PRICEWATERHOUSECOOPERS

The Palace Amusement Company (1921) Limited

Financial Statements
30 June 2010

PRICEWATERHOUSECOOPERS

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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 45, which comprise the consolidated and company statement of financial position as of 30 June 2010 and the consolidated and company statement of comprehensive income, 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.

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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 2010, 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.

PricewaterhouseCoopers

Chartered Accountants

1 October 2010
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Statement of Comprehensive Income

Year ended 30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Revenue		675,638	528,906
Direct expenses		(565,649)	(469,336)
Gross Profit		109,989	59,570
Other operating income	6	16,170	42,966
Administration expenses		(107,994)	(106,565)
Operating Profit/(Loss)		18,165	(4,029)
Finance costs – interest expense		(4,322)	(2,686)
Profit/(Loss) before Taxation		13,843	(6,715)
Taxation	9	(4,442)	1,429
Net Profit/Loss		9,401	(5,286)
Other Comprehensive Income:			
Unrealised losses on available-for-sale investments		(606)	(1,485)
Total Comprehensive Income		8,795	(6,771)
Profit/(Loss) Attributable to:			
Stockholders of the company	10	9,547	(5,046)
Non-controlling interest		(146)	(240)
		9,401	(5,286)
Total Comprehensive Income Attributable to:			
Stockholders of the company		8,941	(6,531)
Non-controlling interest		(146)	(240)
		8,795	(6,771)
Earnings/(Loss) per Stock Unit Attributable to Stockholders of the Company	11	$6.64	($3.51)

The Palace Amusement Company (1921) Limited

Consolidated Statement of Financial Position

30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Non-Current Assets			
Property, plant and equipment	12	180,164	184,169
Investments	13	8,152	8,758
Deferred tax assets	14	2,144	6,956
Post-employment benefit assets	15	25,036	25,016
Current Assets			
Inventories	17	24,314	21,952
Receivables	18	36,877	30,250
Cash and bank balances	19	106,971	71,693
		168,162	123,895
Current Liabilities			
Payables	20	81,520	70,375
Taxation payable		6,428	117
Current portion of long term liabilities	21	5,037	1,077
Bank overdraft	19/21	-	8,456
		92,985	80,025
Net Current Assets		75,177	43,870
		290,673	268,769
Stockholders' Equity			
Share capital	22	1,437	1,437
Capital reserve	23	166,488	166,488
Fair value reserve	24	8,074	8,680
Retained earnings	10	77,196	67,649
		253,195	244,254
Non-controlling Interest		5,455	5,601
		258,650	249,855
Non-Current Liabilities			
Long term liabilities	21	25,880	5,068
Deferred tax liabilities	14	6,143	13,846
		290,673	268,769

Approved for issue by the Board of Directors on 1 October 2010 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 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders					Non-Controlling 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 2008	1,437	1,437	166,488	10,165	74,851	5,841	258,782
Total Comprehensive Income							
Net loss	-	-	-	-	(5,046)	(240)	(5,286)
Other comprehensive income	-	-	-	(1,485)	-	-	(1,485)
	-	-	-	(1,485)	(5,046)	(240)	(6,771)
Transaction with owners							
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
Total Comprehensive Income							
Net profit	-	-	-	-	9,547	(146)	9,401
Other comprehensive income	-	-	-	(606)	-	-	(606)
	-	-	-	(606)	9,547	(146)	8,795
Balance at 30 June 2010	1,437	1,437	166,488	8,074	77,196	5,455	258,650

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 $'000	2009 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 25)	42,757	9,496
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(23,059)	(55,634)
Proceeds from sale of property, plant and equipment	50	970
Interest received	4,435	6,727
Dividend received	336	238
Cash used in investing activities	(18,238)	(47,699)
Cash Flows from Financing Activities		
Long term loan received	26,495	5,923
Long term loans repaid	(1,723)	(4,495)
Interest paid	(4,322)	(2,686)
Dividends paid	-	(2,156)
Cash provided by/(used in) financing activities	20,450	(3,414)
	44,969	(41,617)
Exchange (loss)/gain on foreign cash balances	(1,235)	13,512
Increase/(decrease) in cash and cash equivalents	43,734	(28,105)
Cash and cash equivalents at beginning of year	63,237	91,342
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	106,971	63,237

The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Revenue		487,465	381,077
Direct expenses		(403,620)	(332,357)
Gross Profit		83,845	48,720
Other operating income	6	26,574	68,232
Administration expenses		(107,994)	(106,565)
Operating Profit		2,425	10,387
Finance costs – interest expense		(2,824)	(2,576)
(Loss)/Profit before Taxation		(399)	7,811
Taxation	9	370	(2,812)
Net (Loss)/Profit	10	(29)	4,999
Other Comprehensive Income:			
Unrealised gains/(losses) on available-for-sale investments		406	(803)
Total Comprehensive Income		377	4,196

