# PULSE INVESTMENTS LIMITED

## FINANCIAL STATEMENTS

## 30 JUNE 2014

**PULSE INVESTMENTS LIMITED**

**FINANCIAL STATEMENTS**

**30 JUNE 2014**

## INDEX

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Chartered Accountants
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## INDEPENDENT AUDITORS' REPORT

To the Members of
Pulse Investments Limited

### Report on the Financial Statements

We have audited the financial statements of Pulse Investments Limited set out on pages 3 to 39, which comprise the statement of financial position as at 30 June 2014, the statements of profit or loss and other 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 Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of
Pulse Investments Limited

*Opinion*

In our opinion, the financial statements give a true and fair view of the company's financial position as at 30 June 2014, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Jamaican Companies Act.

**Report on additional requirements of the Jamaican Companies Act**

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

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

BDO

**Chartered Accountants**

4 May 2015

# PULSE INVESTMENTS LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## YEAR ENDED 30 JUNE 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| REVENUE | 6 | 258,663 | 259,912 |
| Administrative and other expenses | | (172,753) | (210,912) |
| | | 85,910 | 49,000 |
| Other income | 7 | 1,311 | 1,460 |
| **OPERATING PROFIT** | | 87,221 | 50,460 |
| Fair value appreciation on investment property | 14 | 86,395 | 77,983 |
| Finance costs | 8 | ( 8,628) | ( 544) |
| PROFIT FOR THE YEAR | | 164,988 | 127,899 |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| **Item that will not be reclassified to profit or loss -** Gain on leasehold revaluation | | 8,014 | 8,014 |
| **TOTAL COMPREHENSIVE INCOME** | | 173,002 | 135,913 |
| EARNINGS PER SHARE | 11 | 59c | 46c |

# PULSE INVESTMENTS LIMITED

## STATEMENT OF FINANCIAL POSITION

## 30 JUNE 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 12 | 89,209 | 82,885 |
| Intangible assets | 13 | 92,720 | 92,720 |
| Investment properties | 14 | 1,063,383 | 959,942 |
| | | 1,245,312 | 1,135,547 |
| CURRENT ASSETS: | | | |
| Receivables | 15 | 8,509 | 12,651 |
| Advertising entitlements | 16 | 227,855 | 132,089 |
| Unexpired sponsorship in kind | 16 | 22,829 | 46,198 |
| Cash and cash equivalents | 17 | 15,266 | 16,594 |
| | | 274,459 | 207,532 |
| | | 1,519,771 | 1,343,079 |
| **EQUITY AND LIABILITIES** | | | |
| SHAREHOLDERS EQUITY | | | |
| Share capital | 18 | 152,367 | 152,367 |
| Share premium | 19 | 366,376 | 366,376 |
| Capital reserve | 20 | 2,637 | 2,637 |
| Capital redemption reserve | 21 | 20,500 | 20,500 |
| Revaluation reserve | 22 | 49,236 | 41,222 |
| Shares to be issued | 23 | 2,609 | 2,609 |
| Retained earnings | | 774,534 | 609,546 |
| | | 1,368,259 | 1,195,257 |
| NON-CURRENT LIABILITIES: | | | |
| Long term loan | 24 | 19,622 | - |
| CURRENT LIABILITIES: | | | |
| Payables | 25 | 57,385 | 57,865 |
| Deferred unexpired sponsorship in kind | 16 | 22,829 | 46,198 |
| Related party | 26 | 44,994 | 16,284 |
| Bank overdraft | 17 | 2,979 | 6,431 |
| Current portion of long term loan | 24 | 3,703 | 21,044 |
| | | 131,890 | 147,822 |
| | | 1,519,771 | 1,343,079 |

Approved for issue by the Board of Directors on 4 May 2015 and signed on its behalf by:

K. Cooper — Director

J. Cobham — Director

# PULSE INVESTMENTS LIMITED

## STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 30 JUNE 2014

| | Share Capital $'000 | Share Premium $'000 | Capital Reserve $'000 | Capital Redemption Reserve $'000 | Revaluation Reserve $'000 | Shares to be Issued $'000 | Retained Earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| At 1 July 2012 | 152,367 | 366,376 | 2,637 | 20,500 | 33,208 | 2,609 | 481,647 | 1,059,344 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | | | |
| Net profit | - | - | - | - | - | - | 127,899 | 127,899 |
| Other comprehensive income | - | - | - | - | 8,014 | - | - | 8,014 |
| At 30 June 2013 | 152,367 | 366,376 | 2,637 | 20,500 | 41,222 | 2,609 | 609,546 | 1,195,257 |
| **TOTAL COMPREHENSIVE INCOME** | | | | | | | | |
| Net profit | - | - | - | - | - | - | 164,988 | 164,988 |
| Other comprehensive income | - | - | - | - | 8,014 | - | - | 8,014 |
| At 30 June 2014 | 152,367 | 366,376 | 2,637 | 20,500 | 49,236 | 2,609 | 774,534 | 1,368,259 |

# PULSE INVESTMENTS LIMITED

## STATEMENT OF CASH FLOWS

## YEAR ENDED 30 JUNE 2014

| | Note | 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net Profit | | 164,988 | 127,899 |
| Items not affecting cash resources: | | | |
| Fair value appreciation on investment property | 14 | ( 86,395) | ( 77,983) |
| Depreciation | 12 | 1,848 | 3,058 |
| Interest expense | 8 | 8,628 | 544 |
| | | 89,069 | 53,518 |
| Changes in operating assets and liabilities: | | | |
| Trade and other receivables | | ( 91,624) | ( 53,688) |
| Payables | | ( 480) | 7,716 |
| Related party | | 28,710 | 19,562 |
| Cash provided by operating activities | | 25,675 | 27,108 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property, plant and equipment | 12 | ( 158) | ( 138) |
| Addition to investment properties | 14 | ( 17,046) | ( 15,476) |
| Cash used in investing activities | | ( 17,204) | ( 15,614) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | 8 | ( 3,814) | ( 544) |
| Loan repayment | | ( 2,533) | ( 4,934) |
| Cash used in financing activities | | ( 6,347) | ( 5,478) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 2,124 | 6,016 |
| Cash and cash equivalents at beginning of year | | 10,163 | 4,147 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 17 | 12,287 | 10,163 |

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

1. **IDENTIFICATION AND PRINCIPAL ACTIVITY:**

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

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

2. **REPORTING CURRENCY:**

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting polices applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation. Amounts are rounded to the nearest thousand, 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 properties and financial assets that are measured at fair value or revalued amounts. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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.

**PULSE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2014**

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

(a) **Basis of preparation (cont'd) –**

**Amendments to published standards effective in the current year that is relevant to the company's operations**

**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 has no significant impact on the financial statements of the company.

**Standards and amendments to published standards that are not yet effective and have not been early adopted by the company**

**IAS 24 'Related Party Disclosures' (effective for annual periods beginning on or after 1 July 2014).** The amendment extends the definition of a related party to include an entity that provides key management personnel services to the reporting entity or the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

**IAS 32 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014).** The amendment clarifies that the right of offset must be available as at the date of the financial statement and must not be contingent on the future event. The right must be legally enforceable for all counterparties in the normal course of business as well as in the event of default, bankruptcy or insolvency. The amendment also clarifies that settlement mechanism with features that both eliminate credit and liquidity risk and process receivables and payables in a single settlement process are effectively net settlements. Master netting agreements where the legal right to offset is only enforceable on the occurrence of a future event continue not to meet offsetting requirements.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(a) **Basis of preparation (cont'd) –**

**Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd).**

**IAS 36 'Impairment of Assets' (effective for annual periods beginning on or after 1 January 2014).** The amendment removes the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment, require disclosure of recoverable amount of an asset or CGU when an impairment loss has been recognized and require detailed disclosures of how the fair value less costs of disposal has been measure when an impairment loss has been recognized or reversed.

**IFRS 7 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2015).** The amendment modifies the relief from restating comparative periods and the associated disclosures when an entity first applies the requirements of IFRS 9. Instead of requiring the restatements of comparative financial statements, entities are either permitted or required to provide modified disclosures on transition from IAS 39 to IFRS 9 on the basis of the entity's date of adoption and if the entity chooses to restate prior periods.

