pwc

The Palace Amusement Company (1921) Limited

Financial Statements
30 June 2014

The Palace Amusement Company (1921) Limited
Index
30 June 2014

pwc

Independent Auditors' Report

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

Report on the Consolidated and Company Stand Alone Financial Statements
We have audited the accompanying consolidated financial statements of The Palace Amusement Company (1921) Limited and its subsidiaries, set out on pages 1 to 58, which comprise the consolidated statement of financial position as at 30 June 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of The Palace Amusement Company (1921) Limited standing alone, which comprise the statement of financial position as at 30 June 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements
Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated and company stand alone 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 consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone financial statements.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
T: (876) 922 6230, F: (876) 922 7581, www.pwc.com/jm

pwc

Opinion

In our opinion, the consolidated financial statements of The Palace Amusement Company (1921) Limited and its subsidiaries, and the financial statements of The Palace Amusement Company (1921) Limited standing alone give a true and fair view of the financial position of the The Palace Amusement Company (1921) Limited and its subsidiaries and The Palace Amusement Company (1921) Limited standing alone as at 30 June 2014, and of their financial performance and cash flows for the year then ended, so far as concerns the members of The Palace Amusement Company (1921) Limited, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

PricewaterhouseCoopers

Chartered Accountants
30 September 2014
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Statement of Comprehensive Income

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	Restated 2013 $'000
Revenue		833,893	862,474
Direct expenses		(696,340)	(705,103)
Gross Profit		137,553	157,371
Other operating income	6	11,361	12,426
Administration expenses		(162,216)	(146,583)
Operating (Loss)/Profit		(13,302)	23,214
Finance costs – interest expense		(4,004)	(3,285)
(Loss)/Profit before Taxation		(17,306)	19,929
Taxation	9	4,779	(5,217)
Net (Loss)/Profit		(12,527)	14,712
Other Comprehensive Income:			
Item that may be reclassified to profit or loss in the future			
Unrealised gains on available-for-sale investments, net of taxation		2,808	3,362
Item that will not be reclassified to profit or loss in the future			
Re-measurement of post-employment benefit asset, net of taxation		(9,987)	6,323
Total other comprehensive income		(7,179)	9,685
Total Comprehensive Income		(19,706)	24,397
Net (Loss)/Profit Attributable to:			
Stockholders of the company	10	(12,388)	14,886
Non-controlling interest		(139)	(174)
		(12,527)	14,712
Total Comprehensive Income Attributable to:			
Stockholders of the company		(19,863)	24,246
Non-controlling interest		157	151
		(19,706)	24,397
Earnings per Stock Unit Attributable to Stockholders of the Company	11	($8.62)	$10.36

Palace Amusement Company (1921) Limited

Consolidated Statement of Financial Position

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	Restated 2013 $'000	Restated 2012 $'000
Non-Current Assets				
Property, plant and equipment	12	262,352	271,841	227,748
Investments	13	14,789	11,981	8,619
Post-employment benefit assets	15	29,415	41,780	32,511
Current Assets				
Inventories	17	42,720	37,876	33,156
Receivables	18	31,208	42,709	53,148
Taxation recoverable		2,407	-	-
Cash and bank balances	19	71,589	112,373	71,818
		147,924	192,958	158,122
Current Liabilities				
Payables	20	137,903	162,609	115,345
Taxation payable		-	857	1,527
Current portion of long term liabilities	21	7,554	8,986	5,266
		145,457	172,452	122,238
Net Current Assets		2,467	20,506	35,984
		309,023	346,108	304,862
Stockholders' Equity				
Share capital	22	1,437	1,437	1,437
Capital reserve	23	166,488	166,488	166,488
Fair value reserve	24	14,061	11,549	8,512
Retained earnings	10	91,539	116,429	97,735
		273,525	295,903	274,172
Non-controlling Interest		5,429	5,272	5,121
		278,954	301,175	279,293
Non-Current Liabilities				
Long term liabilities	21	23,549	31,103	16,366
Deferred tax liabilities	14	6,520	13,830	9,203
		309,023	346,108	304,862

Approved for issue by the Board of Directors on 30 September 2014 and signed on its behalf by:

Douglas Graham — Director

Melanie Graham — Director

The Palace Amusement Company (1921) Limited

Consolidated Statement of Changes in Equity

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders						
	Number of Shares	**Share Capital**	**Capital Reserve**	**Fair Value Reserve**	**Retained Earnings**	**Non-Controlling Interest**	**Total**
	'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2012 as previously sated	1,437	1,437	166,488	8,512	97,625	5,121	279,183
Impact of adoption of IAS 19, Revised	-	-	-	-	110	-	110
Balance at 1 July 2012, as restated	1,437	1,437	166,488	8,512	97,735	5,121	279,293
Total Comprehensive Income							
Net profit, as restated	-	-	-	-	14,886	(174)	14,712
Other comprehensive income –							
Unrealised gains on available-for-sale investments	-	-	-	3,037	-	325	3,362
Re-measurement of post-employment benefit asset	-	-	-	-	6,323	-	6,323
	-	-	-	3,037	21,209	151	24,397
Transactions with owners							
Dividends paid	-	-	-	-	(2,515)	-	(2,515)
Balance at 30 June 2013, as restated	1,437	1,437	166,488	11,549	116,429	5,272	301,175
Total Comprehensive Income							
Net loss	-	-	-	-	(12,388)	(139)	(12,527)
Other comprehensive income –							
Unrealised gains on available-for-sale investments	-	-	-	2,512	-	296	2,808
Re-measurement of post-employment benefit asset	-	-	-	-	(9,987)	-	(9,987)
	-	-	-	2,512	(22,375)	157	(19,706)
Transactions with owners							
Dividends paid	-	-	-	-	(2,515)	-	(2,515)
Balance at 30 June 2014	1,437	1,437	166,488	14,061	91,539	5,429	278,954

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	2014 $'000	Restated 2013 $'000
Cash Flows from Operating Activities		
Cash (used in)/provided by operating activities (Note 25)	(1,370)	102,266
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(30,759)	(82,646)
Proceeds from sale of property, plant and equipment	-	300
Short term deposits, net	(6,187)	(6,401)
Interest received	1,686	1,794
Dividend received	138	315
Cash used in investing activities	(35,122)	(86,638)
Cash Flows from Financing Activities		
Long term loan received	-	24,340
Long term loans repaid	(8,986)	(5,883)
Interest paid	(4,004)	(3,285)
Dividends paid	(2,515)	(2,515)
Cash (used in)/provided by financing activities	(15,505)	12,657
	(51,997)	28,285
Exchange gain on foreign cash balances	4,937	5,751
(Decrease)/increase in cash and cash equivalents	(47,060)	34,036
Cash and cash equivalents at beginning of year	68,682	34,646
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	21,622	68,682

The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	Restated 2013 $'000
Revenue		613,295	628,753
Direct expenses		(492,403)	(505,450)
Gross Profit		120,892	123,303
Other operating income	6	35,253	36,377
Administration expenses		(162,216)	(146,583)
Operating (Loss)/Profit		(6,071)	13,097
Finance costs – interest expense		(3,873)	(3,166)
(Loss)/Profit before Taxation		(9,944)	9,931
Taxation	9	2,852	(3,696)
Net (Loss)/Profit	10	(7,092)	6,235
Other Comprehensive Income:			
Item that may be reclassified to profit or loss in the future -			
Unrealised (losses)/gains on available-for-sale investments, net of taxation		(181)	85
Item that will not be reclassified to profit or loss in the future -			
Re-measurement of post-employment benefit asset, net of taxation		(9,987)	6,323
Total other comprehensive income		(10,168)	6,408
Total Comprehensive Income		(17,260)	12,643

