

PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

30 JUNE 2012

Received 29/6/2012

PULSE INVESTMENTS LIMITED
FINANCIAL STATEMENTS
30 JUNE 2012

I N D E X

	<u>Page</u>
Independent Auditors' report to the Members	1 - 2
<u>FINANCIAL STATEMENTS</u>	
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Shareholders' Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 32



Tel: (876) 926-1616/7, 926-4421
Fax: (876) 926-7580
www.bdo.com.jm

Chartered Accountants
26 Beechwood Avenue
P.O. Box 351
Kingston 5, Jamaica

Page 1

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 set out on pages 3 to 32, which comprise the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in shareholder's 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 the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on 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 about 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 auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 30 June 2012, and of its financial performance, changes in shareholders' equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

The financial statements of the company for the year ended 30 June 2011 were examined by other independent auditors whose report dated 30 November 2011 expressed an unqualified opinion thereon.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records and the financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, appearing to be 'BAO'.

Chartered Accountants

29 November 2012

PULSE INVESTMENTS LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2012

	Note	<u>2012</u> \$'000	<u>2011</u> \$'000
REVENUE	5	241,878	234,750
Administrative and other expenses		(145,839)	(182,972)
		96,039	51,778
Other income	6	<u>10,731</u>	<u>4,183</u>
PROFIT FROM OPERATION		106,770	55,961
Fair value appreciation on investment property	13	63,316	122,794
Finance expense	7	(4,980)	(5,562)
PROFIT FOR THE YEAR	8	165,106	173,193
Other Comprehensive Income Net of Taxes -			
Gain on leasehold revaluation		<u>7,478</u>	<u>25,730</u>
Total Comprehensive Income for the Year		<u>172,584</u>	<u>198,923</u>
EARNINGS PER SHARE	10	<u>59c</u>	<u>62c</u>

PULSE INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION
30 JUNE 2012

	<u>Note</u>	<u>2012</u> \$'000	<u>2011</u> \$'000
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	11	77,791	73,208
Intangible assets	12	92,720	92,720
Investment properties	13	<u>866,483</u>	<u>791,454</u>
		<u>1,036,994</u>	<u>957,382</u>
CURRENT ASSETS:			
Trade and other receivables	14	29,023	16,245
Advertising entitlements receivable	15	62,029	-
Unexpired sponsorship in kind	15	49,896	19,876
Related party	16	3,278	-
Cash and cash equivalents	17	<u>6,284</u>	<u>5,683</u>
		<u>150,510</u>	<u>41,804</u>
		<u>1,187,504</u>	<u>999,186</u>
<u>RESERVES AND LIABILITIES</u>			
SHAREHOLDERS EQUITY			
Share capital	18	152,367	152,367
Share premium	19	366,376	366,376
Capital reserve	20	2,637	2,637
Capital redemption reserve	21	20,500	20,500
Revaluation reserve	22	33,208	25,730
Shares to be issued	23	2,609	2,609
Retained earnings		<u>481,647</u>	<u>316,541</u>
		<u>1,059,344</u>	<u>886,760</u>
NON-CURRENT LIABILITY			
Long term loans	24	<u>-</u>	<u>23,301</u>
CURRENT LIABILITIES:			
Accounts payable and accrued charges	25	50,149	46,202
Deferred unexpired sponsorship in kind	15	49,896	19,876
Related party	16	-	16,353
Bank overdraft	17	2,137	2,407
Current portion of long term loan	24	<u>25,978</u>	<u>4,287</u>
		<u>128,160</u>	<u>89,125</u>
		<u>1,187,504</u>	<u>999,186</u>

Approved for issue by the Board of Directors on 29 November 2012 and signed on its behalf by:

K. Cooper - Director

J. Cobham - Director

PULSE INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2012

	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Capital Redemption Reserve \$'000	Revaluation Reserve \$'000	Shares to be Issued \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2010	152,367	366,376	2,637	20,500	-	2,609	143,348	687,837
Total Comprehensive Income	-	-	-	-	25,730	-	173,198	198,923
At 30 June 2011	152,367	366,376	2,637	20,500	25,730	2,609	316,541	886,760
Total Comprehensive Income	-	-	-	-	7,478	-	165,106	172,584
At 30 June 2012	152,367	366,376	2,637	20,500	33,208	2,609	481,647	1,059,344

PULSE INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2012

	<u>2012</u> \$'000	<u>2011</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit	165,106	173,193
Adjustments for:		
Effects of exchange rate translation	6	165
Fair value appreciation on investment property	(63,316)	(122,794)
Depreciation	3,103	2,546
Interest expense	<u>4,980</u>	<u>5,562</u>
Operating cash flows before movements in working capital	109,879	58,672
Changes in operating assets and liabilities:		
Trade and other receivables	(74,807)	4,491
Payables and accruals	3,874	35,361
Related party	<u>(19,631)</u>	<u>(29,950)</u>
Net cash provided by operating activities	<u>19,315</u>	<u>68,574</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(208)	(41)
Addition to investment properties	<u>(11,713)</u>	<u>(62,336)</u>
Net cash used in investing activities	<u>(11,921)</u>	<u>(62,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(4,907)	(5,512)
Loans received	-	26,950
Loan repayment	<u>(1,610)</u>	<u>(27,291)</u>
Net cash used in financing activities	<u>(6,517)</u>	<u>(5,853)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	877	344
Cash and cash equivalents at beginning of year	3,276	3,097
Effect of exchange rate translations on cash and cash equivalents	<u>(6)</u>	<u>(165)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	<u><u>4,147</u></u>	<u><u>3,276</u></u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

1. IDENTIFICATION AND PRINCIPAL ACTIVITY:

Pulse Investments Limited (the company) was incorporated in Jamaica under the Companies Act on 6 August 1993 and commenced trading on 1 November 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. REPORTING CURRENCY:

These financial statements are presented using the Jamaica dollar which is considered the currency of the primary economic environment in which the company operates ("the functional currency"). The financial information presented has been rounded to the nearest thousand, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention, except in respect of investment properties and leasehold property which are carried at fair value. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the total comprehensive income during the reporting period. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The areas involving a higher degree of judgment in complexity or areas where assumptions or estimates are significant to the financial statements are discussed below and actual outcomes that are different from these assumptions could require material adjustments to the carrying amounts reflected in future financial statements:

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

(i) 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 measureable 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.

(ii) Expected useful life and residual value of property, plant and 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.

(iii) Fair value of property interest

Management has made an estimate of the fair value of property interests recognized 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 recognized 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 qualify as investment property, the directors, based on their judgement, estimate that if fifty percent or less of the total square footage (including common area) is being used for own use, the balance will qualify as investment property.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

(iv) 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.

Standards, interpretations and amendments to published standards effective in the current year.

During the reporting period, the following standards, amendments and interpretations became effective. Those considered relevant to the company are as follows:

IAS 1 (Revised)	Presentation of Financial Statements - Amendments resulting from May 2010 Annual Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2011).
IAS 24 (Revised)	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 (effective for annual periods beginning on or after 1 January 2011).
IAS 34 (Amended)	Interim Financial Reporting - Disclosure principles for significant events and transactions and disclosure of changes to fair value measurement (effective for annual periods beginning on or after 1 January 2011).
IFRS 7 (Amended)	Financial Instruments: Disclosures - Nature and extent of risks arising from financial instruments (effective for annual periods beginning on or after 1 January 2011).
IFRS 7 (Amended)	Financial Instruments: Disclosures - Disclosures on transfers of financial assets (effective for annual periods beginning on or after 1 July 2011).

Standards, interpretations and amendments to published standards that are not yet effective.