The Palace Amusement Company (1921) Limited

Company Statement of Financial Position

30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 $'000	2009 $'000
Non-Current Assets			
Property, plant and equipment	12	80,556	81,819
Investments	13	2,040	1,634
Post-employment benefit assets	15	25,036	25,016
Due from subsidiary companies	16	46,943	64,996
Current Assets			
Inventories	17	22,718	20,025
Receivables	18	36,732	30,014
Cash and bank balances	19	105,971	71,287
		165,421	121,326
Current Liabilities			
Payables	20	69,983	60,079
Taxation payable		6,428	117
Current portion of long term liabilities	21	5,037	1,077
Bank overdraft	19/21	-	8,456
		81,448	69,729
Net Current Assets		83,973	51,597
		238,548	225,062
Stockholders' Equity			
Share capital	22	1,437	1,437
Capital reserve	23	148,365	148,365
Fair value reserve	24	1,483	1,077
Retained earnings	10	55,240	55,269
		206,525	206,148
Non-Current Liabilities			
Long term liabilities	21	25,880	5,068
Deferred tax liabilities	14	6,143	13,846
		238,548	225,062

Approved for issue by the Board of Directors on 1 October 2010 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 2010

(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 2008	1,437	1,437	148,365	1,880	52,426	204,108
Total Comprehensive Income						
Net profit	-	-	-	-	4,999	4,999
Other comprehensive income	-	-	-	(803)	-	(803)
	-	-	-	(803)	4,999	4,196
Transactions with owners						
Dividends paid	-	-	-	-	(2,156)	(2,156)
Balance at 30 June 2009	1,437	1,437	148,365	1,077	55,269	206,148
Total Comprehensive Income						
Net loss	-	-	-	-	(29)	(29)
Other comprehensive income	-	-	-	406	-	406
	-	-	-	406	(29)	377
Balance at 30 June 2010	1,437	1,437	148,365	1,483	55,240	206,525

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2010

(expressed in Jamaican dollars unless otherwise indicated)

	2010 $'000	2009 $'000
Cash Flows from Operating Activities		
Cash provided by/(used in) operating activities (Note 25)	38,160	(19,046)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(20,357)	(27,113)
Proceeds from sale of property, plant and equipment	50	970
Interest received	4,435	6,727
Dividend received	139	93
Cash used in investing activities	(15,733)	(19,323)
Cash Flows from Financing Activities		
Long term loan received	26,495	5,923
Long term loans repaid	(1,723)	(4,495)
Interest paid	(2,824)	(2,576)
Dividends paid	-	(2,156)
Cash provided by/(used in) financing activities	21,948	(3,304)
	44,375	(41,673)
Exchange (loss)/gain on foreign cash balances	(1,235)	13,512
Increase/(decrease) in cash and cash equivalents	43,140	(28,161)
Cash and cash equivalents at beginning of year	62,831	90,992
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	105,971	62,831

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 financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2009

Certain standards, 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 standards, interpretations and amendments and has adopted the following, which are relevant to its operations.

- **IFRS 7 (Amendment), Financial instruments – Disclosures (effective for annual periods beginning on or after 1 January 2009).** The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change only results in additional disclosures, there is no impact on opening retained earnings. The enhanced disclosures required are detailed in Note 3(c).

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2010
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in 2009 (continued)

- **IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2009).** The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in one statement of comprehensive income or in two statements (a separate profit and loss account and a statement of other comprehensive income). The Group has elected to present all non-owner changes in equity in a single statement of comprehensive income, whereas all owner changes in equity are presented in the statement of changes in equity. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on opening retained earnings.

- **IFRS 8 'Operating segments' (effective for annual periods beginning on or after 1 January 2009).** This standard replaces IAS 14, 'Segment reporting', and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The standard was early adopted by the Group for annual period beginning 1 July 2008.

- **IAS 19 (Amendment), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2009).** The amendment includes the following:

  (i) Clarification that a plan amendment that results in a change in the extent to which benefit promises is affected by future salary increases is a curtailment.

  (ii) Clarification that benefits attributable to past service give rise to a negative past service cost if they result in a reduction in the present value of the defined benefit obligation.

  (iii) An amendment to the definition of return on plan assets to state that plan administration costs should be deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  (iv) A distinction between short term and long term employee benefits which is based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

Management has assessed the standard and has determined that there is no material impact on the Group's financial statements.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretation and amendments to published standards effective in the current year without impact to the financial statements

The following standards, interpretations and amendments to published standards are also mandatory for the current and future accounting periods. The adoption of these pronouncements has led to no significant changes to the Group's accounting policies, nor to the presentation and disclosure of its financial information, but may affect the accounting for future transactions or arrangements.

- **IAS 23 (Amendment), 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009).** The amendment 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, removing the option of immediately expensing those borrowing costs. Interest expense is calculated using the effective interest method defined in IAS 39. Management has determined that there are currently no transactions to which this standard applies.