Palace Amusement Company (1921) Limited

Company Statement of Financial Position

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2014 $'000	Restated 2013 $'000	Restated 2012 $'000
Non-Current Assets				
Property, plant and equipment	12	108,543	118,418	103,648
Investments	13	2,113	2,294	2,209
Post-employment benefit assets	15	29,415	41,780	32,511
Due from subsidiary	16	101,836	91,987	68,335
Current Assets				
Inventories	17	40,230	35,945	30,723
Receivables	18	31,013	42,639	53,148
Taxation recoverable		2,407	-	-
Cash and bank balances	19	70,395	110,898	70,318
		144,045	189,482	154,189
Current Liabilities				
Payables	20	126,661	149,029	96,149
Taxation payable		-	857	1,527
Current portion of long term liabilities	21	7,554	8,986	5,266
		134,215	158,872	102,942
Net Current Assets		9,830	30,610	51,247
		251,737	285,089	257,950
Stockholders' Equity				
Share capital	22	1,437	1,437	1,437
Capital reserve	23	148,365	148,365	148,365
Fair value reserve	24	1,556	1,737	1,652
Retained earnings	10	51,555	71,149	61,106
		202,913	222,688	212,560
Non-Current Liabilities				
Due to subsidiaries	16	23,139	23,779	24,611
Long term liabilities	21	23,549	31,103	16,366
Deferred tax liabilities	14	2,136	7,519	4,413
		251,737	285,089	257,950

Approved for issue by the Board of Directors on 30 September 2014 and signed on its behalf by:

Douglas Graham Director

Melanie Graham Director

The Palace Amusement Company (1921) Limited

Company Statement of Changes in Equity

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings	Total
	'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2012 as previously stated	1,437	1,437	148,365	1,652	60,996	212,450
Impact of adoption of IAS 19, Revised	-	-	-	-	110	110
Balance at 1 July 2012, as restated	1,437	1,437	148,365	1,652	61,106	212,560
Total Comprehensive Income						
Net Profit	-	-	-	-	6,235	6,235
Other comprehensive income –						
Unrealised gains on available-for-sale investments	-	-	-	85	-	85
Re-measurement of post-employment benefit asset	-	-	-	-	6,323	6,323
	-	-	-	85	12,558	12,643
Transactions with owners						
Dividends paid	-	-	-	-	(2,515)	(2,515)
Balance at 30 June 2013, as restated	1,437	1,437	148,365	1,737	71,149	222,688
Total Comprehensive Income						
Net loss	-	-	-	-	(7,092)	(7,092)
Other comprehensive income –						
Unrealised loss on available-for-sale investments	-	-	-	(181)	-	(181)
Re-measurement of retirement benefit obligations	-	-	-	-	(9,987)	(9,987)
	-	-	-	(181)	(17,079)	(17,260)
Transactions with owners						
Dividends paid	-	-	-	-	(2,515)	(2,515)
Balance at 30 June 2014	1,437	1,437	148,365	1,556	51,555	202,913

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

	2014 $'000	Restated 2013 $'000
Cash Flows from Operating Activities		
Cash (used in)/provided by operating activities (Note 25)	(18,439)	61,061
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(16,183)	(43,275)
Proceeds from sale of property, plant and equipment	-	300
Short term deposits, net	(6,187)	(6,401)
Interest received	4,400	3,751
Dividend received	67	98
Cash used in investing activities	(17,903)	(45,527)
Cash Flows from Financing Activities		
Long term loan received	-	24,340
Long term loans repaid	(8,986)	(5,883)
Interest paid	(3,873)	(3,166)
Dividends paid	(2,515)	(2,515)
Cash (used in)/provided by financing activities	(15,374)	12,776
	(51,716)	28,310
Exchange gain on foreign cash balances	4,937	5,751
(Decrease)/Increase in cash and cash equivalents	(46,779)	34,061
Cash and cash equivalents at beginning of year	67,207	33,146
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 19)	20,428	67,207

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The Palace Amusement Company (1921) Limited (the company) and its subsidiaries (collectively referred to as the Group) are limited liability companies, incorporated and resident in Jamaica and are cinema operators. The company is a 62.5% subsidiary of Russgram Investments Limited (the parent company), which is also incorporated in Jamaica. The registered office of the company, its subsidiaries and the parent company, is 1A South Camp Road, Kingston.

The company is listed on the Jamaica Stock Exchange.

Films are rented from:
(i) United International Pictures, which represents Universal Pictures, Paramount Pictures, and Dreamworks;
(ii) Vista Entertainment Panama, which represents Disney;
(iii) ATM Film Distributors;
(iv) Metropolitan Opera and National Theatre Live; and
(v) The parent company, which represents Warner Bros, 20th Century Fox, as well as Goldmine Productions and D.S. Pictures.

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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

New and amended standards adopted by the Group

- IAS 27 (Revised), 'Separate financial statements' (effective for annual periods beginning on or after 1 January 2013). The revised standard now only includes the requirements for separate financial statements. There have been no significant changes to these requirements as presented under IAS 27 'Consolidated and Separate Financial Statements'. The requirements for consolidated financial statements are now included in IFRS 10 'Consolidated Financial Statements'.

- IFRS 10, 'Consolidated Financial Statements', (effective for annual periods beginning on or after 1 January 2013). IFRS 10 replaces all of the guidance on control and consolidation in *IAS 27, 'Consolidated and Separate Financial Statements'*, and *SIC-12, 'Consolidation – Special Purpose Entities'*. IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within a group's consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. The adoption of this standard is did not have a significant impact on the Group's financial statements.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

- IFRS 12, 'Disclosure of Interests in Other Entities', (effective for annual periods beginning on or after 1 January 2013). IFRS 12 requires entities to disclose information that helps financial statement users to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The adoption of this standard did not have a significant impact on the Group's financial statements.

- IFRS 13, 'Fair Value Measurement', (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The requirements are similar to those in *IFRS 7, 'Financial instruments: Disclosures'*, but apply to all assets and liabilities measured at fair value, not just financial assets and liabilities. The adoption of this standard is did not have a significant impact on the Group's financial statements.

- IAS 19 (Revised), 'Employee benefits' (effective for annual periods beginning on or after 1 January 2013). IAS 19 (Revised) makes significant changes to the recognition and measurement of defined benefit pension expense, termination benefits, and to the disclosures for all employee benefits. In particular, the revised standard eliminates the 'corridor approach' and requires changes in the defined benefit obligation and the fair value of plan assets to be recognised immediately. Actuarial gains and losses will now be recognised in other comprehensive income; the option to recognise actuarial gains and losses in profit and loss has been removed. The impact of the adoption of this standard has been included in these financial statements.

- IAS 1 'Presentation of financial statements' (effective for annual periods beginning on or after 1 January 2013), regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently reclassification adjustments).

- IAS 16 'Property, plant and equipment' (effective for annual periods beginning on or after 1 January 2013). This amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. There was no material impact on the Group's financial statements from the adoption of this standard.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the Group (continued)

- IAS 32 'Financial instruments: Presentation' (effective for annual periods beginning on or after 1 January 2013). This amendment clarifies the treatment of income tax relating to distributions and transaction costs. The treatment is in accordance with IAS 12. Therefore, income tax related to distributions is recognised in the statement of comprehensive income, and income tax related to the costs of equity transactions is recognised in equity. There was no material impact on the Group's financial statements from the adoption of this standard.

New standards and interpretations not yet adopted

- IFRS 9, 'Financial Instruments', (effective for annual periods beginning on or after 1 January 2018). IFRS 9 addresses classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

  Classification of financial assets under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value.

  For financial liabilities, IFRS 9 retains most of the IAS 39 requirements, including amortised cost accounting for most financial liabilities and the requirement to separate embedded derivatives. The main change is where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch. The adoption of IFRS 9 is currently not expected to have a material impact on the Group's financial position or results.