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

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) Basis of preparation (cont'd) -

Standards, interpretations and amendments to published standards that are not yet effective (cont'd).

IAS 1 (Revised) Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective for annual period beginning on or after 1 July 2012).

IAS 32 (Revised) Financial instruments: Presentation - Offsetting requirements and convergence disclosures (effective for annual period beginning on or after 1 January 2014).

IFRS 9 (Revised) Financial Instruments - Classification of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2015).

The directors anticipate that the Standards, Interpretations and Amendments to existing standards, which are published but not yet effective, will have no material impact on the financial statements in the period of initial application.

(b) 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.

(c) Accounts receivable -

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

(d) Accounts payable -

Trade and other payables are stated at amortised cost.

(e) Provisions -

A provision is recognized 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.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(f) 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.

(g) Intangible assets -

Intangible assets represent expenditure incurred for the acquisition of trademarks and patents. These are recognized 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
YEAR ENDED 30 JUNE 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(h) **Taxation -**

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

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

(i) **Property, plant and equipment -**

(i) Items of property, plant and 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 recognized 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 recognized 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 arm's length transaction.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Property, plant and equipment (cont'd) -

(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 and equipment to their estimated residual values over their expected useful lives.

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

Depreciation rates are as follows:

Furniture and fixtures	10%
Equipment	20%
Computer	33 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.

(j) Investment property -

For properties that have dual usage, in order to determine the portion that can qualify as investment property, the directors, based on their judgement, estimate that if fifty percent or less of the total square footage (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 judgement 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 recognized in the profit or loss. Rental income from investment property is accounted for as described in accounting policy 3(l).

(k) 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 recognized in the profit or loss.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(k) Foreign currency transactions and balances (cont'd) -

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.

(l) 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 recognized to the extent of expenses that are recoverable.

Sponsorships in kind

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

Model agency representation

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

Show production and promotion

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

Operating leases

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(m) 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 recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

(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.

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 recognized. 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 amortization, if no impairment loss had been recognized.

(n) 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 recognized in the statement of comprehensive income.

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

PULSE INVESTMENTS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 2012****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):****(o) Interest-bearing borrowings -**

Interest-bearing borrowings are recognized 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 recognized in the profit or loss over the period of the borrowings on an effective interest basis.

(p) Financial instruments:

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

Financial assets

The company classifies its financial assets in the following categories: at fair value through statement of comprehensive income, 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.

Financial assets at fair value through comprehensive income

This category includes financial assets held for trading.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(p) Financial instruments (cont'd) -

Financial liabilities

The company's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as payables, bank overdraft, amounts due to affiliated companies and long term loans and included in current and non-current liabilities in the statement of financial position.

(q) 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 realizable in an immediate settlement of the instruments.

(r) 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 for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit 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.

(s) 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.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT:**

(a) **Financial risk factors -**

The company's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk, interest rate risk and operational risk. The company's overall risk management policies are established to identify and analyze the risks faced by the company and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Board of Directors together with management and seeks to minimize potential adverse effects on the company's financial performance. The audit committee has monitoring oversight of the risk management policies.

(i) **Market risk**

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company manages its exposure by maintaining only short term investments.

Currency risk

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

The company incurs foreign currency risk on transaction that are denominated in currencies other than the Jamaican dollar. The main currency giving rise to this risk is the United States Dollar (US\$). 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 exposure at the reporting date.

	Net foreign currency Monetary assets	
	2012 US\$'000	2011 US\$'000
Accounts receivable	63	8
Cash and cash equivalents	3	19
Loans	(19)	(15)
	<u>47</u>	<u>12</u>
	Exchange rates	
	2012	2011
	\$	\$
United States dollars in terms of Jamaican dollars	<u>88.20</u>	<u>85.54</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(i) **Currency risk (cont'd)**

Sensitivity analysis:

A 3% (2011: 1%) weakening of the United States dollar against the Jamaican 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.

