

PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2011

3071171



KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
PULSE INVESTMENTS LIMITED

Report on the Financial Statements

We have audited the financial statements of Pulse Investments Limited ("the company"), set out on pages 3 to 31 which comprise the balance sheet as at June 30, 2011 the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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 the Jamaican Companies Act, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 as to whether or not 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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls 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.



To the Members of
PULSE INVESTMENTS LIMITED

Report on the Financial Statements (Cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company as at June 30, 2011, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters 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 maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

A handwritten signature in blue ink, which appears to be 'KPMG', is written above the printed name of the firm.

Chartered Accountants
Kingston, Jamaica

November 30, 2011

PULSE INVESTMENTS LIMITED

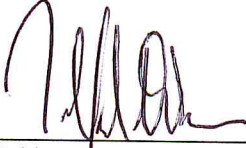
Balance Sheet
June 30, 2011

	Notes	<u>2011</u> \$'000	<u>2010</u> \$'000 <i>(Restated)</i>	<u>2009</u> \$'000 <i>(Restated)</i>
Current assets				
Cash and cash equivalents		5,683	5,958	10,152
Trade and other receivables	3	16,245	20,736	14,162
Unexpired sponsorships in kind	4(b)	<u>19,876</u>	<u>18,541</u>	<u>34,191</u>
		<u>41,804</u>	<u>45,235</u>	<u>58,505</u>
Current liabilities				
Bank overdraft	5	2,407	2,861	12,429
Deferred unexpired sponsorships in kind	4(b)	19,876	18,541	34,191
Accounts payable and accrued charges	6	46,202	10,791	15,763
Due to related party	7	16,353	46,303	70,568
Short term loan and current portion of long-term loans	8(b)	<u>4,287</u>	<u>7,535</u>	<u>14,713</u>
		<u>89,125</u>	<u>86,031</u>	<u>147,664</u>
Net current liabilities		<u>(47,321)</u>	<u>(40,796)</u>	<u>(89,159)</u>
Non-current assets				
Investment property	9	791,454	554,886	229,468
Intangible assets	10	92,720	92,720	92,720
Property, plant & equipment	11	<u>73,208</u>	<u>101,421</u>	<u>331,841</u>
		<u>957,382</u>	<u>749,027</u>	<u>654,029</u>
		<u>910,061</u>	<u>708,231</u>	<u>564,870</u>
Stockholders' equity				
Share capital	12	152,367	152,367	152,367
Share premium	13	366,376	366,376	366,376
Capital reserve	14	2,637	2,637	2,637
Capital redemption reserve	15	20,500	20,500	20,500
Revaluation reserve	16	25,730	-	-
Shares to be issued	17	2,609	2,609	2,609
Retained earnings		<u>316,541</u>	<u>143,348</u>	<u>12,336</u>
		886,760	687,837	556,825
Non-current liability				
Long-term loans	8(a)	<u>23,301</u>	<u>20,394</u>	<u>8,045</u>
		<u>910,061</u>	<u>708,231</u>	<u>564,870</u>

The financial statements on pages 3 to 31 were approved for issue by the Board of Directors on November 30, 2011 and signed on its behalf by:



K. Cooper Director



J. Cobham Director

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

PULSE INVESTMENTS LIMITEDStatement of Comprehensive Income
Year ended June 30, 2011

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000 <i>(Restated)</i>
Operating revenue	18	234,750	227,834
Operating expenses	19	<u>(181,208)</u>	<u>(168,179)</u>
Operating profit		53,542	59,655
Fair value appreciation on investment property		122,794	70,836
Other income		<u>4,183</u>	<u>8,679</u>
Profit before net finance costs		180,519	139,170
Net finance costs:			
Foreign exchange losses		(165)	-
Finance income		-	40
Finance costs		<u>(7,161)</u>	<u>(8,198)</u>
	20	<u>(7,326)</u>	<u>(8,158)</u>
Profit for the year		<u>173,193</u>	<u>131,012</u>
Other comprehensive income:			
Revaluation of leasehold property		<u>25,730</u>	<u>-</u>
Total comprehensive income for the year		<u>198,923</u>	<u>131,012</u>
Earnings per stock unit (basic and diluted)	21	<u>62¢</u>	<u>47¢</u>

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

PULSE INVESTMENTS LIMITEDStatement of Changes in Stockholders' Equity
June 30, 2011