**IFRS 9 'Financial Instruments' (effective for annual reporting periods beginning on or after January 1, 2018).** The standard replaces the existing guidance in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized

**IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 July 2014)**.The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(a) **Basis of preparation (cont'd) –**

**Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd).**

**IFRS 15 'Revenue from Contracts with Customers' (effective for periods beginning on or after 1 January 2017).** It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC – 31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

**IFRIC 21 'Levies', (effective for annual periods beginning on or after 1 January 2014).** The standard addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income Taxes'. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached.

The directors anticipate that the adoption of the standards, amendments and interpretations which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(b) **Foreign currency translation -**

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 measures at historical cost denominated in a foreign currency are translated using the exchange rates 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 fair value was determined.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(b) **Foreign currency translation (cont'd) -**

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.

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

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

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

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

No depreciation is charged on construction work-in-progress.

Depreciation rates are as follows:

| | |
|---|---|
| Furniture and fixtures | 10% |
| Equipment | 20% |
| Computer | 33 1/3% |
| Motor vehicle | 20% |
| Leasehold properties | over the life of the lease |

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

(d) **Investment property -**

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

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

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

(d) **Investment property (cont'd) -**

Investment properties are carried at fair value estimated on an annual basis by the directors. Changes in the fair value of investment properties are recognized in the profit or loss. Rental income from investment property is accounted for as described in accounting policy 3(o).

(e) **Intangible assets -**

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

(f) **Impairment –**

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

(i) Calculation of recoverable amount:

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

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

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(f) **Impairment (cont'd) –**

(ii) Reversals of impairment:

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

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

(g) **Financial instruments -**

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

**Financial assets**

(i) **Classification**

The company classifies its financial assets in as loans and receivables. 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 company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(g) **Financial instruments (cont'd) -**

**Financial assets (cont'd)**

(ii) **Recognition and Measurement**

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

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is 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 recognized in profit or loss. Impairment testing of trade receivables is described in note 2(h).

**Financial liabilities**

The company'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 liabilities, due to related company and trade payables.

(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 company 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 recognized 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.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(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, bank overdraft and short term deposits with original maturity of 90 days or less.

(j) **Borrowings -**

Borrowings are recognized 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 recognized in profit or loss over the period of the borrowings.

(k) **Accounts payable -**

Trade and other payables are stated at amortised cost.

(l) **Related parties -**

A party is related to the company, if:

(ii) Directly, or indirectly through one or more intermediaries, the party:

(a) is controlled by, or is under common control with, the company;

(b) has an interest in the company that gives it significant influence over the entity; or

(c) has joint control over the company.

(ii) The party is an associate of the company;

(iii) The party is a joint venture in which the company is a venturer;

(iv) The party is a member of the key management personnel of the entity or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(l) **Related parties (cont'd) -**

(vii) The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

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

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

(m) **Provisions -**

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

(n) **Current and deferred income taxes -**

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 company'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 realized or the deferred income tax liability is settled.

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

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.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(n) **Current and deferred income taxes (cont'd) -**

Relief from income tax for income gained from motion picture production is available to the company under the Motion Picture Industry (Encouragement) Act.

(o) **Revenue recognition -**

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

*Advertising entitlements/Sale of TV programming*

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

*Sponsorships in kind*

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

*Model agency representation*

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

*Show production and promotion*

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

*Operating leases*

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

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

(p) **Earnings per share -**

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

(q) **Segment reporting -**

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

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

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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 company's accounting policies -**

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

(b) **Key sources of estimation uncertainty -**

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

(i) **Fair value estimation**

Certain assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

## PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)**

(b) **Key sources of estimation uncertainty (cont'd) –**

(i) **Fair value estimation**

(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 classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The company measures certain items at fair value based on director's assertions {note 4(a)(ii)} –

| | |
|---|---|
| Leasehold property | note 12 |
| Investment property | Note 14 |

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 loans 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 to related party balance could not be reasonably determined as there is no set repayment date.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)**

(b) **Key sources of estimation uncertainty (cont'd) –**

(ii) **Fair value of property interest**

Management has made an estimate of the fair value of property interests recognized as investment property and leasehold property. Estimates are based on value in use over the life of the lease and have been restricted to an 8% adjustment. However, these estimates involve significant judgement and involve assumptions about the economic value of the company's property interests.

The values recognized for property interests, including construction work in progress, are based on amounts indicated the related party responsible for carrying out the construction works.