- IFRS 15, 'Revenue from contracts with customers', (effective for annual periods beginning on or after 1 January 2017). IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Management is currently assessing the impact on the Group's financial statements.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

(i) Subsidiaries

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

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

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

The subsidiaries consolidated and percentage ownership are as follows:

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

(ii) Transactions and non-controlling interests

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

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

2. Significant Accounting Policies (Continued)

(c) Foreign currency translation

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

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

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

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are recognised in other comprehensive income.

(d) Property, plant and equipment

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(e)).
Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit or loss.

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment (continued)

When revalued assets, currently carried at deemed cost are sold, the amounts included in other reserves relating to the revaluation surpluses will be transferred to retained earnings.

(e) Impairment of non-current assets

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

(f) Financial instruments

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

Financial assets

(i) Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'short term deposits' and 'cash and bank balances'. The company's loans and receivables also includes 'due from subsidiary company'.

Available-for-sale financial assets

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

(ii) Recognition and measurement

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

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

(ii) Recognition and measurement (continued)
Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognised as other comprehensive income are recycled to profit or loss.

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

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

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

(g) Inventories
Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

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

(i) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of 90 days or less.

2. Significant Accounting Policies (Continued)

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

(k) Current and deferred income taxes
Taxation expense in profit or loss comprises current and deferred tax charges.

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

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

The asset or liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

2. Significant Accounting Policies (Continued)

(l) Employee benefits (continued)

Past service costs are recognised immediately in the income statement.

(m) Provisions

Provisions for restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

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

(n) Revenue recognition

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

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

The Group operates an electronic card programme where customers are entitled to discounts once an electronic card is purchased. The fair value of the consideration received is recognised as deferred income at the time of sale. Revenue is recognised as the electronic cards are utilised or have expired. Electronic cards expire 18 months after the initial sale.

The Group sells movie vouchers which entitle the customers to box office attendance in the future. The fair value of the consideration received is recognised as deferred income at the time of sale. Revenue is recognised as the movie vouchers are utilised or have expired. Vouchers expire 12 months after the initial sale.

(o) Segment reporting

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

2. Significant Accounting Policies (Continued)

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

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

3. Financial Risk Management

(a) Financial risk factors

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

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

(i) Market risk

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

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

Concentration of currency risk
The Group and company are exposed to foreign currency risk in respect of US dollar receivables and cash and bank balances amounting to $5,853,000 (2013 – $13,097,000) and $54,544,000 (2013 – $58,951,000) respectively.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity
The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank and accounts receivable balances, and adjusts their translation at the year-end for 15% (2013 – 10%) depreciation and a 1% (2013 – 1%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	The Group and Company			
	% Change in Currency Rate	Effect on Profit before Tax	% Change in Currency Rate	Effect on Profit before Tax
	2014	30 June 2014 $'000	2013	30 June 2013 $'000
Currency:				
USD	-15	9,059	-10	7,205
USD	+1	(604)	+1	(720)

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

Cash flow and fair value interest rate risk
Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

The Group is primarily exposed to cash flow interest rate risk on its variable rate borrowings. The Group analyses its interest rate exposure arising from borrowings on an ongoing basis, taking into consideration the options of refinancing, renewal of existing positions and alternative financing.

Short term deposits and borrowings are the only interest bearing assets and liabilities respectively, within the Group. The Group's short term deposits are due to mature within 3 months of the reporting date, and the Groups borrowings are at fixed rates.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

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

There is no significant exposure to interest rate risk on borrowings as these are at fixed rates and are carried at amortised cost.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, due from subsidiary company, and cash and bank balances.

Trade receivables
Revenue transactions in respect of the Group's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

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

Maximum exposure to credit risk
The maximum exposure to credit risk is equal to the carrying amount of 'trade and other receivables', 'due from subsidiaries' and 'cash and cash equivalents' in the statement of financial position.

Trade receivables that are past due but not impaired

As at 30 June 2014, trade receivables of $5,173,000 (2013 - $2,751,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Trade receivables that are past due and impaired

As of 30 June 2014, the Group and company had trade receivables of $691,000 (2013 - $628,000) that were impaired. The amount of the provision was $691,000 (2013 – $628,000). These receivables were aged over 90 days.

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

	The Group and Company	
	2014	**2013**
	$'000	**$'000**
At 1 July	628	606
Provision for receivables impairment	286	223
Receivables written off during the year as uncollectible	(223)	(201)
At 30 June	691	628

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

Concentration of risk – trade receivables

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

	The Group and Company	
	2014	**2013**
	$'000	**$'000**
Independent cinemas	7,965	14,066
Advertising agencies	6,034	2,742
Other	3,020	4,595
	17,019	21,403
Less: Provision for credit losses	(691)	(628)
	16,328	20,775

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

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

Liquidity risk management process

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

(i) Monitoring future cash flows and liquidity on a bi-weekly basis.

(ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.

(iii) Maintaining committed lines of credit.

(iv) Optimising cash returns on investments.

Cash flows of financial liabilities

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

	The Group				
	Within 1 Year $'000	**1 to 2 Years $'000**	**2 to 5 Years $'000**	**Over 5 Years $'000**	**Total $'000**
As at 30 June 2014					
Trade payables	78,591	-	-	-	78,591
Accruals and other payables	51,714	-	-	-	51,714
Long term liabilities	10,137	9,410	16,051	3,315	38,913
Total financial liabilities (contractual maturity dates)	140,442	9,410	16,051	3,315	169,218
As at 30 June 2013					
Trade payables	80,247	-	-	-	80,247
Accruals and other payables	66,372	-	-	-	66,372
Long term liabilities	12,331	10,137	21,578	7,198	51,244
Total financial liabilities (contractual maturity dates)	158,950	10,137	21,578	7,198	197,863

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company				
	Within 1 Year $'000	**1 to 2 Years $'000**	**2 to 5 Years $'000**	**Over 5 years $'000**	**Total $'000**
As at 30 June 2014					
Trade payables	77,847	-	-	-	77,847
Accruals and other payables	43,148	-	-	-	43,148
Due to subsidiary companies	23,139	-	-	-	23,139
Long term liabilities	10,137	9,410	16,051	3,315	38,913
Total financial liabilities (contractual maturity dates)	154,271	9,410	16,051	3,315	183,047
As at 30 June 2013					
Trade payables	79,066	-	-	-	79,066
Accruals and other payables	57,600	-	-	-	57,600
Due to subsidiary companies	23,779	-	-	-	23,779
Long term liabilities	12,331	10,137	21,578	7,198	51,244
Total financial liabilities (contractual maturity dates)	172,776	10,137	21,578	7,198	211,689

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

(b) Capital management

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

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

3. Financial Risk Management (Continued)

(c) Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

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

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

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

The only financial asset that is re-measured at fair value after initial recognition, available-for-sale equities of $14,789,000 (2013 - $11,981,000) and $1,628,000 (2013 - $1,809,000) for the Group and company respectively are all classified as Level 1. There were no transfers between levels during the year.

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

The fair values of financial instruments that are not traded in an active market are deemed to be/determined as follows:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables and payables.

(ii) The carrying values of long term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(iii) The fair value of the due from subsidiaries balance could not be reasonably determined as there is no set repayment date. The company has however indicated that it will not demand repayment of any portion of the balances receivable until after 1 July 2015.

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

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

(b) Key sources of estimation uncertainty

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

Retirement benefit obligations

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

Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

5. Segment Reporting

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

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

Interest expense is included in the measure of segment results for Carib and Palace Cineplex (2013 – Carib and Palace Cineplex). The remaining interest expense is not reviewed as part of the results of the reportable segments but is however regularly reviewed by the chief operating decision maker.