	Share Capital (Note 12) \$'000	Share premium (Note 13) \$'000	Capital reserve (Note 14) \$'000	Capital redemption reserve (Note 15) \$'000	Revaluation reserve (Note 16) \$'000	Shares to be issued (Note 17) \$'000	Retained earnings \$'000	Total \$'000
Balances as at June 30, 2009:								
As previously reported	152,367	366,376	2,637	20,500	-	2,609	1,163,336	1,707,825
Prior year adjustment (note 23)	-	-	-	-	-	-	(1,151,000)	(1,151,000)
As restated	152,367	366,376	2,637	20,500	-	2,609	12,336	556,825
Profit for the year, being total comprehensive income:								
As previously reported	-	-	-	-	-	-	170,941	170,941
Prior year adjustment (note 23)	-	-	-	-	-	-	(39,929)	(39,929)
As restated	-	-	-	-	-	-	131,012	131,012
Balances as at June 30, 2010, as restated	152,367	366,376	2,637	20,500	-	2,609	143,348	687,837
Total comprehensive income:								
Profit for the year	-	-	-	-	-	-	173,193	173,193
Other comprehensive income:								
Revaluation of leasehold property	-	-	-	-	25,730	-	-	25,730
Total comprehensive income	-	-	-	-	25,730	-	173,193	198,923
Balances at June 30, 2011	152,367	366,376	2,637	20,500	25,730	2,609	316,541	886,760

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

PULSE INVESTMENTS LIMITEDStatement of Cash Flows
Year ended June 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000 <i>(Restated)</i>
Cash flows from operating activities		
Profit for the year	173,193	131,012
Adjustments for:		
Fair value appreciation on investment property	(122,794)	(70,836)
Depreciation	2,546	5,569
Foreign exchange loss	165	257
Interest income	-	(40)
Interest expense	<u>7,161</u>	<u>6,729</u>
	60,271	72,691
(Increase)/decrease in current assets:		
Trade and other receivables	4,491	(6,574)
Increase/(decrease) in current liabilities:		
Accounts payable and accrued charges	35,361	(5,645)
Due to related party	<u>(29,950)</u>	<u>(24,265)</u>
Cash provided by operating activities	70,173	36,207
Interest received	-	40
Interest paid	<u>(7,111)</u>	<u>(6,056)</u>
Net cash provided by operating activities	<u>63,062</u>	<u>30,191</u>
Cash flows from investing activities		
Additions of property, plant & equipment	(41)	(218)
Additions to investment properties	<u>(62,336)</u>	<u>(29,513)</u>
Net cash used by investing activities	<u>(62,377)</u>	<u>(29,731)</u>
Cash flows from financing activities		
Loans received	26,950	28,615
Loans repaid	<u>(27,456)</u>	<u>(23,701)</u>
Net cash (used)/provided by financing activities	<u>(506)</u>	<u>4,914</u>
Net increase in cash and cash equivalents	179	5,374
Cash and cash equivalents at beginning of year	<u>3,097</u>	<u>(2,277)</u>
Cash and cash equivalents at end of year	<u>3,276</u>	<u>3,097</u>
Comprising cash and cash equivalents:		
Cash	5,683	5,958
Bank overdraft	<u>(2,407)</u>	<u>(2,861)</u>
	<u>3,276</u>	<u>3,097</u>

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

1. The company

The company was incorporated in Jamaica under the Companies Act on August 6, 1993 and commenced trading on November 1, 1993. The company is domiciled in Jamaica and is controlled by the Executive Chairman, Mr. Kingsley Cooper. The company's shares are listed on the Jamaica Stock Exchange.

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

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

(a) Statement of compliance:

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

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

- IAS 1, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles. The amendment is effective July 1, 2012. The company is assessing the impact that the standard will have in its 2013 financial statements.
- IFRS 7, *Financial Instruments: Disclosures* is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011. The company is assessing the impact that the standard will have on its 2012 financial statements.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(a) Statement of compliance (cont'd):

- IFRS 9, *Financial Instruments*, is (effective January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The company is assessing the impact that this standard would have on its 2014 financial statements.
- IFRS 13, *Fair Value Measurement*, effective for annual periods beginning on or after January 1, 2013 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The company is assessing the impact that the standard will have on the 2014 financial statements, but has considered the guidance provided under this standard in assessing its current accounting policies over revenue recognition.
- IAS 24, *Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The company is assessing the impact, if any, the amendment will have on the 2012 financial statements.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company. All financial information presented has been rounded to the nearest thousand, unless otherwise indicated.

The financial statements are prepared using the historical cost basis except in respect of investment properties and leasehold property, which are carried at fair value and the accounting policies have been applied consistently by the company in preparing these financial statements. The significant accounting policies stated in paragraph (c) to (t) below conform in all material respect with IFRS.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(b) Basis of preparation:

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

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

(c) Use of estimates and judgement:

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

(i) Fair value of property interest:

Management has made an estimate of the fair value of property interests recognised as investment property and leasehold property. The estimates are based on market information. However, these estimates involve significant judgement and involve assumptions about the economic value of the company's property interests.