- **IAS 36 (Amendment), 'Impairment of assets' (effective for annual periods beginning on or after 1 January 2009).** Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Management has determined that there are currently no transactions to which this amendment applies.

- **IAS 38 (Amendment), 'Intangible assets' (effective for annual periods beginning on or after 1 January 2009).** An asset may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment includes deletion of wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. Management has determined that there are currently no transactions to which this amendment applies.

- **IFRIC 17, Distribution of Non-Cash assets to owners (effective from 1 July 2009).** A dividend payable should be recognised when appropriately authorised and no longer at the entity's discretion. Where an owner has a choice of a dividend of a non-cash asset or cash, the dividend payable is estimated considering both the fair value and probability of the owners selecting each option. The dividend payable is measured at the fair value of the net assets to be distributed. The difference between fair value of the dividend paid and the carrying amount of the net assets distributed is recognised in profit or loss. Management has determined that there are currently no transactions to which this interpretation applies.

- **IFRS 3 (Revised), Business Combinations (effective for annual periods beginning on or after 1 July 2009)**. IFRS 3 continues to apply the acquisition method to business combinations, with some significant changes. It requires that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through profit or loss. 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. Management has determined that there are currently no transactions to which this standard applies.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2010
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretation and amendments to published standards effective in the current year without impact to the financial statements (continued)

- **IAS 27 (Revised), Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009).** IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. It further specifies the accounting when control is lost, requiring that any remaining interest in the entity be re-measured to fair value, and a gain or loss be recognised in profit or loss. Management has determined that there are currently no transactions to which this standard applies.

Standard that is not yet effective and has 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 are mandatory for the Group's accounting periods beginning on or after 1 July 2010 or later periods, but were not effective at the year end date, and which the Group has not early adopted. None of these will have an effect on the financial statements of the Group, except as described below.

- **IFRS 9, 'Financial instruments' (effective for annual periods beginning on or after 1 January 2013).** IFRS 9 addresses classification and measurement of financial assets and is available for early adoption immediately. IFRS 9 replaces the multiple classification and measurement models in IAS 39 'Financial instruments: Recognition and Measurement' with a single model that has only two classification categories: amortised cost and fair value. IFRS 9 represents the first milestone in the IASB's planned replacement of IAS 39. Management is currently considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

(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 Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any 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. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

(i) Subsidiaries (continued)
The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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%

(ii) Transactions and minority interests
The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(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 presentation currency.

(ii) Transactions and balances
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)
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 profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

(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 profit or loss 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 reporting 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, currently carried at deemed are sold, the amounts included in other reserves relating to the revaluation surpluses will be 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.

2. Significant Accounting Policies (Continued)

(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.

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 reporting 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 reporting 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. Financial assets 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 financial assets 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, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently 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 previously recognized as other comprehensive income are recycled to profit or loss as 'gains and losses from investment securities'.

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

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

(i) Recognition and Measurement

The Group assesses at each reporting 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, 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 profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. Impairment testing of trade receivables is described in note 2(h).

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 reporting 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 fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell 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 profit or loss. 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 profit or loss.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position 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 profit or loss over the period of the borrowings.

2. Significant Accounting Policies (Continued)

(k) Current and deferred income taxes

Taxation expense in profit or loss 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 reporting 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 to profit or loss, except where it relates to items charged or credited to other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income.

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 and are not subject to tax.

(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 reporting 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 and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past service costs relating to changes in plan benefits 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.

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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 expenditure 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 cash sales and are recognised when cash is collected. 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 reporting date are dealt with in the subsequent events note.

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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, 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 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.

Concentration of currency risk

The Group and company are exposed to foreign currency risk in respect of US dollar receivables and cash and bank balances amounting to $11,649,000 (2009 – 8,619,000) and $53,580,000 (2009 – 67,890,000) respectively.

Foreign currency sensitivity

The following table indicates the sensitivity of the net profit and stockholders' equity 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 5% (2009 – 15%) depreciation and a 1% (2009 – 5%) 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
	2010	30 June 2010 $'000	2009	30 June 2009 $'000
Currency:				
USD	-5	2,174	-15	7,651
USD	+1	(435)	+5	(2,550)

The Palace Amusement Company (1921) Limited

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.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest rate risk.

The Group is primarily exposed to cash flow interest rate risk on its short term deposits and variable rate borrowings. 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.

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings, as the Group does not have significant variable rate borrowings at year end.

(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.

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Credit risk exposures are as follows:				
Trade receivables	17,863	11,170	17,863	11,170
Other receivables	7,398	13,055	7,253	12,819
Cash and bank balances (excluding cash on hand)	104,677	70,271	104,677	70,271
	129,938	94,496	129,793	94,260

There was no renegotiation of terms for trade or other receivables during 2010 (2009 – no instances).

Trade receivables that are past due but not impaired

As at 30 June 2010, trade receivables of $1,054,000 (2009 - $445,000) 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 2010, trade receivables of $2,257,000 (2009 - $3,244,000) were impaired. The amount of the provision was $2,257,000 (2009 – $3,244,000).