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

(iii) **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 company 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.

(iv) **Advertising entitlements**

Management has made an estimation of the value of advertising entitlements received as consideration for the company's produced and branded TV programmes sold to broadcasting station by making reference to the approximate number of advertising spots and the average cost of acquiring these spots.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

### (b) Key sources of estimation uncertainty (cont'd) –

#### (v) Sponsorship in kind

Management has made an estimation of the value of sponsorship in kind received in relation to its productions. These are based on the estimated value of the sponsorship received and recognised at no gain and no loss in the statement of profit or loss when utilised. Unexpired sponsorship in kind is deferred in the statement of financial position until such time as the sponsorship is utilised.

## 5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Market risk: currency risk and interest rate risk
- Credit risk and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

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

### (i) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Advertising entitlements
- Cash and cash equivalents
- Trade and other payables
- Due to related company
- Loans

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(ii) **Financial instruments by category**

**Financial assets**

| | Loans and Receivable | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Cash and cash equivalents | 15,266 | 16,594 |
| Receivables | 8,509 | 12,651 |
| Advertising entitlements | 227,855 | 132,089 |
| **Total financial assets** | 251,630 | 161,334 |

**Financial liabilities**

| | At amortised cost | |
|---|---|---|
| | **2014** | **2013** |
| | **$'000** | **$'000** |
| Payables | 57,385 | 57,865 |
| Due to related party | 44,994 | 16,284 |
| Overdraft | 2,979 | 6,431 |
| Loans | 23,325 | 21,044 |
| **Total financial liabilities** | 128,683 | 101,624 |

(iii) **Financial instruments not measure at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, receivables, payables, loans, advertising entitlements and due to related party balances.

Due to their short-term nature, the carrying value of cash and cash equivalents, Receivables and payables approximates their fair value.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors -**

The Board of directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's management function. 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 investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(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.

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

| | ***Net foreign currency* Monetary assets** | | | |
|---|---|---|---|---|
| | **2014 US$'000** | **2013 US$'000** | **2014 EURO'000** | **2013 EURO'000** |
| Accounts receivable | 24 | 57 | 20 | - |
| Cash and cash equivalents | 3 | - | - | - |
| Loans | (19) | (19) | - | - |
| | 8 | 38 | 20 | - |

| | Exchange rates | |
|---|---|---|
| | **2014 $** | **2013 $** |
| 1 United States dollar | 112.20 | 101.38 |
| 1 Euro | 152.15 | 130.91 |

**PULSE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2014**

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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

(i) **Market Risk (cont'd)**

**Currency risk (cont'd)**

Sensitivity analysis:

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 10% (2013 – 10%) depreciation and a 1% (2013 – 1%) appreciation of the Jamaican dollar against the US dollar/EURO. The changes below would have no impact on other components of equity.

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | 1% strengthening $'000 | 10% weakening $'000 | 1% strengthening $'000 | 10% weakening $'000 |
| Effect of change in United States dollar (US$) exchange rate | ( 9) | 90 | (38) | 385 |
| Effect of change in Euro exchange rate | (30) | 304 | - | - |
| | (39) | 394 | (38) | 385 |

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company materially contracts financial liabilities at fixed exchange rates. These primarily relate to bank overdrafts and loans which are subject to interest rates which are fixed in advance and which may be varied by appropriate notice by the lenders. At 30 June 2014, financial liabilities subject to interest aggregated approximately $18,513,979 (2013: $27,475,000).

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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

(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, advertising entitlements and cash and cash equivalents

**Trade receivables**

The company has policies in place to ensure that rental of premises and provision of other services are made to customers with an appropriate credit history. The company manages its credit risk by screening its customers and prospective tenants for credit worthiness prior to entering into agreements, establishing credit limits and the rigorous follow-up of receivables including procedures for eviction of tenants and recovery of amounts owing. Where there is uncertainty in the recoverability of balances, management has made allowances to reflect the likelihood of impairment.

**Advertising entitlements**

Arrangements in relation to the distribution of the company's production to broadcasting houses is limited to those entities which have a history of transacting business with the company.

**Cash and cash equivalents**

Cash transactions are limited to high credit quality financial institutions.

