

**ANNUAL REVIEW AND ACCOUNTS
2016**

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2. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notice Of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of The Palace Amusement Co. (1921) Ltd. will be held at the Registered Office of the Company, **1a South Camp Road, Kingston, CSO on Tuesday, December 13, 2016 at 2:00p.m.** to consider and (if thought fit) pass the following resolutions:

Ordinary Resolutions

1. Audited Accounts

“THAT the Audited Accounts for the year ended **30 June 2016** and the Reports of the Directors and Auditors, circulated with the Notice convening the Meeting, be and are hereby adopted.”

2. Declaration of Dividend

“THAT a dividend of \$1.00 per stock unit be declared to be paid to shareholders on record as at January 9, 2017.”

3. Election of Directors

Article 99 of the Company’s Articles of Association provides that one-third of the Board (except the Managing Director) or, if the number of members of the board is not three or a multiple of three, then the number nearest to one-third shall retire from office at each Annual General Meeting. The Directors retiring under the Article are **Mr. Charles “Scott” Graham, Mr. Steven Cooke, and Mr. Douglas Stiebel** and, being eligible, offer themselves for re-election.

The proposed resolutions are therefore as follows:

- (i) “THAT Director, **MR. CHARLES “SCOTT” GRAHAM**, retiring pursuant to Article 99 of the Articles of Association be and is hereby re-elected.”
- (ii) “THAT Director, **MR. STEVEN COOKE**, retiring pursuant to Article 99 of the Articles of Association be and is hereby re-elected.”
- (iii) “THAT Director **MR. DOUGLAS STIEBEL**, retiring pursuant to Article 99 of the Articles of Association be and is hereby re-elected.”
- (iv) “THAT Director, **MR. BRIAN ST. JUSTE**, retiring pursuant to Articles 99 and 105 of the Articles of Association – having been appointed a Director on October 11, 2016, is hereby re-elected.”

Notice Of Annual General Meeting

4. Appointment of Auditors and their Remuneration

“THAT PricewaterhouseCoopers, having signified their willingness to serve, continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed with the Directors.”

5. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

A Member of the Company, entitled to attend and vote, is entitled to appoint a Proxy to attend and vote in his/her stead, and a Proxy need not be a member.

If you are unable to attend the Meeting, a Proxy Form is enclosed for your convenience. When completed, this Form should be deposited with the Secretary at the Registered Office of the Company, 1a South Camp Road, Kingston, CSO, Jamaica, not less than **48 hours** before the time appointed for the Meeting. The Proxy Form should bear stamp duty of **\$100.00** before being signed. The stamp duty may be paid by adhesive stamps, which are to be cancelled by the person signing the Proxy.

**DATED this 18th day of OCTOBER 2016
BY ORDER OF THE BOARD**



Eileen Thomas (Mrs)
COMPANY SECRETARY

4. THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Directors' Report

The Directors present their Report together with the Audited Financial Statements for year ended **30 June 2016**.

OVERVIEW

As an indication of the nature of our industry, the Group faced a challenging year – where we experienced a 8% decline in Attendance and a resulting 4% decline in Box Office Revenue; thankfully however, the returns from Alternative Content, Advertising and Concessions so bolstered income, that the real slippage in Total Revenue was only 1%.

DIVIDEND

The Group posted a net profit of approximately \$16-Million after tax, and the Directors recommend a dividend of \$1.00 per stock unit to be paid to shareholders on record at January 9, 2017. The ex-dividend date is January 6, 2017, and payment will be made on January 17, 2017.

DIRECTORS

During the year Director Mrs. Christine McMorris resigned. We are grateful for the invaluable contribution she made during her term of office and wish her well. She has been replaced by renowned film maker, Mr. Brian St. Juste, and we welcome him to the Board.

Under Articles 99 and 105, the retiring Directors are:

Messrs: Charles "Scott" Graham
Steven Cooke
Douglas Stiebel
Brian St. Juste

all of whom being eligible, offer themselves for re-election.

AUDITORS

PricewaterhouseCoopers have signified their willingness to continue in the office of Auditors.

AUDIT COMMITTEE

The Audit Committee discharged its duties with respect to:

- Compliance with internal control and regulatory requirements.
- Accuracy and consistency in financial reporting.
- Oversight of the capital and operational budgets.

The Committee consisted of two (2) non-executive Directors: Messrs. Elon Beckford and Douglas Stiebel. Six (6) meetings were held in the financial year at which the Chairman/Managing Director and Financial Controller were in attendance.

ACKNOWLEDGEMENT

The Directors acknowledge the support they enjoy from the Management and Staff of the Company, and are confident that with our combined efforts, we will be able to deal with any challenge that may arise in the new financial year.



DOUGLAS GRAHAM
CHAIRMAN OF THE BOARD
18th October, 2016

Our Vision

...to remain in the vanguard of the industry, with cutting-edge technology and quality and timely box-office releases.

Our Mission

...to ensure that cinema remains a preferred option and that the audience enjoys the ultimate movie experience, complete with the best available technology and first class customer service, all in an atmosphere of comfort and relaxation.

Palace Amusement Company has taken bold steps and is keeping pace, in a technologically advancing world. Cinema in Jamaica is Twenty First Century and growing.

The terms “*movies*” and “*Palace Amusement Company*” are synonymous here in Jamaica, where many patrons hold cherished memories of their special experience.

Movie-going is much more than mere entertainment, it is a catalyst for love; relationships; marriage – the stuff that life is made of!



6. THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Management Discussion & Analysis

The following is a recap of the Group's results for the fiscal year ended **June 30, 2016**. It should be read in conjunction with the Financial Statements detailed in this Annual Report.

THE REVIEW

The Group continues to operate three (3) locations with 11 screens: **Carib 5** and **Palace Cineplex** in Kingston and **Palace Multiplex** in Montego Bay and we distribute pictures to **Cove Cinema** in Ocho Rios and to **Regal Cinema** in Grand Cayman.

Locally, in our cinemas we experienced a 8% decline in attendance, which resulted in a reduced Box Office Revenue; this was due mainly to the quality of the product that was available and the challenging economic times. Nevertheless, there were some pictures of note which brought our patrons out in their numbers to experience our offerings – namely: ***Batman vs Superman-Dawn of Justice, Star Wars-The Force Awakens, The Perfect Guy, Captain America-Civil War*** and ***Spectre***.

As we remain cognizant of our patrons' weakened spending power, we continue to offer discounted rates two (2) days per week and on special calendar days – like Valentine, Mother's and Father's Day, in an effort to remain relevant. We also strive to become a part of our patrons' everyday lives by offering rental services for Premieres, School Shows, Birthday Parties, On-screen Proposals and we even hosted a Wedding for the first time in this financial year.

As part of our commitment to continuous improvement, we have also transitioned from DVD-projected Ads on screen to digitally converted high-definition Ads.

e-Commerce

During the financial year we were able to complete our technical and financial banking requirements to enable our customers to purchase tickets via our website using their Credit Cards or Visa Debit Cards. This portal feature removes all restrictions and offers the convenience of our customers being able to secure their tickets beforehand – in the comfort of his/her home, at any time of day, without the need to join a queue. Unfortunately however, this real-time upgrade caused the demise of our age-old system of seat reservations. It is our intention to expand our e-commerce offering very early in the new financial year, to allow payments via the website for the rental services and other available products.