The aging of these receivables is as follows:

	The Group and Company	
	2010 $'000	2009 $'000
61 – 90 days	-	10
Over 90 days	2,257	3,234
	2,257	3,244

The Palace Amusement Company (1921) Limited

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:

	The Group and Company	
	2010 $'000	2009 $'000
At 1 July	3,244	125
Provision for receivables impairment	163	3,244
Bad debts recovered, previously provided for	(1,150)	-
Receivables written off during the year as uncollectible	-	(125)
At 30 June	2,257	3,244

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. 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.

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:

	The Group and Company	
	2010 $'000	2009 $'000
Independent cinemas	12,166	8,470
Advertising agencies	7,185	5,089
Other	769	855
	20,120	14,414
Less: Provision for credit losses	(2,257)	(3,244)
	17,863	11,170

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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 bi-weekly 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				
	Within 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
As at 30 June 2010					
Trade payables	35,444	-	-	-	35,444
Accruals and other payables	36,495	-	-	-	36,495
Long term liabilities	9,115	8,588	20,330	5,936	43,969
Total financial liabilities (contractual maturity dates)	81,054	8,588	20,330	5,936	115,908
As at 30 June 2009					
Trade payables	38,155	-	-	-	38,155
Accruals and other payables	23,671	-	-	-	23,671
Long term liabilities	2,370	2,038	5,641	-	10,049
Bank overdraft	8,456	-	-	-	8,456
Total financial liabilities (contractual maturity dates)	72,652	2,038	5,641	-	80,331

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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 Year	**1 to 2 Years**	**2 to 5 Years**	**Over 5 years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
As at 30 June 2010					
Trade payables	35,444	-	-	-	35,444
Accruals and other payables	29,541	-	-	-	29,541
Long term liabilities	9,115	8,588	20,330	5,936	43,969
Total financial liabilities (contractual maturity dates)	74,100	8,588	20,330	5,936	108,954
As at 30 June 2009					
Trade payables	38,155	-	-	-	38,155
Accruals and other payables	16,822	-	-	-	16,822
Long term liabilities	2,370	2,038	5,641	-	10,049
Bank overdraft	8,456	-	-	-	8,456
Total financial liabilities (contractual maturity dates)	65,803	2,038	5,641	-	73,482

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

Effective 1 July 2009, the Group adopted an amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

3. Financial Risk Management (Continued)

(c) Fair value estimation (continued)

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

(iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The only financial asset that is re-measured at fair value after initial recognition, available-for-sale equities of $8,152,000 and $1,555,000 for the Group and company respectively are all classified as Level 1.

There were no transfers between levels during the year.

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1 and comprise equity instruments traded on the Jamaica Stock Exchange.

The fair values of financial instruments that are not traded in an active market are deemed to be/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.

(iii) The fair value of the due from subsidiaries balance could not be reasonably determined as there is no set repayment date.

(iv) The fair value of unquoted equity instruments could not be determined as there is no active market for it.

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.

The Palace Amusement Company (1921) Limited

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continuied)

(b) Key sources of estimation uncertainty (continued)

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.

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
(ii) Screen advertising activities.

Interest expense is included in the measure of segment results for Carib, Palace Cineplex and Palace Multiplex (2009 – Carib and Palace Multiplex); however the remaining interest expense is not reviewed by the other reportable segments.

Interest income is not included as a measure of segment results as it is not regularly reviewed by the chief operating decision maker.

Deferred tax assets and post-employment benefit assets are not included as a measure of segment assets as these are not regularly reviewed by the chief operating decision maker.

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

Revenue from film activities includes $40,853,000 (2009 - $35,240,000) earned from other Caribbean Countries.

Segment eliminations comprise film rental charged to the cinemas and management fees charged by head office.

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5. Segment Reporting (Continued)

	2010						
	Cinema activities						
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Odeon Cineplex $'000	Film activities $'000	Screen Advertising activities $'000	Total $'000
Revenue –							
Box office receipts	212,364	75,979	87,385	27,738	-	-	403,466
Confectionery sales	97,567	34,726	34,353	12,626	-	-	179,272
Film rental	-	-	-	-	263,421	-	263,421
Screen advertising	-	-	-	-	-	25,002	25,002
Other activities	10,384	4,792	4,344	1,412	-	-	20,932
	320,315	115,497	126,082	41,776	263,421	25,002	892,093
Eliminations							(216,455)
Revenue from external customers							675,638
Segment result [1]	14,440	17,829	2,326	(5,846)	50,456	18,466	97,671
Eliminations							10,601
							108,272
Segment assets[2]	101,654	22,678	31,840	18,070	189	72	174,503
Unallocated assets							209,155
Total assets							383,658
Segment liabilities[3]	17,211	8,606	-	-	-	-	25,817
Unallocated liabilities							99,191
Total liabilities							125,008
Other items –							
Capital expenditure	2,702	2,326	14,696	370	169	12	20,275
Unallocated head office capital expenditure							2,784
Total capital expenditure							23,059
Depreciation	5,444	2,390	11,158	5,768	13	12	24,785
Unallocated head office depreciation							2,226
Total depreciation							27,011
Interest expense	1,498	656	4	-	-	-	2,158
Unallocated head office interest expense							2,164
Total interest expense							4,322