**Trade receivables that are past due but not impaired**

As at 30 June 2014, trade receivables of $5,179,000 (2013 - $6,606,000) were past due but not impaired. These relate to outstanding sponsorship from various sources as well as current rental income due.

**Trade receivables that are past due and impaired**

As at 30 June 2014, trade receivables of $9,659 (2013 - $12,940) that were impaired. The amount of provision was $7,475 (2013 - $7,769). These receivables were aged over 30 days.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

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

(iii) **Liquidity risk**

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

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

**2014**

| | Carrying Amount | Contractual Cashflows | Within 6 months | Six to 12 months | Over 12 months | No specific Maturity |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Bank overdraft | 2,979 | 2,979 | - | - | - | 2,979 |
| Accounts payable and accrued charges | 57,385 | 57,385 | 57,385 | - | - | - |
| Due to related party | 44,994 | 44,994 | 44,994 | - | - | - |
| Loans payable | 23,325 | 23,325 | 23,325 | - | - | - |
| Total liabilities | 128,683 | 128,683 | 125,704 | - | - | 2,979 |

**2013**

| | Carrying Amount | Contractual Cashflows | Within 6 months | Six to 12 months | Over 12 months | No specific Maturity |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Bank overdraft | 6,431 | 6,431 | - | - | - | 6,431 |
| Accounts payable and accrued charges | 57,865 | 57,865 | 57,865 | - | - | - |
| Due to related party | 16,284 | 16,284 | 16,284 | - | - | - |
| Loans payable | 21,044 | 21,044 | 21,044 | - | - | - |
| Total liabilities | 101,624 | 101,624 | 95,193 | - | - | 6,431 |

Management believes that the company will be able to meet its financial liabilities, as they fall due.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

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

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

(v) **Capital risk**

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

(vi) **Operational risk**

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

6. **REVENUE:**

| | **2014 $'000** | **2013 $'000** |
|---|---|---|
| Market sponsorship and advertising entitlements: | | |
| In kind sponsorship and advertising entitlements /Sale of TV programming | 148,062 | 157,635 |
| Cash and other sponsorship | 47,523 | 47,860 |
| Model agency income | 8,736 | 8,938 |
| Rental of leasehold properties | 39,138 | 30,866 |
| Ticket sales | 15,204 | 14,613 |
| | 258,663 | 259,912 |

7. **OTHER INCOME:**

| | **2014 $'000** | **2013 $'000** |
|---|---|---|
| CFW Booth income | - | 100 |
| Miscellaneous income | 1,311 | 1,360 |
| | 1,311 | 1,460 |

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

8. **FINANCE COSTS:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Loan interest | 7,577 | 366 |
| Overdraft expense | 1,051 | 178 |
| | 8,628 | 544 |

9. **EXPENSES BY NATURE:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Accommodation and meals | 10,888 | 13,524 |
| Advertising and PR | 47,614 | 52,095 |
| Auditor's remuneration | 2,200 | 1,900 |
| Bank charges | 3,383 | 2,392 |
| Bar costs | 2,534 | 10,546 |
| Cleaning and sanitation | 622 | 460 |
| Contracted services | 12,520 | 13,760 |
| Depreciation | 1,848 | 3,058 |
| Donation and subscriptions | 137 | 194 |
| Entertainment | 591 | 786 |
| Equipment rental | 340 | 942 |
| Insurance | 1,043 | 1,177 |
| Legal and professional fees | 2,513 | 5,816 |
| Management fees | 39,513 | 35,921 |
| Office expenses | 876 | 1,133 |
| Other expenses | 970 | 1,471 |
| Parking services | 1,414 | 2,492 |
| Printing | 1,278 | 1,418 |
| Provision for receivables | 11,815 | 20,203 |
| Rates and fees | 100 | 351 |
| Repairs, maintenance and upkeep | 3,028 | 1,827 |
| Security services | 1,362 | 1,957 |
| Shows and production | 12,688 | 18,979 |
| Travel | 1,230 | 4,220 |
| Utilities | 10,895 | 11,306 |
| Venue rental | 1,351 | 2,984 |
| | 172,753 | 210,912 |

