6,835	11,170	6,835
Prepayments	6,025	4,193	6,025	4,193
Other	13,055	4,299	12,819	3,107
	30,250	15,327	30,014	14,135

19. Cash and Cash Equivalents

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

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Cash at bank and in hand	5,580	11,016	5,174	10,666
Short term deposits	66,113	84,099	66,113	84,099
	71,693	95,115	71,287	94,765
Bank overdraft (Note 21)	(8,456)	(3,773)	(8,456)	(3,773)
	63,237	91,342	62,831	90,992

Short term deposits include interest receivable amounting to \$85,000 (2008 – \$383,000).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 14% and 5%, respectively (2008 – 12% and 5%, respectively) and these deposits mature within 90 days.

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20. Accounts Payable

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Trade payables	38,155	23,895	38,155	23,895
Accruals and other payables	32,220	31,689	21,924	21,599
	<u>70,375</u>	<u>55,584</u>	<u>60,079</u>	<u>45,494</u>

21. Borrowings

	The Group & The Company	
	2009 \$'000	2008 \$'000
Bank overdraft	8,456	3,773
Long term liabilities	6,145	4,718
	<u>14,601</u>	<u>8,491</u>

(a) Bank overdraft

The accounting records of the Group and company reflect a bank overdraft balance at year end, which results from cheques issued but not yet presented to the bank.

In the event that there is an overdraft balance with the bank, the Group and company have bank overdraft facilities totalling \$25,000,000 which attract interest at 22.00% (2008 – 19.75%) and are immediately rate sensitive. The facilities are partially secured by short term deposits totalling US\$163,000 held with RBTT Bank Jamaica Limited.

(b) Long term liabilities

	The Group & The Company	
	2009 \$'000	2008 \$'000
PanCaribbean Bank Limited	5,817	-
Development Bank of Jamaica Limited	328	4,718
	6,145	4,718
Less: Current portion	(1,077)	(4,390)
	<u>5,068</u>	<u>328</u>

- (i). The PanCaribbean Bank Limited loan incurs interest at a rate of 23.50% and is repayable in April 2014. The loan is secured by a bill of sale over motor vehicles valuing \$6,234,000.00.
- (ii). The Development Bank of Jamaica Limited loan incurs interest at a rate of 13.00% and is repayable in July 2009. The loan is secured by a first mortgage over the Carib Cinema.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

22. Share Capital

	2009 \$'000	2008 \$'000
Authorised - 1,500,000 ordinary shares		
Issued and fully paid - 1,437,028 stock units of no par value	<u>1,437</u>	<u>1,437</u>

23. Capital Reserve

	<u>The Group</u>		<u>The Company</u>	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Surplus on assets carried at deemed cost	2,231	2,231	1,373	1,373
Realised capital gains	163,868	163,868	146,992	146,992
Other	389	389	-	-
	<u>166,488</u>	<u>166,488</u>	<u>148,365</u>	<u>148,365</u>

24. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

25. Cash Provided By Operating Activities

	The Group		The Company	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
Net (loss)/profit	(5,286)	21,582	4,999	17,216
Items not affecting cash resources:				
Depreciation	20,901	23,994	18,169	17,478
Gain on sale of property, plant and equipment	(414)	(9,828)	(414)	(278)
Loss on sale of investments	-	42	-	30
Interest income	(9,037)	(6,331)	(9,037)	(6,331)
Dividend income	(238)	(205)	(93)	(80)
Exchange gain on foreign balances	(23,649)	(7,796)	(23,649)	(7,796)
Interest expense	2,686	1,976	2,576	1,878
Taxation	(1,429)	6,767	2,812	9,254
	(16,466)	30,201	(4,637)	31,371
Changes in operating assets and liabilities:				
Inventories	(2,725)	(5,449)	(1,492)	(5,539)
Accounts receivable	(4,787)	4,946	(5,743)	4,951
Pension surplus	7,459	(3,426)	7,459	(3,426)
Due from subsidiaries	-	-	(40,512)	4,080
Accounts payable	14,791	18,101	14,585	15,570
	(1,728)	44,373	(30,340)	47,007
Taxation recovered/(withheld)	8,914	(1,609)	8,984	(1,609)
Cash provided by/(used in) operating activities	7,186	42,764	(21,356)	45,398

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2009

(expressed in Jamaican dollars unless otherwise indicated)

26. Related Party Transactions

(a) Purchases of services

Film rental charged by and paid to the parent company for the year amounted to \$74,902,000 (2008 - \$61,515,000) and \$56,300,000 (2008 - \$61,850,000) respectively. Trade payables include \$22,092,000 (2008 - \$3,490,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2009	2008
	\$'000	\$'000
Wages and salaries	30,788	26,005
Payroll taxes – Employer's portion	1,435	1,188
Pension	180	149
Other	2,802	2,270
	<u>35,205</u>	<u>29,612</u>
Directors' emoluments –		
Fees	1,521	1,242
Management remuneration (included above)	<u>15,583</u>	<u>12,869</u>

(c) Transactions between the company and its subsidiaries

During the year, the company earned management fees of \$25,411,000 (2008 - \$23,086,000) and film revenue of \$104,769,000 (2008 - \$94,994,000) from a subsidiary.