Alternative Content

During the year we continued our thrust in the area of Alternative Content by adding features from the **Kenneth Branagh Theatre Company**, while commencing discussions with **the Australian Ballet Group**. We also renewed our arrangements with the **Metropolitan Opera** live at Carib and delayed at Cineplex, as well as the **National Theatre** and the **Bolshoi Ballet Companies**.

Management Discussion & Analysis

Palace Cards

Due to substantial increases in the operating costs of the Palace Stored-value Cards, the decision was taken to cancel the top up feature of the cards as at June 30, 2016, so as not to pass on these costs to our valued patrons. A total elimination of the cards is expected by December 31, 2017. Existing customers can therefore use the balances on their cards until then.

Piracy

Our fight against Piracy continues and has intensified with the support of our local Law Enforcement Teams. The Counter Terrorism and Organised Crime Division has continued to place their full attention on searching for and apprehending persons who peddle illicit DVD's and recently, electronic TV boxes that allow individuals to view content that is currently on our screens and in some instances not yet released to the public. We will continue to provide the police with the necessary statements and support to ensure that we keep a handle on this dynamic situation.

Crime & Security

Crime continues to be a major deterrent to "out-of-home" entertainment. The recent flare-up in Montego Bay has created a new challenge for our Multiplex Cinema. We continue to deploy our trained security personnel to all our locations in order to ensure the safety of our patrons.

FUTURE

We believe that Palace Amusement offers a very competitive product when compared to other forms of "out-of-home" entertainment, and as such, we remain positive about the future of the Company.

8.

THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Directorate and Corporate Data

DIRECTORS:

Messrs.	*	Douglas Graham, Chairman
		Elon Beckford, Vice Chairman
		Hugh Levy, Jnr.
		Douglas Stiebel
		Brian St. Juste
	*	Charles "Scott" Graham
	*	Steven Cooke
Mrs.	*	Melanie Graham

COMPANY SECRETARY: Eileen Thomas (Mrs.)

FINANCIAL CONTROLLER: Carol Lee (Mrs.)

AUDITORS: PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372, Kingston, Jamaica
www.pwc.com/jm

ATTORNEYS: Phillipson Partners
Livingston, Alexander & Levy

BANKERS: Bank of Nova Scotia Jamaica Ltd.
National Commercial Bank Jamaica Ltd.

REGISTERED OFFICE: 1A South Camp Road,
P.O. Box 8009
C.S.O. Kingston
Telephone: (876) 928 - 1248-9-0
Facsimile: (876) 928 - 5632
E-mail: info@palaceamusement.com

The Corporate Governance Guidelines can be viewed on the Company's website:
www.palaceamusement.com

* Full Time Executive

Shareholdings as at June 30, 2016**DIRECTORS AND CONNECTED PARTY**

	No. Of Units	
Charles "Douglas" Graham	111,129	963,315
Melanie Graham	11,448	1,062,996
Elon Beckford	9,792	14,067
Charles "Scott" Graham	3,194	1,070,250
Steven Cooke	1,000	122,577
Hugh Levy Jnr.	1	
Douglas Stiebel	1	

EXECUTIVE MANAGEMENT

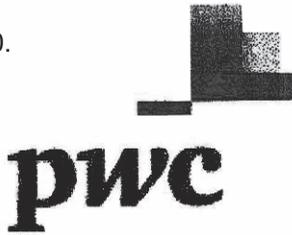
Eileen Thomas	100
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TEN LARGEST

Russgram Investments Limited	947,673
Charles "Douglas" Graham	111,129
Bridgeton Management Services	66,540
Herbert & Sally-Anne Sharp	47,000
Juanita Alberga	18,660
Mayberry Investments Limited	16,950
Roman Catholic Archbishop of Kingston	14,280
Exors. Est. Effie May Phillips (Deceased)	14,220
Elmar Development Limited	14,067
Est Olive Lamb Sharp (Deceased)	11,988

***Connected Party**

10.



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 12 to 64, which comprise the consolidated statement of financial position as at 30 June 2016 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 2016 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

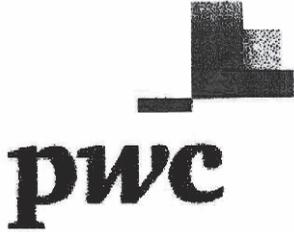
Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management 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.

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

L.A. McKnight P.E. Williams A.K. Jain B.L. Scott B.J. Denning G.A. Reece P.A. Williams R.S. Nathan C.I. Bell-Wisdom D.D. Dodd G.K. Moore



Independent Auditors' Report Members of The Palace Amusement Company (1921) Limited

Auditors' Responsibility (Continued)

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.

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 2016, 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.

A handwritten signature in dark ink, appearing to read 'Chartered Accountants', with a horizontal line underneath.

Chartered Accountants
28 September 2016
Kingston, Jamaica

12. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Consolidated Statement of Comprehensive Income

Year ended 30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
REVENUE		909,240	915,761
Direct expenses		(728,015)	(726,509)
GROSS PROFIT		181,225	189,252
Other operating income	6	11,528	12,889
Administration expenses		(167,982)	(157,770)
OPERATING PROFIT		24,771	44,371
Finance costs – interest expense		(1,979)	(2,751)
PROFIT BEFORE TAXATION		22,792	41,620
Taxation	9	(6,586)	(9,625)
NET PROFIT		16,206	31,995
OTHER COMPREHENSIVE INCOME			
Item(s) that may be reclassified to profit or loss in the future -			
Unrealised (losses)/gains on available-for-sale investments, net of taxation		(310)	661
Item(s) that will not be reclassified to profit or loss in the future -			
Re-measurement of post-employment benefit asset, net of taxation		(155)	(5,192)
Total other Comprehensive Income		(465)	(4,531)
TOTAL COMPREHENSIVE INCOME		<u>15,741</u>	<u>27,464</u>
NET PROFIT ATTRIBUTABLE TO:			
Stockholders of the company	10	16,351	32,150
Non-controlling interest		(145)	(155)
		<u>16,206</u>	<u>31,995</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Stockholders of the company		16,028	27,648
Non-controlling interest		(287)	(184)
		<u>15,741</u>	<u>27,464</u>
EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY			
	11	<u>11.38</u>	<u>\$22.37</u>

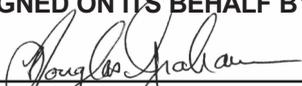
Consolidated Statement of Financial Position

30 June 2016

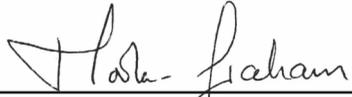
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	223,189	237,162
Investments	13	15,140	15,450
Post-employment benefit asset	15	26,367	24,040
		264,696	276,652
CURRENT ASSETS			
Inventories	17	45,296	41,904
Receivables	18	46,592	50,234
Taxation recoverable		2,298	-
Short term deposits	19	58,516	53,120
Cash and cash equivalents	20	49,540	38,812
		202,242	184,070
CURRENT LIABILITIES			
Payables	21	120,130	119,961
Taxation payable		296	2,442
Current portion of long term liabilities	22	5,855	7,553
		126,281	129,956
NET CURRENT ASSETS			
		75,961	54,114
		340,657	330,766
STOCKHOLDERS' EQUITY			
Share capital	23	1,437	1,437
Capital reserve	24	166,488	166,488
Fair value reserve	25	14,583	14,751
Retained earnings	10	132,178	118,497
		314,686	301,173
NON-CONTROLLING INTEREST			
		4,958	5,245
		319,644	306,418
NON-CURRENT LIABILITIES			
Long term liabilities	22	10,142	15,997
Deferred tax liabilities	14	10,871	8,351
		340,657	330,766

APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 SEPTEMBER 2016 AND
SIGNED ON ITS BEHALF BY:


DOUGLAS GRAHAM

DIRECTOR


MELANIE GRAHAM

DIRECTOR

14. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Consolidated Statement of Changes in Equity

Year ended 30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders					Non-Controlling Interest	Total
	Number of shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings		
	'000	\$'000	\$'000	\$'000	\$'000		
BALANCE AT 1 JULY 2014	1,437	1,437	166,488	14,061	91,539	5,429	278,954
TOTAL COMPREHENSIVE INCOME							
Net profit	-	-	-	-	32,150	(155)	31,995
Other comprehensive income -							
Unrealised gains on available-for-sale investments	-	-	-	690	-	(29)	661
Re-measurement of post-employment benefit asset	-	-	-	-	(5,192)	-	(5,192)
	-	-	-	690	26,958	(184)	27,464
BALANCE AT 30 JUNE 2015	1,437	1,437	166,488	14,751	118,497	5,245	306,418
TOTAL COMPREHENSIVE INCOME							
Net profit	-	-	-	-	16,351	(145)	16,206
Other comprehensive income -							
Unrealised losses on available-for-sale investments	-	-	-	(168)	-	(142)	(310)
Re-measurement of post-employment benefit asset	-	-	-	-	(155)	-	(155)
	-	-	-	(168)	16,196	(287)	15,741
TRANSACTIONS WITH OWNERS							
Dividends paid	-	-	-	-	(2,515)	-	(2,515)
BALANCE AT 30 JUNE 2016	1,437	1,437	166,488	14,583	132,178	4,958	319,644

Consolidated Statement of Cash Flows
Year ended 30 June 2016
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided by operating activities	26	38,469	27,815
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(19,534)	(10,571)
Proceeds from sale of property, plant and equipment		2,031	9,105
Short term deposits, net		(5,343)	(3,702)
Interest received		1,089	1,878
Dividend received		456	357
Cash used in investing activities		<u>(21,301)</u>	<u>(2,933)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans repaid		(7,553)	(7,553)
Interest paid		(1,979)	(2,751)
Dividends paid		(2,515)	-
Cash used in financing activities		<u>(12,047)</u>	<u>(10,304)</u>
		5,121	14,578
Exchange gain on foreign cash balances		<u>5,607</u>	<u>2,612</u>
Increase in cash and cash equivalents		10,728	17,190
Cash and cash equivalents at beginning of year		<u>38,812</u>	<u>21,622</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	<u><u>49,540</u></u>	<u><u>38,812</u></u>

16.

THE PALACE AMUSEMENT COMPANY (1921) LIMITED

Company Statement of Comprehensive Income

Year ended 30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
REVENUE		659,020	662,813
Direct expenses		(<u>509,480</u>)	(<u>512,347</u>)
GROSS PROFIT		149,540	150,466
Other operating income	6	35,143	38,853
Administration expenses		(<u>167,982</u>)	(<u>157,770</u>)
OPERATING PROFIT		16,701	31,549
Finance costs - interest expense		(<u>1,878</u>)	(<u>2,649</u>)
PROFIT BEFORE TAXATION		14,823	28,900
Taxation	9	(<u>4,728</u>)	(<u>6,724</u>)
NET PROFIT	10	<u>10,095</u>	<u>22,176</u>
 OTHER COMPREHENSIVE INCOME:			
Item(s) that may be reclassified to profit or loss			
in the future -			
Unrealised gains on available-for-sale investments, net of taxation		1,121	954
Item(s) that will not be reclassified to profit or loss			
in the future -			
Re-measurement of post-employment benefit asset, net of taxation		(<u>155</u>)	(<u>5,192</u>)
Total other Comprehensive Income		<u>966</u>	(<u>4,238</u>)
TOTAL COMPREHENSIVE INCOME		<u><u>11,061</u></u>	<u><u>17,938</u></u>

Company Statement of Financial Position

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	86,262	96,003
Investments	13	4,188	3,067
Post-employment benefit asset	15	26,367	24,040
Due from subsidiaries	16	62,813	76,171
		<u>179,630</u>	<u>199,281</u>
CURRENT ASSETS			
Inventories	17	42,846	39,991
Receivables	18	44,223	49,728
Taxation recoverable		2,298	-
Short term deposits	19	58,516	53,120
Cash and cash equivalents	20	48,495	37,930
		<u>196,378</u>	<u>180,769</u>
CURRENT LIABILITIES			
Payables	21	105,308	109,744
Taxation payable		-	1,359
Current portion of long term liabilities	22	5,855	7,553
		<u>111,163</u>	<u>118,656</u>
NET CURRENT ASSETS			
		<u>85,215</u>	<u>62,113</u>
		<u>264,845</u>	<u>261,394</u>
STOCKHOLDERS' EQUITY			
Share capital	23	1,437	1,437
Capital reserve	24	148,365	148,365
Fair value reserve	25	3,631	2,510
Retained earnings	10	75,964	68,539
		<u>229,397</u>	<u>220,851</u>
NON-CURRENT LIABILITIES			
Due to subsidiaries	16	21,612	22,367
Long term liabilities	22	10,142	15,997
Deferred tax liabilities	14	3,694	2,179
		<u>264,845</u>	<u>261,394</u>

**APPROVED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28 SEPTEMBER 2016 AND
SIGNED ON ITS BEHALF BY:**


DOUGLAS GRAHAM

DIRECTOR


MELANIE GRAHAM

DIRECTOR

18. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Company Statement of Changes in Equity
Year ended 30 June 2016
(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 2014	1,437	1,437	148,365	1,556	51,555	202,913
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	-	22,176	22,176
Other comprehensive income -						
Unrealised gains on available-for-sale investments	-	-	-	954	-	954
Re-measurement of post-employment benefit asset	-	-	-	-	(5,192)	(5,192)
	-	-	-	954	16,984	17,938
BALANCE AT 30 JUNE 2015	1,437	1,437	148,365	2,510	68,539	220,851
TOTAL COMPREHENSIVE INCOME						
Net Profit	-	-	-	-	10,095	10,095
Other comprehensive income -						
Unrealised gains on available-for-sale investments	-	-	-	1,121	-	1,121
Re-measurement of post employment benefit asset	-	-	-	-	(155)	(155)
	-	-	-	1,121	9,940	11,061
TRANSACTIONS WITH OWNERS						
Dividends paid	-	-	-	-	(2,515)	(2,515)
BALANCE AT 30 JUNE 2016	1,437	1,437	148,365	3,631	75,964	229,397

Company Statement of Cash Flows
Year ended 30 June 2016
 (expressed in Jamaican dollars unless otherwise indicated)

	Note	2016 \$'000	2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash provided by operating activities	26	26,097	23,961
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(8,706)	(8,446)
Proceeds from sale of property, plant and equipment		2,031	9,105
Short term deposits, net		(5,343)	(3,702)
Interest received		2,656	4,012
Dividend received		<u>169</u>	<u>162</u>
Cash (used in)/provided by investing activities		<u>(9,193)</u>	<u>1,131</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loans repaid		(7,553)	(7,553)
Interest paid		(1,878)	(2,649)
Dividends paid		<u>(2,515)</u>	<u>-</u>
Cash used in financing activities		<u>(11,946)</u>	<u>(10,202)</u>
		4,958	14,890
Exchange gain on foreign cash balances		<u>5,607</u>	<u>2,612</u>
Increase in cash and cash equivalents		10,565	17,502
Cash and cash equivalents at beginning of year		<u>37,930</u>	<u>20,428</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	<u><u>48,495</u></u>	<u><u>37,930</u></u>

20. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

30 June 2016

(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 66% 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 and Paramount Pictures;
- (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 other independent distributors.