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

10. **TAXATION:**

(a) Taxation is computed on the profit for the year, adjusted for tax purposes

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Reconciliation of effective tax rate: | | |
| Profit before tax | 164,988 | 127,899 |
| Income tax @ 25%/33 1/3% | 41,247 | 42,633 |
| Adjusted for the effects of: | | |
| Disallowed expenses and other adjustments | 21 | 8,396 |
| Fair value appreciation on investment property | ( 21,599) | ( 25,994) |
| Other tax exempt income | ( 19,669) | ( 25,035) |
| Tax expense | - | - |

The company was declared "a recognized motion picture producer" under the Motion Picture Industry (Encouragement) Act. Under the Act, income earned from motion picture development activities is exempt from income tax. The act was repealed in 2013, but allows the company to continue under the act until the expiry of the registration.

(a) The Government of Jamaica enacted new tax measures to change the tax incentive regimes applicable to various industries, effective 1 January 2014. Given the current tax position of the company, as disclosed in note (10(a)) above, these new tax measures have resulted in changes in the income tax and capital allowances computations (but will not materially affect the company's tax position until the end of the tax remission period). Some of these changes are as follows:

- Unregulated tax compliant entities became eligible for an Employment Tax Credit against income tax liabilities that arise on trading activities. The value of this credit is equivalent to the monthly employer's and employees' portions of payroll deductions (with the exception of PAYE) for the financial year, that are filed and paid in full by their due dates. The credit is restricted to 30% of the income tax liability that arises on trading activities. Unused Employment Tax Credit cannot be carried forward or refunded.

- The maximum capital allowances on private motor vehicles, which were previously limited to J$3,200, increased to a maximum of US$35,000; and

- No initial allowances are given on the purchase of buildings, however, all other capital expenditure on buildings and other assets continue to attract initial allowances.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

10. **TAXATION (CONT'D):**

(b) Under the Provisional Collection of Tax Act, the Minimum Business Tax Order, 2014 enacted a new minimum tax of $60,000 per annum commencing in the year of assessment 2014.

11. **EARNINGS PER SHARE:**

The calculation of earnings per share is based on the net profit for the year and 280,703,000 ordinary shares at the year end (2013 – 280,703,000 shares).

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

12. **PROPERTY, PLANT AND EQUIPMENT:**

| | Leasehold Properties $'000 | Leasehold Improvement $'000 | Furniture, Office Equipment and Computer $'000 | Motor Vehicle $'000 | Total $'000 |
|---|---|---|---|---|---|
| At cost or valuation – | | | | | |
| 1 July 2012 | 76,614 | 4,195 | 11,037 | 5,700 | 97,546 |
| Additions | - | - | 138 | - | 138 |
| Disposal | - | - | ( 4,395) | - | ( 4,395) |
| Revaluation | 8,014 | - | - | - | 8,014 |
| 30 June 2013 | 84,628 | 4,195 | 6,780 | 5,700 | 101,303 |
| Additions | - | - | 158 | - | 158 |
| Revaluation | 8,014 | - | - | - | 8,014 |
| 30 June 2014 | 92,642 | 4,195 | 6,938 | 5,700 | 109,475 |
| Accumulated Depreciation - | | | | | |
| 1 July 2012 | 4,587 | 392 | 10,216 | 4,560 | 19,755 |
| Charge for the year | 1,531 | 81 | 306 | 1,140 | 3,058 |
| Eliminated on disposal | - | - | ( 4,395) | - | ( 4,395) |
| 30 June 2013 | 6,118 | 473 | 6,127 | 5,700 | 18,418 |
| Charge for the year | 1,531 | 81 | 236 | - | 1,848 |
| 30 June 2014 | 7,649 | 554 | 6,363 | 5,700 | 20,266 |
| Net Book Value - | | | | | |
| 30 June 2014 | 84,993 | 3,641 | 575 | - | 89,209 |
| 30 June 2013 | 78,510 | 3,722 | 653 | - | 82,885 |

Leasehold properties represent properties situated at 38a Trafalgar Road, Kingston 10, St. Andrew and Stony Hill, St. Andrew which are leased from a director and shareholder for a period of forty-nine (49) years. These properties were previously leased by Pulse Entertainment Group Limited, a related company, and the leases are part of the assets acquired on the restructuring of Pulse Entertainment Group Limited. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in revaluation reserve (note 22).