Interest income is not included in the measure of segment results and is not reviewed as part of the results of the reportable segments. Interest income is however regularly reviewed by the chief operating decision maker.

Deferred tax assets and post-employment benefit assets are not included in the measure of segment assets and are not reviewed as part of the result of the reportable segments. Deferred tax assets and post-employment benefit assets are however regularly reviewed by the chief operating decision maker.

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

Revenue from film activities includes $56,718,000 (2013 - $59,627,000) earned from other Caribbean Countries.

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

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

	2014						
	Cinema Activities						
	Carib Cinema	Palace Cineplex	Palace Multiplex	Odeon Cineplex	Film Activities	Screen Advertising Activities	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue –							
Box office receipts	265,587	91,460	127,134	28,376	-	-	512,557
Confectionery sales	107,174	36,400	46,082	12,040	-	-	201,696
Film rental	-	-	-	-	342,655	-	342,655
Screen advertising	20,182	8,104	11,589	3,117	-	25,934	68,926
Other activities	1,094	944	582	239	-	-	2,859
	394,037	136,908	185,387	43,772	342,655	25,934	1,128,693
Eliminations							(294,800)
Revenue from external customers							833,893
Segment result [1]	(6,626)	10,768	15,032	(7,852)	85,425	17,215	113,962
Eliminations							21,250
							135,212
Segment assets[2]	157,144	35,019	26,991	4,498	1,514	20	225,186
Unallocated assets							229,294
Total assets							454,480
Segment liabilities[3]	38,559	3,511	-	-	-	-	42,070
Unallocated liabilities							133,456
Total liabilities							175,526
Other items –							
Capital expenditure	18,146	5,055	2,084	168	-	-	24,453
Eliminations							(3,570)
Unallocated head office capital expenditure							8,876
Total capital expenditure							30,759
Depreciation	14,190	5,204	7,832	3,738	955	13	31,932
Unallocated head office depreciation							7,271
Total depreciation							39,203
Impairment charge	-	-	-	1,045	-	-	1,045
Interest expense	2,844	467	-	-	-	-	3,311
Unallocated head office interest expense							3,406
Eliminations							(2,713)
Total interest expense							4,004

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

	2013 (Restated)						
	Cinema Activities						
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Odeon Cineplex $'000	Film Activities $'000	Screen Advertising Activities $'000	Total $'000
Revenue –							
Box office receipts	278,816	96,600	128,092	32,731	-	-	536,239
Confectionery sales	113,388	38,336	45,717	12,853	-	-	210,294
Film rental	-	-	-	-	351,877	-	351,877
Screen advertising	20,128	8,383	11,823	3,383	-	26,387	70,104
Other activities	2,865	1,585	563	304	-	-	5,317
	415,197	144,904	186,195	49,271	351,877	26,387	1,173,831
Eliminations							(311,357)
Revenue from external customers							862,474
Segment result [1]	10,782	22,624	21,515	(9,328)	70,713	17,249	133,555
Eliminations							22,211
							155,766
Segment assets[2]	156,279	35,077	32,773	8,503	2,469	33	235,134
Unallocated assets							283,426
Total assets							518,560
Segment liabilities[3]	47,113	4,869	-	-	-	-	51,982
Unallocated liabilities							165,403
Total liabilities							217,385
Other items –							
Capital expenditure	39,371	12,320	10,271	475	-	-	62,437
Unallocated head office capital expenditure							20,209
Total capital expenditure							82,646
Depreciation	10,048	4,740	8,356	6,893	955	13	31,005
Unallocated head office depreciation							6,392
Total depreciation							37,397
Impairment charge	-	-	-	1,088	-	-	1,088
Interest expense	2,076	616	-	-	-	-	2,692
Unallocated head office interest expense							2,550
Eliminations							(1,957)
Total interest expense							3,285

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

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

	The Group	
	2014 **$'000**	**2013** **$'000**
Profit from reportable segments	135,212	155,766
Unallocated income -		
Other operating income	11,361	12,426
Unallocated costs -		
Administrative expenses	(162,216)	(146,583)
Other	(970)	(1,087)
	(163,186)	(147,670)
Unallocated interest expense	(3,406)	(2,550)
Eliminations	2,713	1,957
	(693)	(593)
	(17,306)	19,929

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

	The Group	
	2014 **$'000**	**Restated** **2013** **$'000**
Segment assets from reportable segments	225,186	235,134
Unallocated assets -		
Property, plant and equipment	45,313	43,710
Investments	14,789	11,981
Post-employment benefit asset	29,415	41,780
Inventories	37,378	33,734
Receivables	31,013	42,709
Taxation recoverable	2,407	-
Cash and bank balances	68,979	109,512
	454,480	518,560

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

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

	The Group	
	2014 $'000	Restated 2013 $'000
Segment liabilities from reportable segments	42,070	51,982
Unallocated liabilities -		
Deferred tax liabilities	6,520	13,830
Long term loan – Sagicor Bank Limited	-	1,432
Payables	126,936	149,284
Taxation payable	-	857
	175,526	217,385

6. Other Operating Income

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Management fees	-	-	21,250	22,211
Interest income	2,332	2,481	5,045	4,438
Dividend income	138	315	67	98
Net foreign exchange gains	5,336	8,079	5,336	8,079
Gain on sale of property, plant and equipment	-	232	-	232
Other	3,555	1,319	3,555	1,319
	11,361	12,426	35,253	36,377

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2014 $'000	Restated 2013 $'000	2014 $'000	Restated 2013 $'000
Advertising and promotion	24,581	24,435	14,264	14,497
Auditors' remuneration:				
Current year	4,370	3,555	3,502	2,800
Prior year under accrual	230	-	245	-
Bank security and fees	5,734	5,563	2,940	2,827
Cost of inventories recognised as expense	99,699	105,815	44,087	46,161
Depreciation	39,203	37,397	25,013	27,349
Film cost	249,689	273,697	249,689	273,697
Impairment charge	1,045	1,088	1,045	1,088
Insurance	17,476	14,772	11,189	9,293
Legal and professional fees	1,752	2,007	1,272	1,323
Licence fees	5,552	5,376	2,590	2,594
Motor vehicle expenses	5,527	5,409	5,527	5,409
Other	23,308	19,563	17,165	14,996
Repairs, maintenance and renewals	33,946	30,833	25,304	18,498
Security	21,240	22,780	10,087	9,800
Staff costs (Note 8)	200,378	185,965	155,842	144,414
Stationery and supplies	19,991	16,650	12,093	9,778
Theatre rental	32,964	29,196	32,964	29,196
Transportation and courier	1,362	2,805	1,234	2,100
Utilities	70,509	64,780	38,567	36,213
	858,556	851,686	654,619	652,033

8. Staff Costs

	The Group		The Company	
	2014 $'000	Restated 2013 $'000	2014 $'000	Restated 2013 $'000
Wages and salaries	162,540	151,671	126,689	117,994
Payroll taxes – Employer's portion	16,593	14,201	12,480	10,455
Pension (Note 15)	(10)	618	(10)	618
Other	21,255	19,475	16,683	15,347
	200,378	185,965	155,842	144,414

The Palace Amusement Company (1921) Limited

9. Taxation Expense

Taxation is computed on the profit for the year adjusted for tax purposes and comprises income tax at 25% (2013 – 30% and 25%):

	The Group		The Company	
		Restated		Restated
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current taxation	-	3,178	-	3,178
Prior year (over)/under accrual	(797)	115	(797)	115
Deferred taxation (Note 14)	(3,982)	1,924	(2,055)	403
	(4,779)	5,217	(2,852)	3,696

The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25% (2013 - 30% and 25%), as follows:

	The Group		The Company	
		Restated		Restated
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
(Loss)/Profit before taxation	(17,306)	19,929	(9,944)	9,931
Tax calculated at applicable tax rates	(4,326)	5,479	(2,485)	2,979
Adjusted for the effects of:				
Prior year (over)/under accrual	(797)	115	(797)	115
Income subject to different tax rates	(12)	(25)	(12)	(25)
Disallowed expenses	579	1,052	358	843
Effect of change in tax rate	(223)	(1,404)	84	(198)
Other	-	-	-	(18)
	(4,779)	5,217	(2,852)	3,696

10. Net Profit and Retained Earnings Attributable to the Stockholders

	2014 $'000	Restated 2013 $'000
(a) Net profit attributable to the stockholders of the company is dealt with as follows in the financial statements of:		
The company	(7,092)	6,235
The subsidiaries	(5,296)	8,651
	(12,388)	14,886

	2014 $'000	Restated 2013 $'000
(b) Retained earnings attributable to the stockholders of the company are dealt with as follows in the financial statements of:		
The company	51,555	71,149
The subsidiaries	39,984	45,280
	91,539	116,429

11. Earnings Per Stock Unit

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

	2014	Restated 2013
Net profit attributable to stockholders ($'000)	(12,388)	14,886
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit ($ per share)	($8.62)	10.36

The company has no potentially dilutive ordinary shares.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

12. Property, Plant and Equipment

	The Group					
	Freehold Land $'000	**Theatre Buildings $'000**	**Other Buildings $'000**	**Leasehold Improvements $'000**	**Equipment, Fixtures & Motor Vehicles $'000**	**Total $'000**
Cost or deemed cost -						
At 1 July 2012	19,883	72,280	8,721	63,920	402,944	567,748
Additions	-	89	408	-	82,149	82,646
Disposals	-	-	-	-	(1,021)	(1,021)
At 30 June 2013	19,883	72,369	9,129	63,920	484,072	649,373
Additions	-	-	7,432	-	23,327	30,759
At 30 June 2014	19,883	72,369	16,561	63,920	507,399	680,132
Depreciation and impairment -						
At 1 July 2012	-	27,453	728	61,961	249,858	340,000
Charge for the year	-	1	222	1,957	35,217	37,397
Impairment charge	-	-	-	-	1,088	1,088
Relieved on disposal	-	-	-	-	(953)	(953)
At 30 June 2013	-	27,454	950	63,918	285,210	377,532
Charge for the year	-	1,809	542	2	36,850	39,203
Impairment charge	-	-	-	-	1,045	1,045
At 30 June 2014	-	29,263	1,492	63,920	323,105	417,780
Net Book Value -						
30 June 2014	19,883	43,106	15,069	-	184,294	262,352
30 June 2013	19,883	44,915	8,179	2	198,862	271,841

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

12. Property, Plant and Equipment (Continued)

The Company

	Freehold Land $'000	Theatre Buildings $'000	Other Buildings $'000	Leasehold Improvements $'000	Equipment, Fixtures & Motor Vehicles $'000	Total $'000
Cost or deemed cost -						
At 1 July 2012	1,010	6	8,721	63,920	264,511	338,168
Additions	-	-	408	-	42,867	43,275
Disposals	-	-	-	-	(1,021)	(1,021)
At 30 June 2013	1,010	6	9,129	63,920	306,357	380,422
Additions	-	-	7,432	-	8,751	16,183
Disposals	-	-	-	-	-	-
At 30 June 2014	1,010	6	16,561	63,920	315,108	396,605
Depreciation and impairment -	-	2	728	61,961	171,829	234,520
At 1 July 2012	-	-	222	1,957	25,170	27,349
Charge for the year	-	-	-	-	1,088	1,088
Impairment charge Relieved on disposal	-	-	-	-	(953)	(953)
At 30 June 2013	-	2	950	63,918	197,134	262,004
Charge for the year	-	-	542	2	24,469	25,013
Impairment charge					1,045	1,045
At 30 June 2014	-	2	1,492	63,920	222,648	288,062
Net Book Value -						
30 June 2014	1,010	4	15,069	-	92,460	108,543
30 June 2013	1,010	4	8,179	2	109,223	118,418

Deemed cost of the freehold land and buildings includes revaluation surpluses of $2,231,000 (2013 - $2,231,000) and $1,373,000 (2013 - $1,373,000) for the Group and company respectively. These revaluation surpluses were designated as part of the deemed cost on adoption of IFRS in 2002.

The impairment charge relates to the Odeon Cineplex cinema cash generating unit following a history of reported losses and economic performance below management's expectations.

The recoverable amount of the cash generating unit has been determined based on fair value less costs to sell. Fair value has been determined by reference to market quotations.

The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives would not be affected. No class of asset other than property, plant and equipment was impaired.

13. Investments

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Quoted equities – available for sale at fair value	14,789	11,981	1,628	1,809
Unquoted – Subsidiaries, at cost:				
Cinema Company of Jamaica Limited				
56,101 Ordinary shares	-	-	272	272
Harbour View Cinema Company Limited				
133,998 Ordinary shares	-	-	68	68
Tropical Cinema Company Limited				
116,296 Ordinary shares	-	-	145	145
	14,789	11,981	2,113	2,294

14. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2013 - 30% and 25%).

On 12 February 2013, the Minister of Finance and Planning announced in Parliament that a surtax of 5% would be imposed on the taxable income of "large unregulated companies" effective from 1 April 2013. This represented an addition to the 25% tax rate levied as at 1 January 2013. This additional tax was imposed by Order under the Provisional Collection of Tax Act and was confirmed by Act 21 of August 2013, which amended the Income Tax Act. The amendment imposed a tax rate of 30% on the income of a large unregulated company with effect from 1 April 2013. A "large unregulated company" is defined as an unregulated company which has gross annual income of not less than $500,000,000.

During the year, the Government of Jamaica continued its reform of taxes. As a result of this The Fiscal Incentives Act dated 20 December 2013 was signed into law. Under this Act the tax rate for large unregulated companies was reduced from 30% to 25% effective 1 January 2014. As such this rate was applied in determining the amounts for deferred taxation in the financial statements for the year ended 30 June 2014.

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Income Taxes (Continued)

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

	The Group		The Company	
		Restated		Restated
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Deferred tax liabilities	(6,520)	(13,830)	(2,136)	(7,519)

The movement in deferred taxation is as follows:

	The Group		The Company	
		Restated		Restated
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Balance at start of year	(13,830)	(9,203)	(7,519)	(4,413)
Credit/(Charge) for the year recorded in profit or loss (Note 9)	3,982	(1,924)	2,055	(403)
Credit/(Charge)for the year recorded in other comprehensive income (Note 15)	3,328	(2,703)	3,328	(2,703)
Balance at end of year	(6,520)	(13,830)	(2,136)	(7,519)

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2014	**Restated 2013**	**2014**	**Restated 2013**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered after more than 12 months	10,448	7,275	6,068	5,744
Deferred tax liabilities to be settled after more than 12 months	(16,119)	(20,376)	(7,354)	(12,534)

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2014	**Restated 2013**	**2014**	**Restated 2013**
	$'000	**$'000**	**$'000**	**$'000**
Tax loss carry forwards	5,405	1,531	1,025	-
Unrealised foreign exchange gains	(637)	(501)	(637)	(501)
(Accelerated)/decelerated capital allowances	(3,721)	(2,098)	5,043	5,744
Pension surplus	(7,354)	(12,534)	(7,354)	(12,534)
Interest receivable	(213)	(228)	(213)	(228)
	(6,520)	(13,830)	(2,136)	(7,519)

Deferred taxation (charged)/credited to profit or loss and other comprehensive income, in the statement of comprehensive income comprises the following temporary differences:

	The Group		The Company	
	2014	**Restated 2013**	**2014**	**Restated 2013**
	$'000	**$'000**	**$'000**	**$'000**
Profit or loss:				
Tax loss carry forwards	3,874	(148)	1,025	-
Unrealised foreign exchange gains and losses	(136)	(1,223)	(136)	(1,223)
(Accelerated)/decelerated capital allowances	(1,623)	(1,545)	(701)	(172)
Pension surplus	1,852	1,005	1,852	1,005
Interest receivable	15	(13)	15	(13)
	3,982	(1,924)	2,055	(403)
Other comprehensive income:				
Pension surplus	3,328	(2,703)	3,328	(2,703)

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

14. Deferred Income Taxes (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately $23,089,000 for the Group and $4,099,000 for the company (2013– $7,591,000 and $nil, respectively) are available for set off against future profits and may be carried forward indefinitely.