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 actions, 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

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that there are no new standards, interpretations and amendments which are immediately relevant to its operations.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group, except the following set out below:

- **Amendment to IAS 1, 'Presentation of Financial Statements: Disclosure initiative'.** These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is effective for accounting periods beginning on or after 1 January 2016. The amendment is not expected to have a significant impact on the financial statements
- **Amendment to IAS 12, 'Income Taxes'** in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments confirm that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period, an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit, where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type and that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The amendment is effective 1 January 2017.
- **Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets'** - Clarification of Acceptable Methods of Depreciation and Amortisation, (effective for the periods beginning on or after 1 January 2016). In these amendments, the International Accounting Standards Board (IASB) has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.
- **Amendments to IAS 27, 'Equity Method in Separate Financial Statements'**, effective for accounting periods beginning on or after 1 January 2016 allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.
- **Amendments to IFRS 10, 'Consolidated Financial Statements', and IAS 28, 'Investments in Associates and Joint Ventures'**, in respect of sale or contribution of assets between an investor and its associate or joint venture, are effective for annual reporting periods beginning on or after 1 January 2016. The amendments require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, Business Combinations.

Notes to the Financial Statements**30 June 2016**

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(a) Basis of preparation (continued)*****New standards, amendments and interpretations not yet adopted (continued)***

- **IFRS 9, 'Financial Instruments'**, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.
- **IFRS 15, 'Revenue from Contracts with Customers'** deals with revenue recognition and 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. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.
- **IFRS 16, 'Leases'**, primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognised on the balance sheet, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change. The standard is effective for annual periods beginning on or after 1 January 2019. The Group is assessing the impact of IFRS 16.

Notes to the Financial Statements**30 June 2016****(expressed in Jamaican dollars unless otherwise indicated)****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(a) Basis of preparation (continued)*****New standards, amendments and interpretations not yet adopted (continued)***

- **IASB Annual Improvements** - The IASB annual improvements project for the 2012 - 2014 cycle resulted in amendments to the following standards which may be relevant to the Group's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2017. The Group is assessing the impact of future adoption of the amendments.
- **IFRS 7, 'Financial instruments: Disclosures'**. The amendment clarifies, among other things, that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- **IAS 19 (Revised), 'Employee benefits'**. The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.
- **IAS 34, 'Interim financial reporting'**. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information

The Group is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Basis of consolidation**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.

Notes to the Financial Statements
30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

Subsidiaries (continued)

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%

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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of consolidation (continued)

Transactions and non-controlling interests (continued)

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

(c) Foreign currency translation

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 Group's functional currency.

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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Property, plant and equipment (continued)**

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.

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

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.

Notes to the Financial Statements**30 June 2016****(expressed in Jamaican dollars unless otherwise indicated)****2. SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Financial instruments (continued)*****Financial assets (continued)*****Classification (continued)*****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.

Recognition and Measurement

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

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognised in 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.

Notes to the Financial Statements
30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

Recognition and Measurement (continued)

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.

(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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Current and deferred income taxes

Taxation expense in profit or loss comprises current and deferred tax charges.

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

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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.

Past service costs are recognised immediately in the income statement.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Provisions

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

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

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 no registered activity.

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 18 months after the initial sale.

(o) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) **Leases (*continued*)**

Leases of property, plant and equipment, where the company assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The items of property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the useful life of the asset or the lease term.

(p) **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.

((q) **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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Currency risk (continued)

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 \$12,232,000 (2015 – \$11,663,000) and \$74,519,000 (2015 – \$68,534,000), respectively.

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 6% (2015 – 10%) depreciation and a 1% (2015 –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 2016	Effect on Profit before Tax 30 June 2016 \$'000	% Change in Currency Rate 2015	Effect on Profit before Tax 30 June 2015 \$'000
Currency:			
USD	-6	5,205	8,023
USD	+1	(868)	(799)

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

Price risk

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

Cash flow and fair value interest rate risk

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

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

The Group is primarily exposed to fair value interest rate risk on its fixed 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.

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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

Cash and bank balances

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

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 2016, trade receivables of \$7,563,000 (2015 - \$7,380,000) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

Trade receivables that are past due and impaired

As of 30 June 2016, the Group and Company had trade receivables of \$825,000 (2015 – \$875,000) that were impaired. The amount of the provision was \$825,000 (2015 – \$875,000). These receivables were aged over 90 days.

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

	The Group and Company	
	2016	2015
	\$'000	\$'000
At 1 July	875	691
Provision for receivables impairment	43	184
Receivables written off during the year as uncollectible	(6)	-
Receivables recovered during the year	(87)	-
At 30 June	<u>825</u>	<u>875</u>

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.

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(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

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	
	2016	2015
	\$'000	\$'000
Independent cinemas	15,991	18,562
Advertising agencies	4,725	4,080
Other	<u>9,682</u>	<u>12,758</u>
	30,398	35,400
Less: Provision for credit losses	(825)	(875)
	<u>29,573</u>	<u>34,525</u>

(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.

Notes to the Financial Statements

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(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

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

	The Group			
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Total \$'000
	2016			
Trade payables	64,636	-	-	64,636
Accruals and other payables	44,003	-	-	44,003
Long term liabilities	6,904	4,161	7,198	18,263
Total financial liabilities	115,543	4,161	7,198	126,902
	2015			
Trade payables	55,431	-	-	55,431
Accruals and other payables	46,891	-	-	46,891
Long term liabilities	9,410	16,051	3,315	28,776
Total financial liabilities	111,732	16,051	3,315	131,098
	The Company			
	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Total \$'000
	2016			
Trade payables	64,106	-	-	64,106
Accruals and other payables	34,803	-	-	34,803
Due to subsidiary companies	21,612	-	-	21,612
Long term liabilities	6,904	4,161	7,198	18,263
Total financial liabilities	127,425	4,161	7,198	138,784
	2015			
Trade payables	54,868	-	-	54,868
Accruals and other payables	38,522	-	-	38,522
Due to subsidiary companies	22,367	-	-	22,367
Long term liabilities	9,410	16,051	3,315	28,776
Total financial liabilities	125,167	16,051	3,315	144,533

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

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital management

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

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

(c) Fair value estimation

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 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 only financial assets that are re-measured at fair value after initial recognition are available-for-sale equities of \$15,140,000 (2015 - \$15,450,000) and \$3,703,000 (2015 - \$2,582,000) for the Group and Company, respectively.

There were no transfers between levels during the year.

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

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (continued)

- (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 within 12 months of the reporting date.
- (iv) The fair value of unquoted equity instruments could not be determined as there is no active market for it.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

(b) Key sources of estimation uncertainty

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

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.