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5. Segment Reporting (Continued)

	2009						
	Cinema activities						
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Odeon Cineplex $'000	Film activities $'000	Screen Advertising activities $'000	Total $'000
Revenue –							
Box office receipts	167,850	54,951	69,414	24,286	-	-	316,501
Confectionery sales	79,270	26,830	27,152	10,204	-	-	143,456
Film rental	-	-	-	-	209,344	-	209,344
Screen advertising	-	-	-	-	-	15,984	15,984
Other activities	5,479	2,763	2,816	1,007	-	-	12,065
	252,599	84,544	99,382	35,497	209,344	15,984	697,350
Eliminations							(168,444)
Revenue from external customers							528,906
Segment result [1]	(14,190)	6,601	(7,354)	(8,993)	44,701	13,448	34,213
Eliminations							25,411
							59,624
Segment assets [2]	104,133	22,580	28,569	23,162	33	72	178,549
Unallocated assets							170,245
Total assets							348,794
Segment liabilities [3]	-	-	328	-	-	-	328
Unallocated liabilities							98,611
Total liabilities							98,939
Other items –							
Capital expenditure	28,522	19,010	253	186	10	-	47,981
Unallocated head office capital expenditure							7,653
Total capital expenditure							55,634
Depreciation	2,732	611	10,214	5,728	2	12	19,299
Unallocated head office depreciation							1,602
Total depreciation							20,901
Interest expense	110	-	352	-	-	-	462
Unallocated head office interest expense							2,224
Total interest expense							2,686

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5. Segment Reporting (Continued)

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

	The Group	
	2010	**2009**
	$'000	**$'000**
Profit from reportable segments	108,272	59,624
Unallocated income -		
Other operating income	16,170	42,966
Unallocated costs -		
Administrative expenses	(107,994)	(106,565)
Other	(441)	(516)
	(108,435)	(107,081)
Unallocated interest expense	(2,164)	(2,224)
	13,843	(6,715)

(2) Reportable segments' assets are reconciled to the Group's total assets as follows:

	The Group	
	2010	**2009**
	$'000	**$'000**
Segment assets from reportable segments	174,503	178,549
Unallocated assets -		
Property, plant and equipment	11,550	11,046
Investments	8,152	8,758
Deferred tax assets	2,144	6,956
Post-employment benefit assets	25,036	25,016
Inventories	20,638	17,896
Receivables	36,877	30,250
Cash and bank balances	104,758	70,323
	383,658	348,794

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5. Segment Reporting (Continued)

(3) Reportable segments' liabilities are reconciled to the Group's total liabilities as follows:

	The Group	
	2010	**2009**
	$'000	**$'000**
Segment liabilities from reportable segments	25,817	328
Unallocated liabilities -		
Deferred tax liabilities	6,143	13,846
Long term loan – PanCaribbean Bank Limited	5,100	5,817
Bank overdraft	-	8,456
Taxation payable	6,428	117
Payables	81,520	70,375
	125,008	98,939

6. Other Operating Income

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Management fees	-	-	10,601	25,411
Interest income	5,457	9,037	5,457	9,037
Dividend income	336	238	139	93
Net foreign exchange gains	8,217	23,649	8,217	23,649
(Loss)/gain on sale of property, plant and equipment	(3)	414	(3)	414
Other	2,163	9,628	2,163	9,628
	16,170	42,966	26,574	68,232

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7. Expenses by Nature

Total direct, administration and other operating expenses:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Advertising and promotion	23,332	32,052	13,443	18,358
Auditors' remuneration	3,313	2,775	2,664	2,200
Bank security & fees	4,729	2,907	2,454	1,620
Cost of inventories recognised as expense	95,713	78,639	40,040	32,853
Depreciation	27,011	20,901	21,567	18,169
Film cost	206,617	159,018	206,617	159,018
Insurance	11,923	10,141	7,165	6,343
Legal and professional fees	2,265	1,447	1,848	1,103
Licence fees	4,234	3,284	2,007	1,551
Motor vehicle expenses	4,932	3,607	4,932	3,607
Other	14,023	15,379	12,651	13,913
Repairs, maintenance and renewals	24,778	18,046	17,126	13,591
Security	16,148	13,935	7,828	7,207
Staff costs (Note 8)	143,059	139,230	109,521	106,573
Stationery and supplies	15,588	12,071	9,972	7,802
Theatre rental	21,967	20,245	21,967	20,245
Transportation and courier	2,052	1,824	1,946	1,704
Utilities	51,959	40,400	27,866	23,065
	673,643	575,901	511,614	438,922