No deferred tax assets have been recognised on tax losses amounting to $247,000 (2013 - $247,000) and $1,221,000 (2013 - $1,221,000) for Tropical Cinema Company Limited and Harbour View Cinema Company Limited respectively as there are significant doubts that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax liabilities have not been provided for withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested, and will be tax free if distributed. Such undistributed earnings totalled $61,572,000 (2013 - $67,008,000).

15. Post-employment Benefit assets

The amounts recognised in the statement of financial position are determined as follows:

	The Group and The Company	
	2014	Restated 2013
	$'000	$'000
Present value of funded obligations		
Head office employees pension plan	(186,847)	(135,569)
Cinema employees pension plan	(40,041)	(37,233)
	(226,888)	172,802
Fair value of plan assets:		
Head office employees pension plan	199,382	157,312
Cinema employees pension plan	61,928	57,270
	261,310	214,582
Surplus of funded plan		
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	(5,007)	-
Asset in the statement of financial position	29,415	41,780

Head office employees pension plan

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

The latest independent actuarial valuation which was carried out as at 30 June 2010 indicated that the plan was adequately funded.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

15. Post-employment Benefit Assets (Continued)

Cinema employees pension plan

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

The latest actuarial independent valuation which was carried out as at 30 March 2013 indicated that the plan was inadequately funded. Recommendations have been made for the employer to increase their contribution.

The plans are valued annually by internal actuaries using the Projected Unit Credit Method. The latest actuarial valuation was done as at 30 June 2014.

The movement in the defined benefit obligation over the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2014 $'000	**Restated 2013 $'000**	**2014 $'000**	**Restated 2013 $'000**
Balance at beginning of year, as restated	135,569	121,583	37,233	40,977
Current service cost	2,451	2,288	1,490	1,700
Interest cost	12,965	11,938	2,920	3,353
	150,985	135,809	41,643	46,030
Re-measurements -				
Loss from change in demographic assumptions	7,522	-	2,710	-
Loss from change in financial assumptions	7,540	-	2,266	-
Experience gains	(801)	(2,240)	(5,114)	(10,132)
	165,246	133,569	41,505	35,898
Members' contributions	4,260	3,687	2,290	2,006
Benefits paid	(16,622)	(4,769)	(8,027)	(671)
Purchased annuities	33,963	3,082	4,273	-
Balance at end of year	186,847	135,569	40,041	37,233

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

15. Post-employment Benefit Assets (Continued)

The movement in the defined benefit asset during the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Balance at beginning of year	157,312	143,738	57,270	51,333
Interest income	15,134	14,358	4,681	4,303
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	4,760	(3,292)	1,055	(54)
Members' contributions	4,260	3,687	2,290	2,006
Employers' contributions	574	508	386	353
Benefits paid	(16,622)	(4,769)	(8,027)	(671)
Purchased annuities	33,964	3,082	4,273	-
Balance at end of year	199,382	157,312	61,928	57,270

The movement on the asset ceiling during the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Balance at beginning of year	-	-	-	-
Change in asset ceiling, excluding amounts included in interest expense	-	-	5,007	-
	-	-	5,007	-

The amounts recognised in profit or loss are as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Current service cost	2,451	2,288	1,490	1,700
Interest cost	12,965	11,938	2,920	3,353
Interest income on plan assets	(15,134)	(14,358)	(4,681)	(4,303)
Total included in staff costs	281	(132)	(271)	750

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

15. Post-employment Benefit Assets (Continued)

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

	Head office employees pension plan				Cinema employees pension plan			
	2014		**2013**		**2014**		**2013**	
	$'000	**%**	**$'000**	**%**	**$'000**	**%**	**$'000**	**%**
Pooled investment funds –								
Equity Fund	-	-	-	-	5,536	9	11,103	19
Mortgage and Real Estate Fund	30,322	14		-	12,984	21	10,737	19
Fixed Income Fund	48,979	25	127,435	81	6,334	10	7,992	14
Global Market Funds	-	-	-	-	5,395	9	-	-
Money Market Fund	7,373	4	26,464	17	90	-	2,889	5
Foreign Currency Fund	56,697	28		-	14,660	23	13,835	24
CPI- Indexed	11,169	6		-	7,940	13	6,373	11
Purchased Annuities	37,382	19	3,082	2	8,995	15	4,086	8
Other	7,460	4	331	-	(6)	-	255	-
	199,382	100	157,312	100	61,928	100	57,270	100

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

Expected contributions to the post-employment plan for the year ending 30 June 2015 are $3,332,000 Cinema employees and $5,870,000 Head Office employees. The actual return on the plan assets was $7,120,000 and 21,978,000 for Cinema and Head office employees respectively (2013 - $5,735,000 and 12,304,000 respectively).

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

15. Post-employment Benefit Assets (Continued)

Movements in the amounts recognised in the statement of financial position:

	Head office employees pension plan		Cinema employees pension plan	
	2014 $'000	**Restated 2013 $'000**	**2014 $'000**	**Restated 2013 $'000**
Asset at beginning of year	21,743	22,155	20,037	10,356
Amounts recognised in the income statement (Note 8)	(281)	132	271	(750)
Remeasurements recognised in OCI	(9,501)	(1,052)	(3,814)	10,078
Contributions paid	574	508	386	353
Asset at end of year	12,535	21,743	16,880	20,037

Taxation in relation to the remeasurements recognised in OCI is disclosed in note 14.

The principal actuarial assumptions used were as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2014	**2013**	**2014**	**2013**
Discount rate	9.5%	10.0%	9.5%	10.0%
Inflation rate	5.5%	5.5%	5.5%	5.5%
Future salary increases	5.5%	5.5%	5.5%	5.5%
Future pension increases	-	-	1.0%	1.0%

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

15. Post-employment Benefit Assets (Continued)

Plan risks

Through its defined benefit pension plans, the Group is exposed to a number of risks. The Group does not use derivatives to manage its plan risks. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. Pensions are secured through the purchase of annuities. The remaining assets are invested in segregated pooled funds. The Group has not changed the processes used to manage its risks from previous periods.

The most significant of these plan risks are detailed below:

(i) Investment risk

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields. If plan assets underperform in this yield, this will create a deficit.

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension scheme. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term assets with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations.

(ii) Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liability, although this will be partially offset by an increase in the return on plan's assets which are linked to debt investments.

(iii) Salary risk

The present value of the plan liabilities is calculated in reference to the future salaries of members. Therefore an increase in the salary of members will increase the plan's liability.