	2012		2011	
	3%	3%	1%	1%
	weakening \$'000	strengthening \$'000	weakening \$'000	strengthening \$'000
Effect of change in united States dollar (US\$) exchange rate	(124)	124	(10)	10

A 3% (2011: 1%) 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 rates which are fixed in advance and which may be varied by appropriate notice by the lenders. At 30 June 2012, financial liabilities subject to interest aggregated approximately \$24,874,000 (2011: \$26,312,000).

(iii) **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. The company has policies in place to ensure that rental of premises and provision of other services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. The company manages its credit risk by screening its customers and prospective tenants for credit worthiness prior to entering into agreements, establishing credit limits and the rigorous follow-up of receivables including procedures for eviction of tenants and recovery of amounts owing; and ensuring investments are low-risk or, are held with reputable financial institutions.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(iii) **Credit risk (cont'd)**

Exposure to credit risk:

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

	<u>2012</u> <u>\$'000</u>	<u>2011</u> <u>\$'000</u>
Cash and cash equivalents	6,284	5,683
Trade and other receivables	29,023	16,245
Unexpired advertising entitlements	<u>62,029</u>	<u>-</u>
	<u>97,336</u>	<u>21,928</u>

(iv) **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages this risk by keeping committed credit lines available, as well as by maintaining prudent financial assets in appropriate terms and currencies.

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

	2012					
	Carrying Amount \$'000	Contractual Cashflows \$'000	Within 6 months \$'000	Six to 12 months \$'000	Over 12 months \$'000	No specific Maturity \$'000
Bank overdraft	2,137	2,137	-	-	-	2,137
Accounts payable and accrued charges	50,148	50,148	50,148	-	-	-
Due to related party	-	-	-	-	-	-
Loans payable	<u>25,978</u>	<u>31,068</u>	<u>31,068</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>78,263</u>	<u>83,353</u>	<u>81,216</u>	<u>-</u>	<u>-</u>	<u>2,137</u>

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

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(iv) **Liquidity risk (cont'd)**

	2011					
	Carrying Amount \$'000	Contractual Cashflows \$'000	Within 6 months \$'000	Six to 12 months \$'000	Over 12 months \$'000	No specific Maturity \$'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>	-
Total liabilities	<u>92,550</u>	<u>105,252</u>	<u>51,659</u>	<u>4,181</u>	<u>30,652</u>	<u>16,353</u>

(v) **Capital risk**

Capital risk is the risk that the company fails to comply with mandated regulatory requirements resulting in breach of those requirements. The company's objectives when managing capital are to comply with capital requirements, safeguard the company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The company is not exposed to any externally imposed capital requirements.

(vi) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

(b) **Fair value of Financial Instruments**

The fair value of financial instruments traded in an active market is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(b) **Fair value of Financial Instruments (cont'd)**

The amounts included in the financial statements for cash and cash equivalents, receivables, payables, bank overdraft and related company party reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the company's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

5. **REVENUE:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Market sponsorship and advertising entitlements:		
In kind sponsorship and advertising entitlements		
/Sale of TV programming	132,221	98,665
Cash and other sponsorship	51,749	93,621
Model agency income	11,082	6,668
Rental of leasehold properties	34,093	26,137
Ticket sales	<u>12,733</u>	<u>9,659</u>
	<u>241,878</u>	<u>234,750</u>

6. **OTHER INCOME:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
CFW Booth income	1,053	779
Consultancy	6,668	-
Grants	1,943	238
Miscellaneous income	<u>1,067</u>	<u>3,166</u>
	<u>10,731</u>	<u>4,183</u>

7. **FINANCE EXPENSE:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Loan interest	4,932	5,201
Overdraft expense	<u>48</u>	<u>361</u>
	<u>4,980</u>	<u>5,562</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