8. Staff Costs

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	114,377	105,419	88,182	79,808
Payroll taxes – Employer's portion	10,441	9,944	7,589	7,125
Pension (Note 15)	634	8,119	634	8,119
Other	17,607	15,748	13,116	11,521
	143,059	139,230	109,521	106,573

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9. Taxation Expense

Taxation is computed on the profit/(loss) for the year adjusted for tax purposes and comprises income tax at 33⅓%:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current taxation	7,333	1,323	7,333	1,323
Deferred taxation (Note 14)	(2,891)	(2,752)	(7,703)	1,489
	4,442	(1,429)	(370)	2,812

The tax on the profit/(loss) before taxation differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Profit/(loss) before taxation	13,843	(6,715)	(399)	7,811
Tax calculated at a tax rate of 33⅓%	4,614	(2,238)	(133)	2,604
Adjusted for the effects of:				
Income not subject to tax	(113)	(79)	(46)	(31)
Disallowed expenses	655	227	523	67
Other	(714)	661	(714)	172
	4,442	(1,429)	(370)	2,812

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

	2010 $'000	2009 $'000
(a) Net profit/(loss) attributable to the stockholders of the company is dealt with as follows in the financial statements of:		
The company	(29)	4,999
The subsidiaries	9,576	(10,045)
	9,547	(5,046)
(b) Retained earnings attributable to the stockholders of the company are dealt with as follows in the financial statements of:		
The company	55,240	55,269
The subsidiaries	21,956	12,380
	77,196	67,649

11. Earnings/(Loss) Per Stock Unit

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

	2010	2009
Net profit/(loss) attributable to stockholders ($'000)	9,547	(5,046)
Number of ordinary stock units ('000)	1,437	1,437
Earnings/(loss) per stock unit ($ per share)	6.64	(3.51)

The company has no potentially dilutive ordinary shares.

12. Property, Plant and Equipment

The Group

	Freehold Land $'000	Theatre Buildings $'000	Other Buildings $'000	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Total $'000
Cost -						
At 1 July 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
Additions	-	-	1,020	-	22,039	23,059
Disposals	-	-	-	-	(61)	(61)
At 30 June 2010	19,883	72,280	2,203	63,051	295,298	452,715
Depreciation -						
At 1 July 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
Charge for the year	-	1,807	38	5,887	19,279	27,011
Relieved on disposal	-	-	-	-	(8)	(8)
At 30 June 2010	-	23,839	508	51,493	196,711	272,551
Net Book Value -						
30 June 2010	19,883	48,441	1,695	11,558	98,587	180,164
30 June 2009	19,883	50,248	713	17,445	95,880	184,169

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12. Property, Plant and Equipment (Continued)

	The Company					
	Freehold Land $'000	Theatre Buildings $'000	Other Buildings $'000	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Total $'000
Cost -						
At 1 July 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
Additions	-	-	1,020	-	19,337	20,357
Disposals	-	-	-	-	(61)	(61)
At 30 June 2010	1,010	6	2,203	63,051	197,115	263,385
Depreciation -						
At 1 July 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
Charge for the year	-	-	38	5,887	15,642	21,567
Relieved on disposal	-	-	-	-	(8)	(8)
At 30 June 2010	-	2	508	51,493	130,826	182,829
Net Book Value -						
30 June 2010	1,010	4	1,695	11,558	66,289	80,556
30 June 2009	1,010	4	713	17,445	62,647	81,819

Deemed cost of the freehold land and buildings includes revaluation surpluses of $2,231,000 (2009 - $2,231,000) and $1,373,000 (2009 - $1,373,000) for the Group and company respectively. These revaluation surpluses were designated as part of the deemed cost on adoption of IFRS in 2002.

Motor vehicle additions totaling $nil (2009 – 5,923,000) 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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Quoted equities – available for sale at fair value	8,152	8,758	1,555	1,149
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
	8,152	8,758	2,040	1,634

14. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33⅓%.

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Deferred tax assets	2,144	6,956	-	-
Deferred tax liabilities	(6,143)	(13,846)	(6,143)	(13,846)
	(3,999)	(6,890)	(6,143)	(13,846)

The movement in deferred taxation is as follows:

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at start of year	(6,890)	(9,642)	(13,846)	(12,357)
Credit/(charge) for the year (Note 9)	2,891	2,752	7,703	(1,489)
Balance at end of year	(3,999)	(6,890)	(6,143)	(13,846)

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14. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	7,510	9,707	2,089	-
Deferred tax liabilities to be settled after more than 12 months	(11,622)	(12,638)	(8,345)	(9,887)

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

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Tax loss carry forwards	5,421	9,707	-	-
Unrealised foreign exchange losses/(gains)	603	(3,931)	603	(3,931)
Decelerated/(accelerated) capital allowances	(1,188)	(4,299)	2,089	(1,548)
Pension surplus	(8,345)	(8,339)	(8,345)	(8,339)
Interest receivable	(490)	(28)	(490)	(28)
	(3,999)	(6,890)	(6,143)	(13,846)

Deferred taxation credited/(charged) to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Tax loss carry forwards	(4,286)	7,481	-	-
Unrealised foreign exchange gains and losses	4,534	(4,015)	4,534	(4,015)
Decelerated/accelerated capital allowances	3,111	(3,299)	3,637	(59)
Pension surplus	(6)	2,486	(6)	2,486
Interest receivable	(462)	99	(462)	99
	2,891	2,752	7,703	(1,489)

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 $17,726,000 for the Group and $nil for the company (2009 – $30,588,000 and $nil, respectively) are available for set off against future profits and may be carried forward indefinitely.