The values recognised for property interests, including construction work in progress, are determined by reference to qualified quantity surveyors. The estimates are based on the current cost of carrying out the construction using prevailing standard market rates.

For properties that have dual usage, in order to determine the portion that can be qualify as investment property, the directors, based on their judgment, estimate that if fifty percent or less of the total square feet (including common area) is being used for own use, the balance will qualify as investment property.

(ii) Unexpired sponsorships in kind:

Estimates of value of unexpired sponsorships-in-kind take into consideration the purpose for which the sponsorship is held. Management also makes estimates of the expected value in use by the company for the use of unexpired sponsorships.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(c) Use of estimates and judgement (cont'd):

(iii) Allowance for impairment losses on receivables:

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

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

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

Impairment of property, plant and equipment is dependent upon management's internal assessment of future cash flows from cash generating units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rate used.

It is possible, based on existing knowledge that outcomes that are different from these assumptions would require material adjustments to the carrying amounts reflected in future financial statements.

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances.

Bank overdrafts, repayable on demand and forming an integral part of the company's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(e) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses.

(f) Accounts payable:

Trade and other payables, are stated at amortised cost.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(g) Provisions:

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

(h) Related parties:

A party is related to the company, if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with, the company;
 - (b) has an interest in the company that gives it significant influence over the entity; or
 - (c) has joint control over the company;
- (ii) The party is an associate of the company;
- (iii) The party is a joint venture in which the company is a venturer;
- (iv) The party is a member of the key management personnel of the entity or its parent;
- (v) The party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

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

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

(i) Intangible assets:

Intangible assets represent expenditure incurred for the acquisition of trademarks and patents. These are recognised initially at cost. Trademarks and patents are stated at cost less impairment losses. Trademarks and patents are determined to have an indefinite useful life and are tested annually for impairment. Expenses relating to internally developed trademarks, including registration and subsequent renewal expenses, are charged to the profit or loss as and when they are incurred.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)

June 30, 20112. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(j) Taxation:

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

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

(k) Property, plant & equipment:

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

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

Leasehold properties are carried at fair value. The fair value of leasehold properties is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms' length transaction.

(ii) Depreciation:

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
 June 30, 2011

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

(k) Property, plant & equipment (cont'd):

(ii) Depreciation (cont'd):

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

Depreciation rates are as follows:

Furniture and fixtures	-	10%
Equipment	-	20%
Computer	-	33 $\frac{1}{3}$ %
Motor vehicle	-	20%
Leasehold properties	-	over the life of the lease

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

(l) Investment property:

For properties that have dual usage, in order to determine the portion that can be qualify as investment property, the directors, based on their judgment, estimate that if fifty percent or less of the total square feet (including common area) is being used for own use, the balance will qualify as investment property.

The valuation of investment properties is based on the judgment and assumptions used by the directors.

Investment properties are carried at fair value estimated on an annual basis by the directors using available market information. Changes in the fair value of investment properties are recognised in the profit or loss. Rental income from investment property is accounted for as described in accounting policy 2(n).

(m) Foreign currency transactions and balances:

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

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(n) Revenue recognition:

Operating revenue represents income from sale of TV programming, market sponsorship, model agency representation, show production and promotion and rental income from sub-letting leasehold properties.

Advertising entitlements/Sale of TV programming

Advertising entitlements are received in part or full consideration for the company's produced and branded TV programmes sold to broadcasting stations. The company utilizes these entitlements or makes them available to sponsors. Revenue from advertising entitlements is recognised to the extent of expenses that are recoverable.

Sponsorships in kind

Sponsorships in kind represent services provided by sponsors. These are recognised in income in the period that the associated expenses are recognised.

Model agency representation

Revenue from model agencies is recognised as commissions or management fees are earned. Commissions are earned when models represented by the company have completed modelling assignments. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Show production and promotion

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

Operating leases

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

(o) Impairment:

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

(i) Calculation of recoverable amount:

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(o) Impairment (cont'd):

(i) Calculation of recoverable amount (cont'd):

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

(ii) Reversals of impairment:

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

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

(p) Net financing costs:

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

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

(q) Interest-bearing borrowings:

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

(r) Financial instruments:

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

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

(s) Determination of fair value:

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

(t) Earnings per share:

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

(u) Segment reporting:

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The company has determined that segment reporting is not applicable in the preparation of these financial statements, as discrete financial information on operating results is not presented on a segmented basis for the purpose of resource allocation and performance measurement to the Executive Chairman and Board of Directors.