8. **PROFIT FOR THE YEAR:**

Profit for the year is stated after charging

	<u>2012</u> \$'000	<u>2011</u> \$'000
Auditor's remuneration	1,600	3,600
Contractual emoluments	8,779	9,202
Depreciation	3,103	2,546
Management fees	29,934	24,945
Provision for doubtful debt	<u>4,787</u>	<u>6,954</u>

9. **TAXATION:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Reconciliation of effective tax rate:		
Profit before tax	<u>165,106</u>	<u>173,193</u>
Computed "expected" tax expense	55,035	57,731
Difference between profit for financial statements and tax reporting purposes on:		
Disallowed expenses and other adjustments	1,064	223
Fair value appreciation on investment property	(21,105)	(40,931)
Other tax exempt income	<u>(34,993)</u>	<u>(17,023)</u>
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.

10. **EARNINGS PER SHARE:**

The calculation of earnings per share is based on the net profit for the year and 280,703,000 ordinary shares at the year end (2011 - 208,703,000 shares).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

11. PROPERTY, PLANT AND EQUIPMENT:

	Leasehold Property \$'000	Leasehold Improvement \$'000	Furniture, Office Equipment and Computer \$'000	Motor Vehicle \$'000	Total \$'000
At cost or valuation -					
1 July 2010	99,564	2,601	10,788	5,700	118,653
Additions	-	-	41	-	41
Revaluation	24,511	1,219	-	-	25,730
Transfer to investment properties	(54,564)	-	-	-	(54,564)
30 June 2011	69,511	3,820	10,829	5,700	89,860
Additions	-	-	208	-	208
Revaluation	7,103	375	-	-	7,478
30 June 2012	76,614	4,195	11,037	5,700	97,546
Accumulated Depreciation -					
1 July 2010	5,447	260	9,245	2,280	17,232
Charge for the year	735	51	620	1,140	2,546
Reversed on revaluation	-	-	-	-	-
Transfer to investment properties	(3,126)	-	-	-	(3,126)
30 June 2011	3,056	311	9,865	3,420	16,652
Charge for the year	1,531	81	351	1,140	3,103
30 June 2012	4,587	392	10,216	4,560	19,755
Net Book Value -					
30 June 2012	72,027	3,803	821	1,140	77,791
31 June 2011	66,455	3,509	964	2,280	73,208

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 revaluation reserve (note 22).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2012

12. INTANGIBLE ASSETS:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Patents	90,000	90,000
Trademarks	<u>2,720</u>	<u>2,720</u>
	<u>92,720</u>	<u>92,720</u>

Intangible assets represent patents and trademarks acquired from Pulse Entertainment Group Limited.

13. INVESTMENT PROPERTIES:

	Leasehold property and buildings \$'000	Construction work-in-progress \$'000	Total \$'000
At fair value			
1 July 2010	378,369	176,517	554,886
Additions	4,327	58,009	62,336
Transfer from property plant and equipment	51,438	-	51,438
Fair value adjustment	<u>88,741</u>	<u>34,053</u>	<u>122,794</u>
30 June 2011	522,875	268,579	791,454
Additions	-	11,713	11,713
Fair value adjustment	<u>41,830</u>	<u>21,486</u>	<u>63,316</u>
30 June 2012	<u>564,705</u>	<u>301,778</u>	<u>866,483</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 16(b)]. Pulse Investments Limited has no further commitment to the related party until the project is completed and handed over.