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(b) Key sources of estimation uncertainty (continued)

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. 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 \$74,484,000 (2015 - \$64,899,000) earned from other Caribbean countries.

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

On 2 September 2014, the reporting segment, Odeon Cineplex ceased operations.

40. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

5. SEGMENT REPORTING (Continued)

	2016					Total \$'000
	Cinema activities			Film activities \$'000	Screen Advertising activities \$'000	
	Carib Cinema \$'000	Palace Cineplex \$'000	Palace Multiplex \$'000			
Revenue -						
Box office receipts	279,184	96,014	148,978	-	-	524,176
Confectionery sales	129,083	41,811	57,941	-	-	228,835
Film rental	-	-	-	379,654	-	379,654
Screen advertising	25,494	10,587	15,334	-	30,802	82,217
Other activities	2,575	5,011	805	-	-	8,391
	<u>436,336</u>	<u>153,423</u>	<u>223,058</u>	<u>379,654</u>	<u>30,802</u>	<u>1,223,273</u>
Eliminations						(314,033)
Revenue from external customers						<u>909,240</u>
Segment result ⁽¹⁾	<u>8,695</u>	<u>15,822</u>	<u>30,354</u>	<u>83,120</u>	<u>20,235</u>	<u>158,226</u>
Eliminations						<u>22,335</u>
						<u>180,561</u>
Segment assets ⁽²⁾	<u>142,241</u>	<u>25,712</u>	<u>24,977</u>	<u>335</u>	<u>-</u>	<u>193,265</u>
Unallocated assets						<u>273,673</u>
Total assets						<u>466,938</u>
Segment liabilities ⁽³⁾	<u>30,052</u>	<u>793</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,845</u>
Unallocated liabilities						<u>116,449</u>
Total liabilities						<u>147,294</u>
Other items -						
Capital expenditure	<u>10,828</u>	<u>364</u>	<u>3,501</u>	<u>-</u>	<u>-</u>	<u>14,693</u>
Eliminations						-
Unallocated head office capital expenditure						<u>4,841</u>
Total capital expenditure						<u>19,534</u>
Depreciation	<u>15,060</u>	<u>5,482</u>	<u>3,996</u>	<u>224</u>	<u>8</u>	<u>24,770</u>
Unallocated head office depreciation						<u>7,815</u>
Total depreciation						<u>32,585</u>
Interest expense	<u>1,668</u>	<u>169</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,837</u>
Unallocated head office interest expense						<u>1,709</u>
Eliminations						(<u>1,567</u>)
Total interest expense						<u>1,979</u>

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5. SEGMENT REPORTING (Continued)

	2015						Total \$'000
	Cinema activities				Film activities \$'000	Screen Advertising activities \$'000	
	Carib Cinema \$'000	Palace Cineplex \$'000	Palace Multiplex \$'000	Odeon Cineplex \$'000			
Revenue -							
Box office receipts	299,655	88,629	152,907	6,870	-	-	548,061
Confectionery sales	126,835	36,633	55,084	2,777	-	-	221,329
Film rental	-	-	-	-	389,619	-	389,619
Screen advertising	23,246	9,136	15,094	712	-	29,086	77,274
Other activities	1,010	4,329	585	260	-	-	6,184
	<u>450,746</u>	<u>138,727</u>	<u>223,670</u>	<u>10,619</u>	<u>389,619</u>	<u>29,086</u>	<u>1,242,467</u>
Eliminations							(326,706)
Revenue from external customers							<u>915,761</u>
Segment result ⁽¹⁾	<u>13,513</u>	<u>11,881</u>	<u>32,240</u>	<u>(6,159)</u>	<u>93,303</u>	<u>19,044</u>	163,822
Eliminations							<u>24,025</u>
							<u>187,847</u>
Segment assets ⁽²⁾	<u>143,913</u>	<u>30,648</u>	<u>24,706</u>	<u>-</u>	<u>560</u>	<u>7</u>	199,834
Unallocated assets							<u>260,888</u>
Total assets							<u>460,722</u>
Segment liabilities ⁽³⁾	<u>32,400</u>	<u>2,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	34,551
Unallocated liabilities							<u>119,753</u>
Total liabilities							<u>154,304</u>
Other items -							
Capital expenditure	<u>2,125</u>	<u>819</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>-</u>	3,578
Eliminations							-
Unallocated head office capital expenditure							<u>6,993</u>
Total capital expenditure							<u>10,571</u>
Depreciation	<u>14,775</u>	<u>5,423</u>	<u>3,762</u>	<u>243</u>	<u>955</u>	<u>13</u>	25,171
Unallocated head office depreciation							<u>7,840</u>
Total depreciation							<u>33,011</u>
Interest expense	<u>2,236</u>	<u>317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	2,553
Unallocated head office interest expense							<u>2,332</u>
Eliminations							(<u>2,134</u>)
Total interest expense							<u>2,751</u>

Notes to the Financial Statements

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5. SEGMENT REPORTING (Continued)

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

	<u>The Group</u>	
	2016	2015
	\$'000	\$'000
Profit from reportable segments	180,561	187,847
Unallocated income -		
Other operating income	11,528	12,889
Unallocated costs -		
Administrative expenses	(167,982)	(157,770)
Other	(1,173)	(1,148)
	(169,155)	(158,918)
Unallocated interest expense	(1,709)	(2,332)
Eliminations	1,567	2,134
	(142)	(198)
	<u>22,792</u>	<u>41,620</u>

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

	<u>The Group</u>	
	2016	2015
	\$'000	\$'000
Segment assets from reportable segments	193,265	199,834
Unallocated assets -		
Property, plant and equipment	40,650	44,547
Investments	15,140	15,450
Post-employment benefit asset	26,367	24,040
Inventories	39,485	37,779
Receivables	44,222	49,727
Taxation recoverable	2,298	-
Short term deposits	58,516	53,120
Cash and bank balances	46,995	36,225
	<u>466,938</u>	<u>460,722</u>

Notes to the Financial Statements

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5. SEGMENT REPORTING (Continued)

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

	<u>The Group</u>	
	2016	2015
	\$'000	\$'000
Segment liabilities from reportable segments	30,845	34,551
Unallocated liabilities -		
Deferred tax liabilities	10,871	8,351
Payables	105,578	110,043
Taxation payable	-	1,359
	<u>147,294</u>	<u>154,304</u>

6. OTHER OPERATING INCOME

	<u>The Group</u>		<u>The Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Dividend income	456	357	169	162
Gain on sale of property, plant and equipment	1,109	6,355	1,109	6,355
Interest income	1,508	1,952	3,075	4,086
Management fees	-	-	22,335	24,025
Exchange gain on foreign balances	6,236	2,676	6,236	2,676
Other	2,219	1,549	2,219	1,549
	<u>11,528</u>	<u>12,889</u>	<u>35,143</u>	<u>38,853</u>

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7. EXPENSES BY NATURE

Total direct and administration expenses:

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Advertising and promotion	24,963	23,838	14,497	14,000
Auditors' remuneration				
Current year	4,920	4,730	4,000	3,800
Prior year	(6)	-	32	-
Bank security & fees	6,801	5,769	3,501	2,941
Cost of inventories recognised as expense	112,573	108,802	46,752	44,323
Depreciation	32,585	33,011	17,525	18,236
Film cost	289,087	289,063	289,087	289,063
Insurance	16,680	19,266	10,216	12,226
Legal and professional fees	5,687	1,968	5,002	1,495
Licence fees	5,751	5,608	2,773	2,667
Motor vehicle expenses	4,005	4,806	4,005	4,806
Other	23,002	21,522	16,500	15,576
Repairs, maintenance and renewals	29,678	32,425	20,901	23,682
Security	19,460	18,862	8,646	8,259
Staff costs (Note 8)	206,401	198,387	158,248	152,445
Stationery and supplies	20,887	19,051	11,510	9,878
Theatre rental	34,456	32,111	34,456	32,111
Transportation and courier	806	1,000	686	928
Utilities	58,261	64,060	29,125	33,681
	<u>895,997</u>	<u>884,279</u>	<u>677,462</u>	<u>670,117</u>

8. STAFF COSTS

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	168,190	159,637	129,163	122,580
Payroll taxes – Employer's portion	16,573	15,939	12,218	11,849
Pension (Note 15)	1,842	1,574	1,842	1,574
Other	19,796	21,237	15,025	16,442
	<u>206,401</u>	<u>198,387</u>	<u>158,248</u>	<u>152,445</u>

Notes to the Financial Statements

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9. TAXATION

Taxation is computed on the profit for the year adjusted for tax purposes and comprises income tax at 25%.

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Current taxation	3,391	5,434	2,538	4,321
Prior year under accrual	623	630	623	630
Deferred taxation (Note 14)	<u>2,572</u>	<u>3,561</u>	<u>1,567</u>	<u>1,773</u>
	<u>6,586</u>	<u>9,625</u>	<u>4,728</u>	<u>6,724</u>

The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate of 25% as follows:

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit before taxation	<u>22,792</u>	<u>41,620</u>	<u>14,823</u>	<u>28,900</u>
Tax calculated at applicable tax rates	5,698	10,405	3,705	7,225
Adjusted for the effects of:				
Prior year under accrual	623	630	623	630
Income subject to different tax rates	(20)	(7)	(20)	(7)
Disallowed expenses	168	114	118	83
Permanent differences between depreciation and capital allowances	766	-	766	-
Employment Tax Credit	(746)	(1,619)	(381)	(1,142)
Prior year deferred tax on tax losses	-	(213)	-	(182)
Other	97	315	(83)	117
	<u>6,586</u>	<u>9,625</u>	<u>4,728</u>	<u>6,724</u>

10. NET PROFIT AND RETAINED EARNINGS ATTRIBUTABLE TO THE STOCKHOLDERS

	2016	2015
	\$'000	\$'000
(a) Net profit attributable to the stockholders of the Company is dealt with as follows in the financial statements of:		
The company	10,095	22,176
The subsidiaries	<u>6,256</u>	<u>9,974</u>
	<u>16,351</u>	<u>32,150</u>
(b) Retained earnings attributable to the stockholders of the Company are dealt with as follows in the financial statements of:		
The company	75,964	68,539
The subsidiaries	<u>56,214</u>	<u>49,958</u>
	<u>132,178</u>	<u>118,497</u>

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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.

	2016	2015
Net profit attributable to stockholders (\$'000)	16,351	31,250
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit (\$ per share)	<u>11.38</u>	<u>22.37</u>

The Company has no potentially dilutive ordinary shares.

12. PROPERTY, PLANT AND EQUIPMENT

	The Group						
	Freehold Land	Theatre Buildings	Other Buildings	Leasehold Improvements	Equipment, Fixtures & Motor Vehicles		Total
	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000
Cost or deemed cost-							
At 1 July 2014	19,883	72,690	16,561	63,920	507,078	680,132	
Additions	-	-	-	-	10,571	10,571	
Disposals	-	-	-	-	(10,851)	(10,851)	
At 30 June 2015	19,883	72,690	16,561	63,920	506,798	679,852	
Additions	-	-	-	-	19,534	19,534	
Disposals	-	-	-	-	(2,837)	(2,837)	
At 30 June 2016	19,883	72,690	16,561	63,920	523,495	696,549	
Depreciation and impairment -							
At 1 July 2014	-	30,713	1,284	63,920	321,863	417,780	
Charge for the year	-	1,818	412	-	30,781	33,011	
Impairment charge	-	-	-	-	(8,101)	(8,101)	
At 30 June 2015	-	32,531	1,696	63,920	344,543	442,690	
Charge for the year	-	1,836	412	-	30,337	32,585	
Relieved on disposal	-	-	-	-	(1,915)	(1,915)	
At 30 June 2016	-	34,367	2,108	63,920	372,965	473,360	
Net Book Value -							
30 June 2016	19,883	38,323	14,453	-	150,530	223,189	
30 June 2015	19,883	40,159	14,865	-	162,255	237,162	

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	The Company					Total \$'000
	Freehold Land	Theatre Buildings	Other Buildings	Leasehold Improvements	Equipment, Fixtures & Motor Vehicles	
	\$'000	\$'000	\$'000	\$'000	\$'000	
Cost or deemed cost-						
At 1 July 2014	1,010	6	16,561	63,920	315,108	396,605
Additions	-	-	-	-	8,446	8,446
Disposals	-	-	-	-	(10,851)	(10,851)
At 30 June 2015	1,010	6	16,561	63,920	312,703	394,200
Additions	-	-	-	-	8,706	8,706
Disposals	-	-	-	-	(2,837)	(2,837)
At 30 June 2016	1,010	6	16,561	63,920	318,573	400,069
Depreciation and impairment -						
At 1 July 2014	-	2	1,284	63,920	222,856	288,062
Charge for the year	-	1	412	-	17,823	18,236
Impairment charge	-	-	-	-	(8,101)	(8,101)
At 30 June 2015	-	3	1,696	63,920	232,578	298,197
Charge for the year	-	-	412	-	17,112	17,525
Relieved on disposal	-	-	-	-	(1,915)	(1,915)
At 30 June 2016	-	3	2,108	63,920	247,776	313,807
Net Book Value -						
30 June 2016	1,010	3	14,452	-	70,797	86,262
30 June 2015	1,010	3	14,865	-	80,125	96,003

Deemed cost of the freehold land and buildings includes revaluation surpluses of \$2,231,000 and \$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 Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives would not be affected.

48. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

13. INVESTMENTS

	<u>The Group</u>		<u>The Company</u>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Quoted equities - available for sale at fair value	15,140	15,450	3,703	2,582
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
	<u>15,140</u>	<u>15,450</u>	<u>4,188</u>	<u>3,067</u>

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%.

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.