**PULSE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2014**

13. **INTANGIBLE ASSETS:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Patents | 90,000 | 90,000 |
| Trademarks | 2,720 | 2,720 |
| | 92,720 | 92,720 |

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

14. **INVESTMENT PROPERTIES:**

| | Leasehold property and buildings $'000 | Construction work-in-progress $'000 | Total $'000 |
|---|---|---|---|
| At fair value | | | |
| 1 July 2012 | 564,705 | 301,778 | 866,483 |
| Additions | 76 | 15,400 | 15,476 |
| Fair value adjustment | 50,823 | 27,160 | 77,983 |
| 30 June 2013 | 615,604 | 344,338 | 959,942 |
| Additions | 246 | 16,800 | 17,046 |
| Fair value adjustment | 55,404 | 30,991 | 86,395 |
| 30 June 2014 | 671,254 | 392,129 | 1,063,383 |

The carrying amount of leasehold property and leasehold improvement is the fair value as determined by the directors of the company. Cost to complete construction will be undertaken by a related party [see note 25(b)]. Pulse Investments Limited has no further commitment to the related party until the project is completed and handed over.

The land on which the leasehold properties are situated is in the name of a director and shareholder (see note 12).

During the year, the following income was earned from investment properties.

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Income earned from properties | 39,238 | 30,866 |

Expenses incurred on investment properties are borne by the tenants.

**PULSE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2014**

15. **RECEIVABLES:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade receivables | 14,838 | 19,546 |
| Provision for doubtful debt | ( 7,475) | ( 7,769) |
| | 7,363 | 11,777 |
| Other receivables | 1,146 | 874 |
| | 8,509 | 12,651 |

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

| | 2014 | | | |
|---|---|---|---|---|
| | 0 to 60 days $'000 | 60-90 days $'000 | More than 90 days $'000 | Total $'000 |
| Receivable arising from: | | | | |
| Model agents | 5,096 | - | - | 5,096 |
| Cash sponsors | 4,078 | - | 5,435 | 9,513 |
| Lease agreements | - | - | 79 | 79 |
| Other trade receivables | 150 | - | - | 150 |
| | 9,324 | - | 5,514 | 14,838 |
| Less: Allowance for impairment | (4,145) | - | (3,330) | ( 7,475) |
| | 5,179 | - | 2,184 | 7,363 |

**PULSE INVESTMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**30 JUNE 2014**

15. **RECEIVABLES (CONT'D):**

| | 2013 | | | |
|---|---|---|---|---|
| | 0 to 60 days $'000 | 60-90 days $'000 | More than 90 days $'000 | Total $'000 |
| Receivable arising from: | | | | |
| Model agents | 4,763 | - | - | 4,763 |
| Cash sponsors | 6,132 | - | 8,424 | 14,556 |
| Lease agreements | - | - | 77 | 77 |
| Other trade receivables | 150 | - | - | 150 |
| | 11,045 | - | 8,501 | 19,546 |
| Less: Allowance for impairment | ( 4,439) | - | (3,330) | ( 7,769) |
| | 6,606 | - | 5,171 | 11,777 |

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Balance at beginning of year | 7,769 | 4,117 |
| Impairment adjustment during the year | ( 294) | 3,652 |
| Balance at end of year | 7,475 | 7,769 |

During the year, bad debt expenses aggregating $11,815,200 (2013: $20,202,934) have been recognized in the statement of comprehensive income.

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

a) Advertising entitlements -

This represents recoverable costs for shows produced and delivered.

b) Advertising entitlements/Sale of TV programming -

The directors estimate that the company has generated advertising entitlements of $721,613,000 (2013: $687,258,000) which remain unused at the reporting date. In accordance with the company's accounting policy [see note 3(o)], these entitlements have not been recognized in preparing the financial statements.

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

16. **ADVERTISING ENTITLEMENTS AND UNEXPIRED SPONSORSHIP IN KIND (CONT'D):**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| c) Unexpired sponsorship in kind - | | |
| Unexpired at beginning of year | 46,198 | 49,896 |
| Obtained during the year | 75,125 | 47,026 |
| Written off during the year | (46,198) | - |
| Sponsorship recognised in income | (52,296) | (50,724) |
| Unexpired at end of year | 22,829 | 46,198 |

Deferred unexpired sponsorship in kind is not recognised as income until the corresponding unexpired sponsorship in kind is recognised as an expense (note 3(o)).