3. Trade and other receivables

	<u>2011</u> \$'000	<u>2010</u> \$'000
Trade receivables	31,235	36,007
Other receivables and advances	<u>531</u>	<u>2,077</u>
	31,766	38,084
Less: Allowance for impairment	(15,521)	(17,348)
	<u>16,245</u>	<u>20,736</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

3. Trade and other receivables (cont'd)

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

	0 to 60 days \$'000	60-90 days \$'000	More than 90 days \$'000	Total \$'000
	<u>2011</u>			
Receivable arising from				
- Model agents	644	-	-	644
- Cash sponsors	12,891	-	7,215	20,106
- Lease agreements	-	-	8,858	8,858
- Other trade receivables	-	-	1,627	1,627
- Other receivables and advances	-	-	531	531
	<u>13,535</u>	-	18,231	31,766
Less: Allowance for impairment	-	-	(15,521)	(15,521)
	<u>13,535</u>	<u>-</u>	<u>2,710</u>	<u>16,245</u>
	0 to 60 days \$'000	60-90 days \$'000	More than 90 days \$'000	Total \$'000
	<u>2010</u>			
Receivable arising from				
- Model agents	2,373	1,777	1,172	5,322
- Cash sponsors	16,304	-	3,849	20,153
- Lease agreements	-	-	8,938	8,938
- Other trade receivables	-	-	1,594	1,594
- Other receivables and advances	-	-	2,077	2,077
	<u>18,677</u>	1,777	17,630	38,084
Less: Allowance for impairment	(3,177)	-	(14,171)	(17,348)
	<u>15,500</u>	<u>1,777</u>	<u>3,459</u>	<u>20,736</u>

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

	<u>2011</u> \$'000	<u>2010</u> \$'000
Balance at beginning of year	17,348	19,763
Impairment adjustment during the year	(1,827)	(2,415)
Balance at end of year	<u>15,521</u>	<u>17,348</u>

During the year bad debt expenses aggregating \$6,954,000 (2010: \$9,327,000) have been recognised in the profit or loss.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

4. Advertising entitlements/Sale of TV programming and unexpired sponsorships in kind

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000

(a) Advertising entitlements/Sale of TV programming:

Amount recognised in income	<u>45,144</u>	<u>38,510</u>
-----------------------------	---------------	---------------

The directors estimate that the company has generated advertising entitlements of \$1,270,097,000 (2010:1,288,108,000), which remain unused at the reporting date. In accordance with the company's accounting policy [see note 2(n)], these entitlements have not been recognised in preparing the financial statements.

(b) Unexpired sponsorships in kind:

Unexpired at beginning of year	18,541	34,191
Obtained during the year	53,521	47,600
Sponsorships recognised in income	<u>(52,186)</u>	<u>(63,250)</u>
Unexpired at beginning of year	<u>19,876</u>	<u>18,541</u>

5. Bank overdraft

The bank overdraft is secured by a mortgage over a property owned by a director and an unlimited guarantee from that director.

6. Accounts payable and accrued charges

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000

Trade payables and GCT payable	41,253	6,333
Deposits	2,236	1,975
Accrued charges	<u>2,713</u>	<u>2,483</u>
	<u>46,202</u>	<u>10,791</u>

7. Related party balances and transactions

(a) The related party balance is with Samurai Investments Limited. This balance arose during the ordinary course of business. The amounts due are interest free and have no fixed repayment terms.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

7. Related party balances and transactions (cont'd)

(b) Related party transactions:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Samurai Investments Limited (related by common control):		
Advertising purchases	75,950	69,800
In kind sponsorship	3,900	3,750
Management fees	24,945	20,788
Lease expense (see note 11)	1	1
Studio 38: rental income	5,748	3,720
Additions to investment property (see note 9)	<u>62,336</u>	<u>29,513</u>

8. Loans

(a) Long term loans:

	Currency	Nominal Interest Rate	Year of maturity	2011		2010	
				Initial loan \$'000	Balance \$'000	Initial loan \$'000	Balance \$'000
(i) Caricom Trade Support Programme	US\$	0%	2009	5,514	1,276	5,514	1,361
(ii) Pan Caribbean Premium Finance	J\$	2.95%	2009	1,596	-	1,596	198
(iii) First Caribbean International Bank (Jamaica) Limited	J\$	22.25%	2014	-	-	24,947	24,148
(iv) First Caribbean International Bank (Jamaica) Limited	J\$	18.85%	2016	26,950	<u>26,312</u>	-	-
					27,588		25,707
Less: Current maturities					<u>(4,287)</u>		<u>(5,313)</u>
					<u>23,301</u>		<u>20,394</u>