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Income earned from properties	34,094	26,137
Expenses incurred by properties	<u>-</u>	<u>(1,395)</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

14. **TRADE AND OTHER RECEIVABLES:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trade receivables	32,560	31,235
Provision for doubtful debt	<u>(4,117)</u>	<u>(15,521)</u>
Other receivables	28,443	15,714
	<u>580</u>	<u>531</u>
	<u>29,023</u>	<u>16,245</u>

The company establishes an allowance for impairment that represents its best estimate of incurred losses in respect of trade and other receivables for which 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>2012</u>			
Receivable arising from:				
Model agents	4,200	-	-	4,200
Cash sponsors	14,385	-	12,586	26,971
Lease agreements	159	834	319	1,312
Other trade receivables	<u>-</u>	<u>-</u>	<u>77</u>	<u>77</u>
	18,744	834	12,982	32,560
Less: Allowance for impairment	<u>-</u>	<u>-</u>	<u>(4,117)</u>	<u>(4,117)</u>
	<u>18,744</u>	<u>834</u>	<u>(8,865)</u>	<u>28,443</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

14. **TRADE AND OTHER RECEIVABLES (CONT'D):**

	0 to 60 days \$'000	60-90 days \$'000	More than 90 days \$'000	Total \$'000
	2011			
Receivable arising from:				
Model agents	644	-	-	644
Cash sponsors	12,891	-	7,215	20,106
Lease agreements	-	-	8,858	8,858
Other trade receivables	-	-	<u>1,627</u>	<u>1,627</u>
	<u>13,535</u>	-	17,700	31,235
Less: Allowance for impairment	-	-	<u>(15,521)</u>	<u>(15,521)</u>
	<u>13,535</u>	<u>-</u>	<u>2,179</u>	<u>15,714</u>

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

	<u>2012</u> \$'000	<u>2011</u> \$'000
Balance at beginning of year	15,521	17,348
Impairment adjustment during the year	<u>(11,404)</u>	<u>(1,827)</u>
Balance at end of year	<u>4,117</u>	<u>15,521</u>

During the year, bad debt expenses aggregating \$4,787,000 (2011: \$6,954,000) have been recognized in the statement of comprehensive income.

15. **ADVERTISING ENTITLEMENTS AND UNEXPIRED SPONSORSHIP IN KIND:**

- a) Advertising entitlements receivable -

This represents recoverable costs for shows produced and delivered ,

- b) Advertising entitlements/Sale of TV programming -

The directors estimate that the company has generated advertising entitlements of \$587,400,000 (2011: \$1,270,097,000), which remain unused at the reporting date. In accordance with the company's accounting policy [see note 3(l)], these entitlements have not been recognized in preparing the financial statements.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

15. **UNEXPIRED SPONSORSHIP IN KIND (CONT'D):**

	<u>2012</u> \$'000	<u>2011</u> \$'000
c) Unexpired sponsorship in kind -		
Unexpired at beginning of year	19,876	18,541
Obtained during the year	50,192	53,521
Sponsorship recognised in income	(20,172)	(52,186)
Unexpired at end of year	<u>49,896</u>	<u>19,876</u>

16. **RELATED PARTY BALANCES AND TRANSACTIONS:**

The following transactions were carried out with related parties

(a) Provision of services and sponsorship

	<u>2012</u> \$'000	<u>2011</u> \$'000
Rental income - Studio 38	7,643	5,748
Advertising entitlements	43,500	75,950
In kind sponsorship	<u>10,135</u>	<u>3,900</u>
	<u>61,278</u>	<u>85,598</u>

During the year trading occurred between the company and a related party in respect of the rental of shop space. These provisions were negotiated on an arm's length basis.

(b) Purchase of services

	<u>2012</u> \$'000	<u>2011</u> \$'000
Management fees - Samurai Investments Limited	29,933	24,945
Lease expense	1	1
Additions to investment property	<u>11,713</u>	<u>62,336</u>
	<u>41,647</u>	<u>87,282</u>

During the year trading occurred between the company and related parties in respect of the acquisition of services. These acquisitions were negotiated on an arm's length basis.