(iv) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

15. Post-employment Benefit Assets (Continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

Head Office employees

	Impact on post-employment obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(17,752)	22,162
Future salary increases	1%	8,853	(7,484)
Expected pension increase	1%	2,330	(2,408)

Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(4,086)	5,191
Future salary increases	1%	2,296	(1,971)
Expected pension increase	1%	2,974	(2,581)

	Increase Assumption by One Year	**Decrease Assumption by One Year**
	$'000	**$'000**
Life expectancy	329	(339)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

16. Due from/to Subsidiary Companies

This represents the year end balance arising mainly from the Group's centralised treasury function. The subsidiaries conduct all transactions through their current account with the company. No interest is charged on these balances, with the exception of amounts on-lent to a subsidiary to finance the purchase of 3D equipment in 2009 and new air conditioning units in 2014. Interest is charged by the holding company on a reducing balance basis on these loans at rates of 11% and 8% respectively (2013 - 11% and 8%) per annum. The reduced balance is deemed to be the original loan proceeds, less principal repayments made by the holding company on behalf of the subsidiary. The balance at year end was $27,593,000 (2013 - $33,788,000)

There are no fixed terms of repayment. The balances are classified as non-current as the company and subsidiaries have expressed their intention to not demand repayment of any portion of the balance until after 1 July 2015.

17. Inventories

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Confectionery and snacks	22,811	19,263	20,321	17,332
General stores	19,821	18,512	19,821	18,512
Goods in transit	88	101	88	101
	42,720	37,876	40,230	35,945

18. Receivables

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables	16,328	20,775	16,328	20,775
Prepayments	11,509	14,339	11,509	14,339
Other	3,371	7,595	3,176	7,525
	31,208	42,709	31,013	42,639

19. Cash and Bank and Short Term Deposits

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Cash at bank and in hand	20,598	68,682	20,428	67,207
Short term deposits (with original maturity of 90 days or less)	1,024	-	-	-
Cash and cash equivalents for the purposes of the cash flow statement	21,622	68,682	20,428	67,207
Short term deposits (with original maturity of greater than 90 days)	49,967	43,691	49,967	43,691
	71,589	112,373	70,395	110,898

Short term deposit includes interest receivable amounting to $852,000 (2013 – $763,000).

The weighted average interest rate on short term deposits denominated in Jamaican dollars and United States dollars was 5.68% and 4.07%, respectively (2013 – 6.40% and 4.30%, respectively) and these deposits mature within 180 days (2013 – 180 days).

20. Payables

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables	78,591	80,217	77,847	79,066
Accruals and other payables	59,312	82,392	48,814	69,963
	137,903	162,609	126,661	149,029

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

21. Borrowings

(a) Bank overdraft

In the event that there is an overdraft balance with the bank, the Group and company have bank overdraft facilities totalling $22,794,000 (2013 - $23,735,000) which attract interest at 14% (2013 – 14%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group & The Company	
	2014	**2013**
	$'000	**$'000**
PanCaribbean Bank Limited		
Amortised loan facility (i)	-	1,432
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving loan (ii)	10,531	14,607
Development Bank of Jamaica Limited, non-revolving term loan (iii)	20,572	24,050
	31,103	40,089
Less: Current portion	(7,554)	(8,986)
	23,549	31,103

(i) This loan incurred interest at a rate of 18.95% (2013 – 18.95%) and was repaid in April 2014. The loan was secured by a bill of sale over motor vehicles and assignment of comprehensive insurance over said motor vehicles.

(ii) This loan incurs interest at a rate of 11% (2013 – 11%) and is repayable in April 2017. The Cinema Company of Jamaica, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee is supported by a first legal mortgage over the Carib Cinema. The loan is also secured by assignment of peril insurance in respect of the Carib cinema, at full market value.

(iii) This loan incurs interest at a rate of 8% (2013 – 8%) and is repayable in May 2020. The Cinema Company of Jamaica, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee is supported by a first legal mortgage over the Carib Cinema. The loan is also secured by assignment of peril insurance in respect of the Carib cinema, at full market value.

22. Share Capital

	2014	**2013**
	$'000	**$'000**
Authorised -		
1,500,000 ordinary shares		
Issued and fully paid -		
1,437,028 stock units of no par value	1,437	1,437

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

23. Capital Reserve

	The Group		The Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Surplus on assets carried at deemed cost	1,373	2,231	1,373	1,373
Realised capital gains	146,992	163,868	146,992	146,992
Other	389	389	-	-
	166,488	166,488	148,365	148,365

24. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

25. Cash (Used in)/Provided By Operating Activities

	The Group		The Company	
	2014 $'000	Restated 2013 $'000	2014 $'000	Restated 2013 $'000
Net (loss)/profit	(12,527)	14,712	(7,092)	6,235
Items not affecting cash resources:				
Depreciation	39,203	37,397	25,013	27,349
Impairment charge	1,045	1,088	1,045	1,088
Gain on sale of property, plant and equipment	-	(232)	-	(232)
Interest income	(2,332)	(2,481)	(5,045)	(4,438)
Dividend income	(138)	(315)	(67)	(98)
Exchange gain on foreign balances	(5,337)	(8,079)	(5,337)	(8,079)
Interest expense	4,004	3,285	3,872	3,166
Taxation	(4,779)	5,217	(2,852)	3,696
	19,139	50,592	9,537	28,687
Changes in operating assets and liabilities:				
Inventories	(4,844)	(4,720)	(4,285)	(5,222)
Receivables	11,900	12,874	12,025	12,944
Post-employment benefits	(950)	(243)	(950)	(243)
Due from subsidiaries	-	-	(10,489)	(24,484)
Payables	(24,706)	47,158	(22,368)	52,774
	539	105,661	(16,530)	64,456
Taxation paid	(1,909)	(3,395)	(1,909)	(3,395)
Cash (used in)/provided by operating activities	(1,370)	102,266	(18,439)	61,061

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

26. Related Party Transactions and Balances

(a) Purchases of services

Film rental charged by the parent company for the year amounted to $127,074,000 (2013 - $133,566,000) respectively. Trade payables include $56,719,000 (2013 – $30,447,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2014 $'000	2013 $'000
Wages and salaries	45,657	43,737
Payroll taxes – Employer's portion	1,920	2,517
Pension	167	224
Other	5,283	4,643
	53,027	51,121
Directors' emoluments –		
Fees	1,552	1,324
Management remuneration (included above)	26,571	27,107

(c) Transactions between the company and its subsidiaries

During the year, the company earned management fees of $21,250,000 (2013 – $22,211,000), film revenue of $161,262,000 (2013 – $169,324,000) and screen advertising administrative fees of $12,178,000 (2013 - $12,152,000) from a subsidiary.

(d) Year end balances arising from transactions with related parties

	2014 $'000	2013 $'000
Receivables -		
Subsidiary company	101,836	91,987
Payables -		
Subsidiary companies	23,139	23,779

(e) Guarantees

The Cinema Company of Jamaica Limited has provided an unlimited guarantee in respect of the Bank of Nova Scotia Jamaica Limited loans (Note 21). The guarantee is secured by a first legal mortgage over the Carib cinema building.

27. Contingent Liabilities

At 30 June 2014, the Group and company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling $2,966,000 (2013 - $2,755,000).

28. Restatement

Restatement of prior year balances relates to the adoption of a new standard.

The impact of IAS 19 (Revised) and consequential adjustments to deferred tax. The amendment eliminates the corridor approach to recognition of actuarial gains and losses arising from IAS 19 pension valuations and results in the recognition of all actuarial gains and losses in other comprehensive income (OCI) as they occur. Additionally, all past service costs are immediately recognised and interest cost and expected return on plan assets are replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The effect of these revisions on 2012 statement of comprehensive income was the immediate recognition in other comprehensive income of actuarial gains of $6,323,000 on pension benefits and the recognition in profit or loss of a net interest expense decrease of $243,000. The effect of these revisions on 2013 statement of comprehensive income was the immediate recognition of actuarial losses of $9,987,000 on pension benefits, and the recognition in profit or loss of a net interest expense decrease of $950,000. As a result of the impact of the restatement in relation to IAS 19 (Revised) the effect of the change in tax rate from 30% to 25% on the restated amounts are also included.