(b) Short term loans and current portion of long term loans:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Short term loan	-	2,222
Current maturities of long term loans	<u>4,287</u>	<u>5,313</u>
	<u>4,287</u>	<u>7,535</u>

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 20118. Loans (cont'd)

(c) Disclosure of loan terms and conditions:

- (i) The loan is interest free and secured by a letter of credit in the amount of US\$19,070 issued by First Caribbean International Bank (Jamaica) Limited. The loan is repayable in 18 monthly payments of US\$4,391 commencing June 2007. The loan payments are overdue; however, there are no significant penalties associated with loan payments.
- (ii) The loan was repayable in four monthly installments of \$398,940 beginning May 2009. There is no assigned security or collateral for the loan. The loan was settled during the year.
- (iii) The loan had a maximum repayment period of 60 months which commenced November 2009. The loan was secured by mortgages over property owned by a director and an unlimited guarantee from that director. The loan was refinanced during the year.
- (iv) The loan has a maximum repayment period of 60 months which commenced 2011. The loan is secured by mortgages over property owned by a director and leased to Pulse Investments Limited, unlimited guarantee from that director and the assignment of insurance on the same property in favour of FirstCaribbean International Bank.

9. Investment property

	<u>Leasehold property and buildings</u> \$'000	<u>Construction work-in-progress</u> \$'000	<u>Total</u> \$'000
Fair value at June 30, 2008	75,732	15,675	91,407
Additions	126	112,179	112,305
Fair value adjustment	<u>24,659</u>	<u>1,097</u>	<u>25,756</u>
Fair value at June 30, 2009	100,517	128,951	229,468
Additions	-	29,513	29,513
Transferred from property, plant and equipment	225,069	-	225,069
Fair value adjustment	<u>52,783</u>	<u>18,053</u>	<u>70,836</u>
Market value at June 30, 2010	378,369	176,517	554,886
Additions	4,327	58,009	62,336
Transferred from property, plant and equipment	51,438	-	51,438
Fair value adjustment	<u>88,741</u>	<u>34,053</u>	<u>122,794</u>
Balance at June 30, 2011	<u>522,875</u>	<u>268,579</u>	<u>791,454</u>

The carrying amount of leasehold property and leasehold improvement is the fair value as determined by the directors of the company. The directors engaged the services of independent Chartered Quantity Surveyors, Neville Mills & Associates to assist in determining the fair value. Cost to complete the construction will be undertaken by a related party [see note 7(b)]. Pulse Investments Limited has no further commitment to the related party until the project is completed and handed over.

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 20119. Investment property (cont'd)

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

	<u>2011</u> \$'000	<u>2010</u> \$'000
Income earned from properties	(26,137)	(21,535)
Expenses incurred by properties	<u>1,395</u>	<u>912</u>

10. Intangible assets

	<u>2011</u> \$'000	<u>2010</u> \$'000
Patents, at carrying amounts	90,000	90,000
Trademarks, at carrying amounts	<u>2,720</u>	<u>2,720</u>
	<u>92,720</u>	<u>92,720</u>

11. Property, plant & equipment

	Leasehold Property \$'000	Leasehold improvement \$'000	Furniture, office equipment and computer \$'000	Motor Vehicle \$'000	Total \$'000
Cost:					
June 30, 2009	331,880	8,546	10,696	5,700	356,822
Acquisition	-	126	92	-	218
Transferred to investment properties	(232,316)	(6,071)	-	-	(238,387)
June 30, 2010	99,564	2,601	10,788	5,700	118,653
Acquisition	-	-	41	-	41
Revaluation adjustment	24,511	1,219	-	-	25,730
Transferred to investment properties	(54,564)	-	-	-	(54,564)
June 30, 2011	<u>69,511</u>	<u>3,820</u>	<u>10,829</u>	<u>5,700</u>	<u>89,860</u>
Depreciation:					
June 30, 2009	14,525	696	8,620	1,140	24,981
Charge for the year	3,631	173	625	1,140	5,569
Transferred to investment properties	(12,709)	(609)	-	-	(13,318)
June 30, 2010	5,447	260	9,245	2,280	17,232
Charge for the year	735	51	620	1,140	2,546
Transferred to investment properties	(3,126)	-	-	-	(3,126)
June 30, 2011	<u>3,056</u>	<u>311</u>	<u>9,865</u>	<u>3,420</u>	<u>16,652</u>
Net book values:					
June 30, 2011	<u>66,455</u>	<u>3,509</u>	<u>964</u>	<u>2,280</u>	<u>73,208</u>
June 30, 2010	<u>94,117</u>	<u>2,341</u>	<u>1,543</u>	<u>3,420</u>	<u>101,421</u>
June 30, 2009	<u>317,355</u>	<u>7,850</u>	<u>2,076</u>	<u>4,560</u>	<u>331,841</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