14. Deferred Income Taxes (Continued)

No deferred tax assets have been recognised on tax losses amounting to $246,000 (2009 - $246,000) and $1,221,000 (2009 - $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 $44,220,000 (2009 - $42,670,000).

15. Post-employment benefit assets

	The Group and The Company	
	2010	**2009**
	$'000	**$'000**
Amounts recognised in the statement of financial position		
Head office employees pension scheme	22,028	18,400
Cinema employees pension scheme	3,008	6,616
	25,036	25,016
(Debit)/Credit recognised in profit or loss (Note 8) –		
Head office employees pension scheme	3,231	(317)
Cinema employees pension scheme	(3,865)	(7,802)
	(634)	(8,119)

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 2010.

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15. Post-employment benefit assets (Continued)

The amounts recognised in the statement of financial position in respect of each scheme were determined as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Fair value of plan assets	126,708	109,698	43,045	37,626
Present value of funded obligation	(90,611)	(64,892)	(40,037)	(31,010)
	36,097	44,806	3,008	6,616
Unrecognised actuarial (gains)/losses	(14,069)	(22,694)	12,221	9,386
Unrecognised asset due to limit in 58(b)	-	(3,712)	(12,221)	(9,386)
Asset in the balance sheet	22,028	18,400	3,008	6,616

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

	Head office employees pension scheme		Cinema employees pension scheme	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current service cost	(3,253)	(3,004)	(3,285)	(2,782)
Interest cost	(12,877)	(7,473)	(5,201)	(2,168)
Employee contributions	2,905	2,765	1,332	1,491
Expected return on plan assets	12,208	10,296	6,455	5,043
Actuarial gains/(losses) recognised	536	811	(331)	-
Change in income not eligible for recognition due to limit	3,712	(3,712)	(2,835)	(9,386)
Total included in staff costs	3,231	(317)	(3,865)	(7,802)

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Balance at start of year	109,698	103,856	37,626	36,529
Employee contributions	2,905	2,765	1,332	1,491
Employer contributions	397	373	257	289
Expected return on plan assets	12,208	10,296	6,455	5,043
Benefits paid	(736)	(4,933)	(868)	(74)
Actuarial gains/(losses)	2,236	(2,659)	(1,757)	(5,652)
Balance at end of year	126,708	109,698	43,045	37,626

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15. Post-employment Benefit Assets (Continued)

The actual return on plan assets was $14,444,000 (2009 – $7,637,000) for the head office employees scheme and $5,659,000 (2009 - ($609,000)) 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 portfolio. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting 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 2011 amount to $480,000 for the head office employees scheme and $277,000 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	
	2010	**2009**	**2010**	**2009**
	%	**%**	**%**	**%**
Pooled investment funds –				
Equity Fund	18	15	18	16
Mortgage and Real Estate Fund	-	-	17	22
Fixed Income Fund	56	55	7	32
Money Market Fund	11	-	36	12
Foreign Currency Fund	-	-	22	21
Other	15	30	-	(3)
	100	100	100	100

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	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Balance at start of year	(64,892)	(56,946)	(31,010)	(18,888)
Current service cost	(3,253)	(3,004)	(3,285)	(2,782)
Interest cost	(12,877)	(7,473)	(5,201)	(2,168)
Benefits paid	736	4,933	868	74
Actuarial losses	(10,325)	(2,402)	(1,409)	(7,246)
	(90,611)	(64,892)	(40,037)	(31,010)

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				
	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Fair value of plan assets	126,708	109,698	103,856	85,237	74,660
Defined benefit obligation	(90,611)	(64,892)	(56,946)	(49,693)	(41,066)
Surplus	36,097	44,806	46,910	35,544	33,594
Experience adjustments –					
Fair value of plan assets	2,236	(2,659)	8,283	1,183	(8,942)
Defined benefit obligation	10,325	2,402	(1,332)	1,119	448

	Cinema employees pension scheme				
	2010 $'000	2009 $'000	2008 $'000	2007 $'000	2006 $'000
Fair value of plan assets	43,045	37,626	36,529	33,084	28,451
Defined benefit obligation	(40,037)	(31,010)	(18,888)	(18,075)	(14,490)
Surplus	3,008	6,616	17,641	15,009	13,961
Experience adjustments –					
Fair value of plan assets	(1,757)	(5,652)	(1,209)	590	(649)
Defined benefit obligation	1,409	7,246	(2,647)	(567)	(10)