17. **CASH AND CASH EQUIVALENTS:**

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Cash in hand (J$) | 5,513 | 5,285 |
| Deposit (US$) | 876 | - |
| Chequeing account (J$) | 8,877 | 11,309 |
| | 15,266 | 16,594 |
| Bank overdraft | ( 2,979) | ( 6,431) |
| | 12,287 | 10,163 |

(a) The savings account is interest bearing.

(b) Interest rate exposure

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

| | 2014 % | 2013 % |
|---|---|---|
| US$ Savings account | 0.20 | - |

# PULSE INVESTMENTS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## 30 JUNE 2014

18. **SHARE CAPITAL:**

Authorised:
336,825,000 (2013: 336,825,000) ordinary shares at no par value

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | No. of Shares '000 | Ordinary Share Capital $'000 | No. of Shares '000 | Ordinary Share Capital $'000 |
| Stated, issued and fully paid at 30 June | 280,703 | 152,367 | 280,703 | 152,367 |

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

19. **SHARE PREMIUM:**

Share premium is made up as follows:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| 31,549,768 (2013: 31,549,768) ordinary shares – premium of $0.51 each | 16,042 | 16,042 |
| 91,341,692 (2013: 91,341,692) ordinary shares – premium of $3.91 per share | 357,146 | 357,146 |
| | 373,188 | 373,188 |
| Costs of rights issue | ( 6,812) | ( 6,812) |
| | 366,376 | 366,376 |

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

20. **CAPITAL RESERVE:**

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

21. **CAPITAL REDEMPTION RESERVE:**

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

22. **REVALUATION RESERVE:**
The revaluation reserve represents the surplus arising on the revaluation of certain leasehold properties by the directors.

## 23. SHARES TO BE ISSUED:

This represents the value of professional services provided by Capital Options Limited which has confirmed its intention to convert 434,783 ordinary shares in the company. During 2013, Capital Options Limited transferred its rights to the shares to a director. If these shares were issued, the earnings per share (EPS) would not be diluted because the quantity of shares is insignificant.

## 24. LOANS

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| i. Caricom Trade Support Programme | 1,104 | 1,104 |
| ii. CIBC First Caribbean International Bank | 22,201 | 19,940 |
| | 23,325 | 21,044 |
| Less: current portion | ( 3,703) | (21,044) |
| | 19,622 | - |

(i) Caricom Trade Support Programme

The loan is interest free and secured by a letter of credit in the amount of US$19,070 issued by First Caribbean International Bank (Jamaica) Limited. The loan is repayable in 18 monthly payments of US$4,391 commencing June 2007. The loan payments are overdue; however, there are no significant penalties associated with loan payments.

(ii) CIBC First Caribbean

(a) This loan attracts interest of 17.85% per annum and is repayable over 90 months with maturity in June 2018. The loan is secured as follows:

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

(b) Included in the balance of $22,201 (thousand) (2013 - $19,940 (thousand)) is loan interest capitalised of $4,814 (thousand) (2013 – Nil).

## 25. ACCOUNTS PAYABLE AND ACCRUED CHARGES:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade payables and GCT payable | 49,047 | 48,483 |
| Deposits | 4,402 | 3,035 |
| Accrued charges | 3,936 | 6,347 |
| | 57,385 | 57,865 |

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

The following transactions were carried out with related parties

(a) Provision of services and sponsorship

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Rental income – Studio 38/Puls8 | 9,956 | 8,425 |
| Advertising entitlements | 20,000 | 17,000 |
| In kind sponsorship | - | 10,000 |
| | 29,956 | 35,425 |

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

(b) Purchase of services

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Management fees – Samurai Investments Limited | 39,513 | 35,921 |
| Lease expense | 1 | 1 |
| Additions to investment property | 16,800 | 15,476 |
| | 56,314 | 51,398 |

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

(c) The land on which the leasehold properties are situated is in the name of a director and shareholder (see note 12).

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

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| Due to Samurai Investments Limited | 44,994 | 16,284 |

Samurai Investments Limited is controlled by the chairman of the company. The balance due will not be demanded within thirty-six (36) months from the date of approval of these financial statements.