11. Property, plant & equipment (cont'd)

Leasehold properties represent properties situated at 38a Trafalgar Road, Kingston 10, St. Andrew and Stony Hill, St. Andrew which are leased from a director and shareholder for a period of forty-nine (49) years. These properties were previously leased by Pulse Entertainment Group Limited, a related company, and the leases are part of the assets acquired on the restructuring of Pulse Entertainment Group Limited. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in property revaluation reserve [note 16].

12. Share capital

Authorised:

336,825,000 (2010: 336,825,000) ordinary shares at no par value

	2011		2010	
	No. of <u>shares</u> '000	Ordinary share <u>capital</u> \$'000	No. of <u>shares</u> '000	Ordinary share <u>capital</u> \$'000
Stated, issued and fully paid at June 30	<u>280,703</u>	<u>152,367</u>	<u>280,703</u>	<u>152,367</u>

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

13. Share premium

Share premium is made up as follows:

	<u>2011</u> \$'000	<u>2010</u> \$'000
31,549,768 (2009: 31,549,768) ordinary shares - premium of \$0.51 each	16,042	16,042
91,341,692 (2009: 91,341,692) ordinary shares – premium of \$3.91 per share	<u>357,146</u>	<u>357,146</u>
Cost of rights issue	373,188 (6,812)	373,188 (6,812)
	<u>366,376</u>	<u>366,376</u>

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

14. Capital reserve

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

15. Capital redemption reserve

The amount represents the total redemption value of redeemed preference shares that was transferred from retained earnings in accordance with the requirements of the Jamaican Companies Act.

16. Revaluation reserve

The property revaluation reserve represents the surplus arising on the revaluation of certain leasehold properties (see note 11).

17. Shares to be issued

This represents the value of professional services provided by Capital Options Limited which has confirmed its intention to convert 434,783 ordinary shares in the company. During the course of the year, Capital Options Limited transferred its rights to the shares to a director.

18. Operating revenue

	<u>2011</u> \$'000	<u>2010</u> \$'000
Market sponsorship and advertising entitlements:		
In kind sponsorship and advertising entitlements		
/Sale of TV programming	98,665	86,110
Cash sponsorship	93,621	105,166
Model agency income	6,668	8,219
Rental of leasehold properties	26,137	22,072
Ticket sales	<u>9,659</u>	<u>6,267</u>
	<u>234,750</u>	<u>227,834</u>

19. Operating expenses

Operating expenses comprise:

	<u>2011</u> \$'000	<u>2010</u> \$'000
Advertising and public relations	45,144	48,912
Show production, in kind sponsorship and other expenses	104,973	90,050
Depreciation	2,546	5,569
Directors' emoluments:		
Management fees paid to related party	24,945	20,788
Audit fees	<u>3,600</u>	<u>2,850</u>
	<u>181,208</u>	<u>168,169</u>

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 201120. Net finance costs

	<u>2011</u> \$'000	<u>2010</u> \$'000
Finance income:		
Interest income	-	(40)
Finance cost:		
Interest on bank loans	5,201	5,183
Bank overdraft interest	<u>361</u>	<u>1,546</u>
	5,562	6,729
Foreign exchange loss	165	257
Bank charges	1,599	602
Loan cost	<u>-</u>	<u>610</u>
	<u>7,326</u>	<u>8,198</u>
	<u>7,326</u>	<u>8,158</u>

21. Earnings per stock unit

Earning per stock unit ("EPS") is computed by dividing the profit attributable to stockholders of the parent of \$173,193,000 (2010 \$131,012,000) by the number of ordinary stock units in issue during the year, numbering 280,703,000 (2010: 280,703,000).