The principal actuarial assumptions used were as follows:

	Head office employees pension scheme		Cinema employees pension scheme	
	2010	2009	2010	2009
Discount rate	11.5%	19.0%	11.5%	19.0%
Expected return on plan assets	10.0%	12.0%	8.5%	17.0%
Long term inflation rate	7.5%	14.0%	7.5%	14.0%
Future salary increases	8.5%	14.0%	7.5%	14.0%
Future pension increases	-	7.5%	7.5%	14.0%
Expected remaining working lives (years)	21.9	22.4	17.0	17.0

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	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cinemas	3,676	4,056	2,080	2,129
General stores	21,385	18,414	21,385	18,414
	25,061	22,470	23,465	20,543
Less: Provision for obsolescence	(747)	(518)	(747)	(518)
	24,314	21,952	22,718	20,025

18. Receivables

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Trade receivables	17,863	11,170	17,863	11,170
Prepayments	11,616	6,025	11,616	6,025
Other	7,398	13,055	7,253	12,819
	36,877	30,250	36,732	30,014

19. Cash and Cash Equivalents

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

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Cash at bank and in hand	28,859	5,580	27,859	5,174
Short term deposits	78,112	66,113	78,112	66,113
	106,971	71,693	105,971	71,287
Bank overdraft (Note 21)	-	(8,456)	-	(8,456)
	106,971	63,237	105,971	62,831

Short term deposits include interest receivable amounting to $1,470,000 (2009 – $85,000).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 9% and 5%, respectively (2009 – 14% and 5%, respectively) and these deposits mature within 90 days.

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20. Payables

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	35,444	38,155	35,444	38,155
Accruals and other payables	46,076	32,220	34,539	21,924
	81,520	70,375	69,983	60,079

21. Borrowings

	The Group & The Company	
	2010	**2009**
	$'000	**$'000**
Bank overdraft	-	8,456
Long term liabilities	30,917	6,145
	30,917	14,601

(a) Bank overdraft

In 2009, 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 24.50% (2009 – 22.00%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group & The Company	
	2010	**2009**
	$'000	**$'000**
PanCaribbean Bank Limited	5,100	5,817
Development Bank of Jamaica Limited	25,817	328
	30,917	6,145
Less: Current portion	(5,037)	(1,077)
	25,880	5,068

(i) The PanCaribbean Bank Limited loan incurs interest at a rate of 20% (2009 - 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% and is repayable in October 2016. The loan is secured by a first mortgage over the Carib Cinema.

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22. Share Capital

	2010 $'000	2009 $'000
Authorised -		
1,500,000 ordinary shares		
Issued and fully paid -		
1,437,028 stock units of no par value	1,437	1,437

23. Capital Reserve

	The Group		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'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	-	-
	166,488	166,488	148,365	148,365

24. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

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25. Cash Provided By Operating Activities

	The Group		The Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Net profit/(loss)	9,401	(5,286)	(29)	4,999
Items not affecting cash resources:				
Depreciation	27,011	20,901	21,567	18,169
Loss/(gain) on sale of property, plant and equipment	3	(414)	3	(414)
Interest income	(5,457)	(9,037)	(5,457)	(9,037)
Dividend income	(336)	(238)	(139)	(93)
Exchange gain on foreign balances	(8,217)	(23,649)	(8,217)	(23,649)
Interest expense	4,322	2,686	2,824	2,576
Taxation	4,442	(1,429)	(370)	2,812
	31,169	(16,466)	10,182	(4,637)
Changes in operating assets and liabilities:				
Inventories	(2,362)	(2,725)	(2,693)	(1,492)
Receivables	2,826	(4,787)	2,734	(5,743)
Pension surplus	(20)	7,459	(20)	7,459
Due from subsidiaries	-	-	18,053	(40,512)
Payables	11,144	14,791	9,904	14,585
	42,757	(1,728)	38,160	(30,340)
Taxation recovered	-	11,224	-	11,294
Cash provided by/(used in) operating activities	42,757	9,496	38,160	(19,046)

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2010

(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 $100,440,000 (2009 - $74,902,000) and $108,276,000 (2009 – $56,300,000) respectively. Trade payables include $14,256,000 (2009 – $22,092,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2010 $'000	2009 $'000
Wages and salaries	34,486	30,788
Payroll taxes – Employer's portion	1,709	1,435
Pension	184	180
Other	3,389	2,802
	39,768	35,205
Directors' emoluments –		
Fees	1,491	1,521
Management remuneration (included above)	19,660	15,583

(c) Transactions between the company and its subsidiaries

During the year, the company earned management fees of $10,601,000 (2009 – $25,411,000) and film revenue of $132,142,000 (2009 – $104,769,000) from a subsidiary.