(c) Year-end balances arising from sales/purchases of goods/services

	<u>2012</u> \$'000	<u>2011</u> \$'000
Due from/(to) Samurai Investments Limited	<u>3,278</u>	<u>(16,353)</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

17. **CASH AND CASH EQUIVALENTS:**

	<u>2012</u> \$'000	<u>2011</u> \$'000
Cash in hand (J\$)	1,665	135
Cash in hand (US\$)	-	139
Chequeing account (J\$)	4,619	3,796
Chequeing account (US\$)	-	10
Savings account (US\$)	<u>-</u>	<u>1,603</u>
Bank overdraft	6,284 <u>(2,137)</u>	5,683 <u>(2,407)</u>
	<u>4,147</u>	<u>3,276</u>

(a) The savings account is interest bearing.

(b) Interest rate exposure

The weighted average effective interest rate at the year end was as follows:

	<u>2012</u> %	<u>2011</u> %
Savings account	0.45	0.45
Bank overdraft	<u>-</u>	<u>-</u>

18. **SHARE CAPITAL:**

Authorised:

336,825,000 (2011: 336,825,000) ordinary shares at no par value

	<u>2012</u>		<u>2011</u>	
	<u>No. of Shares</u> '000	<u>Ordinary Share Capital</u> \$'000	<u>No. of Shares</u> '000	<u>Ordinary Share Capital</u> \$'000
Stated, issued and fully paid at 30 June	<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.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

19. SHARE PREMIUM:

Share premium is made up as follows:

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
31,549,768 (2011: 31,549,768) ordinary shares - premium of \$0.51 each	16,042	16,042
91,341,692 (2011: 91,341,692) ordinary shares - premium of \$3.91 per share	<u>357,146</u>	<u>357,146</u>
Costs of rights issue	<u>373,188</u>	<u>373,188</u>
	<u>(6,812)</u>	<u>(6,812)</u>
	<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.

20. CAPITAL RESERVE:

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

21. 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.

22. REVALUATION RESERVE:

The revaluation reserve represents the surplus arising on the revaluation of certain leasehold properties by the directors.

23. 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 2011, Capital Options Limited transferred its rights to the shares to a director. If these shares were issued, the earnings per share (EPS) would not be diluted.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

24. LOANS

	<u>2012</u> \$'000	<u>2011</u> \$'000
i. Caricom Trade Support Programme	1,104	1,276
ii. CIBC First Caribbean International Bank	<u>24,874</u>	<u>26,312</u>
Less: current portion	25,978 <u>(25,978)</u>	27,588 <u>(4,287)</u>
	<u>-</u>	<u>23,301</u>

(i) Caricom Trade Support Programme

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) CIBC First Caribbean

This loan attracts interest of 18.85% per annum and is repayable over 60 months with maturity in January 2016. The loan is secured as follows:

1. Mortgages over the Villa Ronai property located at Old Stony Hill Road, Constant Spring, St. Andrew, owned by a director and leased by Pulse Investments Limited.
2. Unlimited guarantee from a director.
3. Assignment of peril insurance over the Villa Ronai property located at Old Stony Hill Road, Constant Spring, St. Andrew.

Breach of Covenant

Based on the terms of the agreement, there was a breach at the reporting date in respect of the repayment terms. This breach was subsequently remedied before the finalisation of these financial statements.

25. ACCOUNTS PAYABLE AND ACCRUED CHARGES:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Trades payable and GCT payable	45,554	37,768
Deposits	2,316	2,236
Accrued charges	<u>2,279</u>	<u>6,198</u>
	<u>50,149</u>	<u>46,202</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

26. **EXPENSES BY NATURE:**

Total administrative and general expenses:

	<u>2012</u> \$'000	<u>2011</u> \$'000
Accommodation and meals	6,635	21,884
Advertising and PR	42,330	45,144
Auditor's remuneration	1,600	3,600
Contracted wages and related expenses	8,779	9,202
Depreciation	3,103	2,546
Foreign travel	4,551	18,744
Management fees	29,934	24,945
Provision for doubtful debt	4,787	6,954
Utilities	11,130	9,132
Other expenses	<u>37,970</u>	<u>46,383</u>
	<u>150,819</u>	<u>188,534</u>