22. Income taxes

	<u>2011</u> \$'000	<u>2010</u> \$'000
Reconciliation of effective tax rate:		
Profit before tax	<u>173,193</u>	<u>131,012</u>
Computed "expected" tax expense	57,731	43,670
Difference between profit for financial statements and tax reporting purposes on:		
Disallowed expenses and other adjustments	223	996
Fair value appreciation on investment property	(17,023)	(23,612)
Other tax exempt income	(40,931)	(21,054)
Actual tax expense	<u>-</u>	<u>-</u>

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

23. Prior year adjustments

The following represents the changes in accounting policies which are effected during the year which gave rise to prior year adjustments:

- (a) During the year, the company reviewed its accounting policy regarding the recognition of advertising entitlements in relation to the current guidance contained in IFRS and forthcoming requirements, particularly IFRS 13 *Fair Value Measurement*. Consequently, the company has elected to recognize revenue from advertising entitlements based on the recoverable expenses incurred in generating the advertising entitlements.
- (b) The company has changed its accounting policy for investment property and leasehold property from the cost model to the revaluation model. Consequent to this change, directors' valuations were done as at June 30, 2011, June 30, 2010, and June 30, 2009.
- (c) Certain other balances have been reclassified to conform to the presentation of the 2011 financial statements.

The effects of these changes in accounting policy are reflected as restatements of the prior year financial statements, as detailed below.

Effect on the company's balance sheet:

	2009			2010		
	As previously reported \$'000	Adjustment \$'000	As restated \$'000	As previously reported \$'000	Adjustment \$'000	As restated \$'000
Current assets						
Cash and cash equivalents	10,152	-	10,152	5,958	-	5,958
Trade and other receivables	14,162	-	14,162	20,736	-	20,736
Advertising entitlements	1,160,401	(1,160,401)	-	1,288,108	(1,288,108)	-
Unexpired sponsorships in kind	34,191	-	34,191	18,541	-	18,541
	<u>1,218,906</u>	<u>(1,160,401)</u>	<u>58,505</u>	<u>1,333,343</u>	<u>(1,288,108)</u>	<u>45,235</u>
Current liabilities						
Bank overdraft	12,429	-	12,429	2,861	-	2,861
Unexpired sponsorship in kind		34,191	34,191	-	18,541	18,541
Accounts payable and accrued charges	15,763	-	15,763	10,791	-	10,791
Due to related party	70,568	-	70,568	46,303	-	46,303
Current portion of long-term loans	14,713	-	14,713	7,535	-	7,535
	<u>113,473</u>	<u>34,191</u>	<u>147,664</u>	<u>67,490</u>	<u>18,541</u>	<u>86,031</u>
Net current assets/ (liabilities)	<u>1,105,433</u>	<u>(1,194,592)</u>	<u>(89,159)</u>	<u>1,265,853</u>	<u>(1,306,649)</u>	<u>(40,796)</u>
Non-current assets:						
Investment property	58,022	171,446	229,468	281,799	273,087	554,886
Intangible assets	92,720	-	92,720	92,720	-	92,720
Property, plant & equipment	459,695	(127,854)	331,841	258,788	(157,367)	101,421
	<u>610,437</u>	<u>43,592</u>	<u>654,029</u>	<u>633,307</u>	<u>115,720</u>	<u>749,027</u>
	<u>1,715,870</u>	<u>(1,151,000)</u>	<u>564,870</u>	<u>1,899,160</u>	<u>(1,190,929)</u>	<u>708,231</u>
Stockholders' equity						
Share capital	152,367	-	152,367	152,367	-	152,367
Share premium	366,376	-	366,376	366,376	-	366,376
Capital reserve	2,637	-	2,637	2,637	-	2,637
Capital redemption reserve	20,500	-	20,500	20,500	-	20,500
Shares to be issued	2,609	-	2,609	2,609	-	2,609
Retained earnings	1,163,336	(1,151,000)	12,336	1,334,277	(1,190,929)	143,348
	1,707,825	(1,151,000)	556,825	1,878,766	(1,190,929)	687,837
Non-current liability						
Long-term loans	8,045	-	8,045	20,394	-	20,394
	<u>1,715,870</u>	<u>(1,151,000)</u>	<u>564,870</u>	<u>1,899,160</u>	<u>(1,190,929)</u>	<u>708,231</u>

PULSE INVESTMENTS LIMITEDNotes to the Financial Statements (Continued)
June 30, 201123. Prior year adjustments (cont'd)

Effect on profit for the year ended June 30, 2010:

	<u>2010</u>		
	<u>As previously reported</u> \$'000	<u>Adjustment</u> \$'000	<u>As restated</u> \$'000
Operating revenue	1,586,281	(1,358,447)	227,834
Operating expenses	<u>(1,415,861)</u>	<u>1,247,682</u>	<u>(168,179)</u>
Operating profit	170,420	(110,765)	59,655
Other income	<u>8,679</u>	<u>70,836</u>	<u>79,515</u>
Profit before net finance costs	179,099	(39,929)	139,170
Net finance costs:			
Finance income	40	-	40
Finance cost	<u>(8,198)</u>	<u>-</u>	<u>(8,198)</u>
	<u>(8,198)</u>	<u>-</u>	<u>(8,158)</u>
Net profit attributable to members	<u>170,941</u>	<u>(39,929)</u>	<u>131,012</u>
Basic earnings per stock unit	<u>60¢</u>		<u>47¢</u>
Fully diluted earnings per stock unit	<u>60¢</u>		<u>47¢</u>