Effect on consolidated statement of financial position at 1 July 2012

	As previously reported $'000	Effect of Restatement $'000	As Restated $'000
Non-Current Assets			
Post-employment benefit assets	32,347	164	32,511
Other non-current assets	236,367	-	236,367
Total Non-Current Assets	268,714	164	268,878
Net Current Assets	35,984	-	35,984
	304,698	164	304,862
Stockholders' Equity			
Share capital	1,437	-	1,437
Other reserves	175,000	-	175,000
Retained earnings	97,625	110	97,735
	274,062	110	274,172
Non-controlling interest	5,121	-	5,121
	279,183	110	279,293
Non-Current Liabilities			
Long term liabilities	16,366	-	16,366
Deferred tax liabilities	9,149	54	9,203
	304,698	164	304,862

28. Restatement (Continued)

Effect on consolidated statement of financial position at 30 June 2013

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Non-Current Assets			
Post-employment benefit assets	31,502	10,278	41,780
Other non-current assets	283,822	-	283,822
Total Non-Current Assets	315,324	10,278	325,602
Net Current Assets	20,506	-	20,506
	335,830	10,278	346,108
Stockholders' Equity			
Share capital	1,437	-	1,437
Other reserves	178,037	-	178,037
Retained earnings	109,234	7,195	116,429
	288,708	7,195	295,903
Non-controlling interest	5,272	-	5,272
	293,980	7,195	301,175
Non-Current Liabilities			
Long term liabilities	31,103	-	31,103
Deferred tax liabilities	10,747	3,083	13,830
	335,830	10,278	346,108

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

28. Restatement (Continued)

Effect on consolidated statement of comprehensive income at 30 June 2013

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Revenue	862,474	-	862,474
Direct expenses	(705,103)	-	(705,103)
Gross Profit	157,371	-	157,371
Other operating income	12,426	-	12,426
Administration expenses	(147,671)	1,088	(146,583)
Operating Profit	22,126	1,088	23,214
Finance costs	(3,285)	-	(3,285)
Profit before Taxation	18,841	1,088	19,929
Taxation	(4,891)	(326)	(5,217)
Net Profit	13,950	762	14,712
Other Comprehensive Income, net of taxes -			
Item that will be reclassified to profit or loss -			
Unrealised gains on available-for-sale investments	3,362	-	3,362
Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	-	6,323	6,323
TOTAL COMPREHENSIVE INCOME	17,312	7,085	24,397
Earning per stock unit for profit attributable to stockholders of the company during the year	$9.83	$0.53	$10.36

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

28. Restatement (Continued)

Effect on the consolidated statement of cash flows for the year ended 30 June 2013

	As Previously Reported	Effect of Restatement $'000	As Restated $'000
Cash Flows from Operating Activities			
Net profit	13,950	762	14,712
Items not affecting cash:			
Depreciation	37,397	-	37,397
Impairment charge	1,088	-	1,088
Gain on disposal of fixed assets	(232)	-	(232)
Interest income	(2,481)	-	(2,481)
Interest expense	3,285	-	3,285
Taxation	4,891	326	5,217
Exchange gain on foreign currency balances	(8,079)	-	(8,079)
Dividend	(315)	-	(315)
	49,504	1,088	50,592
Changes in operating assets and liabilities:			
Inventories	(4,720)	-	(4,720)
Receivables	12,874	-	12,874
Pension surplus	845	(1,088)	(243)
Payables	47,158	-	47,158
	105,661	-	105,661
Income tax paid	(3,395)	-	(3,395)
Net cash provided by operating activities	102,266	-	102,266
Net cash used in investing activities	(86,638)	-	(86,638)
Net cash provided by financing activities	12,657	-	12,657
Increase in cash and cash equivalents	28,285	-	28,285
Exchange gains on cash and cash equivalents	5,751	-	5,751
Cash and cash equivalents at beginning of year	34,646	-	34,646
Cash and Cash Equivalents at End of Year	68,682	-	68,682

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

29. Restatement (Continued)

Effect on the company statement of financial position at 1 July 2012

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Non-Current Assets			
Post-employment benefit assets	32,347	164	32,511
Other non-current assets	174,192	-	174,192
Total Non-Current Assets	206,539	164	206,703
Net Current Assets	51,247	-	51,247
	257,786	164	257,950
Stockholders' Equity			
Share capital	1,437	-	1,437
Other reserves	150,017	-	150,017
Retained earnings	60,996	110	61,106
	212,450	110	212,560
Non-Current Liabilities			
Due to subsidiary companies	24,611	-	24,611
Long term liabilities	16,366	-	16,366
Deferred tax liabilities	4,359	54	4,413
	257,786	164	257,950

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

28. Restatement (Continued)

Effect on the company statement of financial position at 30 June 2013

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Non-Current Assets			
Post-employment benefit assets	31,502	10,278	41,780
Other non-current assets	212,699	-	212,699
Total Non-Current Assets	244,201	10,278	254,479
Net Current Assets	30,610	-	30,610
	274,811	10,278	285,089
Stockholders' Equity			
Share capital	1,437	-	1,437
Other reserves	150,102	-	150,102
Retained earnings	63,954	7,195	71,149
	215,493	7,195	222,688
Non-Current Liabilities			
Due to subsidiary companies	23,779	-	23,779
Long term liabilities	31,103	-	31,103
Deferred tax liabilities	4,436	3,083	7,519
	274,811	10,278	285,089

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2014

(expressed in Jamaican dollars unless otherwise indicated)

28. Restatement (Continued)

Effect on the company statement of comprehensive income at 30 June 2013

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Revenue	628,753	-	628,753
Direct expenses	(505,450)	-	(505,450)
Gross Profit	123,303	-	123,303
Other operating income	36,377	-	36,377
Administration expenses	(147,671)	1,088	(146,583)
Operating Profit	12,009	1,088	13,097
Finance costs	(3,166)	-	(3,166)
Profit before Taxation	8,843	1,088	9,931
Taxation	(3,370)	(326)	(3,696)
Net Profit	5,473	762	6,235
Other Comprehensive Income, net of taxes -			
Item that will be reclassified to profit or loss -			
Unrealised gains on available-for-sale investments	85	-	85
Item that will not be reclassified to profit or loss -			
Re-measurements of post-employment benefits	-	6,323	6,323
TOTAL COMPREHENSIVE INCOME	5,558	7,085	12,643

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2014
(expressed in Jamaican dollars unless otherwise indicated)

28. Restatement (Continued)

Effect on the company statement of cash flows for the year ended 30 June 2014

	As Previously Reported $'000	Effect of Restatement $'000	As Restated $'000
Cash Flows from Operating Activities			
Net Profit	5,473	762	6,235
Items not affecting cash:			
Depreciation	27,349	-	27,349
Impairment charge	1,088	-	1,088
Gain on disposal of fixed assets	(232)	-	(232)
Interest income	(4,438)	-	(4,438)
Interest expense	3,166	-	3,166
Taxation	3,370	326	3,696
Exchange gain on foreign currency balances	(8,079)	-	(8,079)
Dividend	(98)	-	(98)
	27,599	1,088	28,687
Changes in operating assets and liabilities:			
Inventories	(5,222)	-	(5,222)
Receivables	12,944	-	12,944
Pension surplus	845	(1,088)	(243)
Due from subsidiaries	(24,484)		(24,484)
Payables	52,774	-	52,774
	64,456	-	64,456
Income tax paid	(3,395)	-	(3,395)
Net cash provided by operating activities	61,061	-	61,061
Net cash used in investing activities	(45,527)	-	(45,427)
Net cash provided by financing activities	12,776	-	12,776
Increase in cash and cash equivalents	28,310	-	28,310
Exchange gains on cash and cash equivalents	5,751	-	5,751
Cash and cash equivalents at beginning of year	33,146	-	33,146
Cash and Cash Equivalents at End of Year	67,207	-	67,207