24. Financial instrument

Financial instruments risk

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

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

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises primarily from credit given to customers; transactions with related parties and deposits with financial institutions. Balances arising from those activities are accounts receivable and cash and cash equivalents. The maximum credit exposure is represented by the carrying amount of financial assets on the balance sheet.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

24. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(a) Credit risk (cont'd):

(i) Exposure to credit risk:

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

	<u>2011</u> \$'000	<u>2010</u> \$'000
Cash and cash equivalents	5,683	5,958
Trade and other receivables	<u>16,245</u>	<u>20,736</u>
	<u>21,928</u>	<u>26,694</u>

Cash and cash equivalents

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

Trade and other receivables

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

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

(b) Liquidity risk:

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

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the company aims at maintaining flexibility in funding by keeping lines of funding available with banks and related parties as well as by maintaining prudent financial assets in appropriate terms and currencies.

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

24. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(b) Liquidity risk (cont'd):

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

	2011					
	Carrying	Contractual	Within	Six to	Over 12	No specific
	Amount	Cash flows	6 months	12 months	months	maturity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdraft	2,407	2,407	-	-	-	2,407
Accounts payable and accrued charges	46,202	46,202	46,202	-	-	-
Due to related party	16,353	16,353	-	-	-	16,353
Loans payable	<u>27,588</u>	<u>40,290</u>	<u>5,457</u>	<u>4,181</u>	<u>30,652</u>	<u>-</u>
Total liabilities	<u>92,550</u>	<u>105,252</u>	<u>51,659</u>	<u>4,181</u>	<u>30,652</u>	<u>18,760</u>

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

	2010					
	Carrying	Contractual	Within	Six to	Over 12	No specific
	Amount	Cash flows	6 months	12 months	months	maturity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdraft	2,861	2,861	-	-	-	2,861
Accounts payable and accrued charges	10,791	10,791	10,791	-	-	-
Due to related party	46,303	46,303	-	-	-	46,303
Loans payable	<u>27,930</u>	<u>40,678</u>	<u>7,750</u>	<u>4,491</u>	<u>28,437</u>	<u>-</u>
Total liabilities	<u>87,885</u>	<u>100,633</u>	<u>18,541</u>	<u>4,491</u>	<u>28,437</u>	<u>49,164</u>

(c) Market risk:

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

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

24. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(c) Market risk (cont'd):

(i) Foreign currency risk:

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

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

	<u>Net foreign currency monetary assets</u>	
	<u>2011</u> US\$'000	<u>2010</u> US\$'000
Accounts receivable	8	79
Cash and cash equivalents	19	10
Loans	<u>(15)</u>	<u>(16)</u>
	<u>12</u>	<u>73</u>
	<u>Exchange rates</u>	
	<u>2011</u>	<u>2010</u>
United States dollars in terms of Jamaica dollars	<u>85.54</u>	<u>85.44</u>

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

24. Financial instruments (cont'd)

Financial instruments risks (cont'd):

(c) Market risk (cont'd):

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

Sensitivity analysis:

A 1% (2010: 5%) weakening of the United States dollar against the Jamaica dollar at year-end would have decreased profit by the amounts shown below. The analysis assumes that all other variables, in particular, interest rates, remain constant.

	2011		2010	
	1% <u>weakening</u> \$'000	1% <u>strengthening</u> \$'000	5% <u>weakening</u> \$'000	5% <u>strengthening</u> \$'000
Effect of change in United States dollar (US\$) exchange rate	<u>(10)</u>	<u>10</u>	<u>(312)</u>	<u>312</u>

A 1% (2010: 5%) strengthening of the United States dollar against the Jamaica dollar would have increased profit by the amount shown above on the basis that all other variables remain constant.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company materially contracts financial liabilities at fixed exchange rates. These primarily relate to bank overdrafts and loans which are subject to interest which are fixed in advance and which may be varied by appropriate notice by the lenders. At June 30, 2011, financial liabilities subject to interest aggregated approximately \$26,312,000 (2010: \$30,791,000).

(d) Capital management:

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

PULSE INVESTMENTS LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

25. Fair value of financial instruments

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