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

14. DEFERRED INCOME TAXES (Continued)

The movement in deferred taxation is as follows:

	<u>The Group</u>		<u>The Company</u>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at start of year	(8,351)	(6,520)	(2,179)	(2,136)
Charge in profit or loss (Note 9)	(2,572)	(3,561)	(1,567)	(1,773)
Credit in other comprehensive income	52	1,731	52	1,731
Balance at end of year	<u>(10,871)</u>	<u>(8,351)</u>	<u>(3,694)</u>	<u>(2,179)</u>

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

	<u>The Group</u>		<u>The Company</u>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deferred tax assets to be recovered after more than 12 months	4,871	6,814	3,267	3,992
Deferred tax liabilities to be settled after more than 12 months	<u>(15,372)</u>	<u>(15,004)</u>	<u>(6,592)</u>	<u>(6,010)</u>

50. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

14. DEFERRED INCOME TAXES (Continued)

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Tax loss carry forwards	1,604	2,822	-	-
Unrealised foreign exchange gains	(280)	(85)	(280)	(85)
(Accelerated)/decelerated capital allowances	(5,514)	(5,002)	3,267	3,992
Pension surplus	(6,592)	(6,010)	(6,592)	(6,010)
Interest receivable	(89)	(76)	(89)	(76)
	<u>(10,871)</u>	<u>(8,351)</u>	<u>(3,694)</u>	<u>(2,179)</u>

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

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Profit or loss -				
Tax loss carry forwards	(1,219)	(2,583)	-	(1,025)
Unrealised foreign exchange (gains)/losses	(195)	552	(195)	552
Accelerated capital allowances	(512)	(1,280)	(725)	(1,050)
Pension surplus	(634)	(387)	(634)	(387)
Interest receivable	(13)	137	(13)	137
	<u>(2,572)</u>	<u>(3,561)</u>	<u>(1,567)</u>	<u>(1,773)</u>
Other comprehensive income -				
Pension surplus	52	1,731	52	1,731
	<u>(2,520)</u>	<u>(1,830)</u>	<u>(1,515)</u>	<u>(42)</u>

Notes to the Financial Statements

30 June 2016

(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 Tax Administration Jamaica, losses of approximately \$7,883,000 for the Group and nil for the Company (2015 – \$12,757,000 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 (2015 - \$247,000) and \$1,221,000 (2015 - \$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 \$77,503,000 (2015 - \$71,391,000).

15. POST-EMPLOYMENT BENEFIT ASSET

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

	The Group and Company	
	2016	2015
	\$'000	\$'000
Present value of funded obligations:		
Head office employees pension plan	(240,669)	(207,439)
Cinema employees pension plan	(49,268)	(43,604)
	<u>(289,937)</u>	<u>(251,043)</u>
Fair value of plan assets:		
Head office employees pension plan	256,792	219,922
Cinema employees pension plan	77,967	67,979
	<u>334,759</u>	<u>287,901</u>
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	(18,455)	(12,818)
Asset in the statement of financial position	<u>26,367</u>	<u>24,040</u>

52. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

15. POST-EMPLOYMENT BENEFIT ASSET (Continued)

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.

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 plans are valued annually by internal actuaries using the Projected Unit Credit Method. The latest actuarial valuation was done as at 30 June 2016.

The movement in the present value of funded obligations over the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of year	207,439	186,847	43,604	40,041
Current service cost	3,738	3,213	939	1,633
Interest cost	19,455	17,478	3,942	3,619
	<u>230,632</u>	<u>207,538</u>	<u>48,485</u>	<u>45,293</u>
Re-measurements -				
Loss from change in financial assumptions	12,146	-	3,168	-
Experience (gains)/losses	(2,002)	934	(266)	(24)
	<u>240,776</u>	<u>208,472</u>	<u>51,387</u>	<u>45,269</u>
Members' contributions	5,310	4,845	2,191	2,321
Benefits paid	(5,417)	(5,878)	(5,502)	(3,986)
Purchased annuities	-	-	1,192	-
Balance at end of year	<u>240,669</u>	<u>207,439</u>	<u>49,268</u>	<u>43,604</u>

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

15. POST-EMPLOYMENT BENEFIT ASSET (Continued)

The movement in the fair value of plan assets during the year is as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of year	219,922	199,382	67,979	61,928
Interest income	21,019	18,983	6,431	5,861
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	13,123	665	4,135	658
Members' contributions	5,310	4,845	2,191	2,321
Employers' contributions	2,835	1,925	1,541	1,197
Benefits paid	(5,417)	(5,878)	(5,502)	(3,986)
Purchased annuities	-	-	1,192	-
Balance at end of year	<u>256,792</u>	<u>219,922</u>	<u>77,967</u>	<u>67,979</u>

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

	Head office employees pension plan		Cinema employees pension plan	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of year	-	-	12,818	5,007
Interest on asset	-	-	1,218	475
Change in asset ceiling, excluding amounts included in interest expense	-	-	4,419	7,336
	<u>-</u>	<u>-</u>	<u>18,455</u>	<u>12,818</u>

The amounts recognised in profit or loss are as follows:

	Head office employees pension plan		Cinema employees pension plan	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current service cost	3,738	3,213	939	1,633
Interest cost	19,455	17,478	3,942	3,619
Interest income on plan assets	(21,019)	(18,983)	(6,431)	(5,861)
Interest on effect of asset ceiling	-	-	1,218	475
Total included in staff costs	<u>2,174</u>	<u>1,708</u>	<u>(332)</u>	<u>(134)</u>

54. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

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15. POST-EMPLOYMENT BENEFIT ASSET (Continued)

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

	Head office employees pension plan				Cinema employees pension plan			
	2016		2015		2016		2015	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
Pooled investment funds -								
Equity Fund	42,142	16	18,719	9	12,340	16	7,513	11
International Equity Fund	18,921	7	18,098	8	6,084	8	5,835	9
Mortgage and Real Estate Fund	68,993	27	55,072	25	20,410	26	15,972	23
Fixed Income Fund	15,197	6	-	-	3,886	5	3,636	5
Global Market Funds	9,862	4	7,496	4	6,818	9	5,777	8
Money Market Fund	6,628	3	7,027	3	1	-	4	-
Foreign Currency Fund	44,166	17	63,371	29	13,861	18	15,985	24
CPI-Indexed	12,928	5	12,056	5	3,329	4	3,794	6
Purchased Annuities	37,437	15	37,458	17	10,966	14	9,176	14
Other	518	-	625	-	272	-	287	-
	<u>256,792</u>	<u>100</u>	<u>219,922</u>	<u>100</u>	<u>77,967</u>	<u>100</u>	<u>67,979</u>	<u>100</u>

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 2017 are \$3,613,000 cinema employees and \$8,647,000 head office employees. The actual return on the plan assets was \$12,318,000 and \$37,666,000 for cinema and head office employees respectively (2015 - \$8,684,000 and \$23,197,000 respectively).

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15. POST-EMPLOYMENT BENEFIT ASSET (Continued)

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

	Head office employees pension plan		Cinema employees pension plan	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Asset at beginning of year	12,483	12,535	11,557	16,880
Amounts recognised in the income statement (Note 8)	(2,174)	(1,708)	332	134
Remeasurements recognised in OCI	2,979	(269)	(3,186)	(6,654)
Contributions paid	<u>2,835</u>	<u>1,925</u>	<u>1,541</u>	<u>1,197</u>
Asset at end of year	<u>16,123</u>	<u>12,483</u>	<u>10,244</u>	<u>11,557</u>

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	
	2016	2015	2016	2015
Discount rate	9.0%	9.5%	9.0%	9.5%
Inflation rate	5.5%	6.0%	5.5%	6.0%
Future salary increases	5.5%	6.0%	5.5%	6.0%
Future pension increases	<u>-</u>	<u>-</u>	<u>1.0%</u>	<u>1.5%</u>

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

Notes to the Financial Statements

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15. POST-EMPLOYMENT BENEFIT ASSET (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.

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15. POST-EMPLOYMENT BENEFIT ASSET (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%	(20,101)	25,434
Future salary increases	1%	10,468	(8,689)
Life expectancy	1 year	2,027	(2,100)

Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		\$'000	\$'000
Discount rate	1%	(4,282)	5,588
Future salary increases	1%	2,849	(2,408)
Expected pension increase	1%	4,302	(3,713)
Life expectancy	1 year	343	(352)

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.

58. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

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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 (2015 - 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 \$15,204,000 (2015 - \$21,399,000)

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 2017.

17. INVENTORIES

	<u>The Group</u>		<u>The Company</u>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Confectionery and snacks	24,189	16,346	21,739	14,433
General stores	20,170	18,002	20,170	18,002
Goods in transit	937	7,556	937	7,556
	<u>45,296</u>	<u>41,904</u>	<u>42,846</u>	<u>39,991</u>

18. RECEIVABLES

	<u>The Group</u>		<u>The Company</u>	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade receivables	30,398	35,400	30,398	35,400
Provision	(825)	(875)	(825)	(875)
	<u>29,573</u>	<u>34,525</u>	<u>29,573</u>	<u>34,525</u>
Prepayments	11,676	9,124	9,547	9,124
Other	5,343	6,585	5,103	6,079
	<u>46,592</u>	<u>50,234</u>	<u>44,223</u>	<u>49,728</u>

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19. SHORT TERM DEPOSITS

Short term deposits include interest receivable amounting to \$356,000 (2015 – \$303,000).

The weighted average interest rate on short term deposits which are denominated in United States dollars was 4.05% (2015 – 3.54%) and these deposits mature within 180 days (2015 – 180 days).

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash at bank and in hand	48,454	37,767	47,409	36,885
Short term deposits (with original maturity 90 days or less)	1,086	1,045	1,086	1,045
Cash and cash equivalents	49,540	38,812	48,495	37,930

The weighted average interest rate on short term deposits which are denominated in Jamaican dollars was 0.07% to 0.2% (2015 – 0.07% to 0.2%) and these deposits mature within 90 days (2015 – 90 days).

21. PAYABLES

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade payables	69,500	62,452	68,970	61,889
Accruals and other payables	50,630	57,509	36,338	47,855
	120,130	119,961	105,308	109,744

60. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

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22. 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 \$19,275,000 (2015 - \$22,430,000) which attract interest at 13.75% (2015 – 14%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group & Company	
	2016	2015
	\$'000	\$'000
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving loan (i)	2,378	6,454
Development Bank of Jamaica Limited, non-revolving term loan (ii)	<u>13,619</u>	<u>17,096</u>
	15,997	23,550
Less: Current portion	<u>(5,855)</u>	<u>(7,553)</u>
	<u>10,142</u>	<u>15,997</u>

- (i) This loan incurs interest at a rate of 11% (2015 – 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.
- (ii) This loan incurs interest at a rate of 8% (2015 – 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.

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23. SHARE CAPITAL

	2016	2015
	\$'000	\$'000
Authorised - 1,500,000 ordinary shares		
Issued and fully paid - 1,437,028 stock units of no par value	<u>1,437</u>	<u>1,437</u>

24. CAPITAL RESERVE

	The Group		The Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Surplus on assets carried at deemed cost	1,373	1,373	1,373	1,373
Realised capital gains	164,726	164,726	146,992	146,992
Other	389	389	-	-
	<u>166,488</u>	<u>166,488</u>	<u>148,365</u>	<u>148,365</u>

25. FAIR VALUE RESERVE

This represents the unrealised surplus on revaluation of investments.

Notes to the Financial Statements

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26. CASH FLOWS FROM OPERATING ACTIVITIES

	The Group		The Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net profit	16,206	31,995	10,095	22,176
Items not affecting cash resources:				
Depreciation	32,585	33,011	17,525	18,236
Gain on sale of property, plant and equipment	(1,109)	(6,355)	(1,109)	(6,355)
Interest income	(1,508)	(1,952)	(3,075)	(4,086)
Dividend income	(456)	(357)	(169)	(162)
Exchange gain on foreign balances	(6,236)	(2,676)	(6,236)	(2,676)
Interest expense	1,979	2,751	1,878	2,649
Taxation	<u>6,586</u>	<u>9,625</u>	<u>4,728</u>	<u>6,724</u>
	48,047	66,042	23,637	36,506
Changes in operating assets and liabilities:				
Inventories	(3,392)	816	(2,855)	239
Receivables	4,448	(18,642)	6,311	(18,331)
Post-employment benefits	(2,534)	(1,548)	(2,534)	(1,548)
Due from subsidiaries	-	-	12,603	24,893
Payables	<u>(8)</u>	<u>(18,262)</u>	<u>(4,613)</u>	<u>(17,237)</u>
	46,561	28,406	32,549	24,522
Taxation paid	<u>(8,092)</u>	<u>(591)</u>	<u>(6,452)</u>	<u>(561)</u>
Cash provided by operating activities	<u><u>38,469</u></u>	<u><u>27,815</u></u>	<u><u>26,097</u></u>	<u><u>23,961</u></u>

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

27. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Purchases of services

Film rental charged by the parent company for the year amounted to \$134,259,000 (2015 - \$114,000,000) respectively. Trade payables include \$28,939,000 (2015 - \$16,679,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2016	2015
	\$'000	\$'000
Wages and salaries	46,368	43,333
Payroll taxes - Employer's portion	2,190	2,521
Pension	1,086	754
Other	<u>5,295</u>	<u>5,942</u>
	<u>54,939</u>	<u>52,550</u>
Director's emoluments -		
Fees	1,742	1,532
Management remuneration (included above)	<u>28,195</u>	<u>27,524</u>

(c) Transactions between the Company and its subsidiaries

During the year, the Company earned management fees of \$22,335,000 (2015 - \$24,025,000), film revenue of \$170,845,000 (2015 - \$183,762,000) and screen advertising administrative fees of \$15,271,000 (2015 - \$14,036,000) from a subsidiary.

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

	2016	2015
	\$'000	\$'000
Receivables -		
Subsidiary company	<u>62,813</u>	<u>76,171</u>
Payables -		
Subsidiary companies	<u>21,612</u>	<u>22,367</u>

(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 22). The guarantee is secured by a first legal mortgage over the Carib cinema building.

64. **THE PALACE AMUSEMENT COMPANY (1921) LIMITED**

Notes to the Financial Statements

30 June 2016

(expressed in Jamaican dollars unless otherwise indicated)

28. CONTINGENT LIABILITIES

At 30 June 2016, the Group and Company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling \$3,305,000 (2015 - \$3,121,000).

29. COMMITMENTS

The Company operates certain cinemas from leased premises and the minimum lease commitments under non-cancellable operating leases through to their expiry are:

	The Group and Company	
	2016	2015
	\$'000	\$'000
No later than 1 year	39,232	42,091
Later than 1 year and no later than 5 years	133,789	137,342
Later than 5 years	77,349	113,525

The Group does not have capital commitments.

THE PALACE AMUSEMENT COMPANY (1921) LIMITED

PROXY FORM

I/We..... of

.....being a member/members of THE PALACE AMUSEMENT COMPANY (1921) LIMITED

hereby appoint.....of.....

or failing him/her of

.....as my/our Proxy to vote for

me/us on my/our behalf at the Annual General Meeting of the Company to be held on **December 13, 2016** and at any adjournment thereof.

Signed thisday of.....20...

.....Signature

.....Signature

NOTE: To be valid:

- (1) If executed by a corporation, this proxy must be sealed.
- (2) This Proxy Form must be received by the Secretary of the Company, 1A South Camp Road, Box 8009, C.S.O. Kingston, at least 48 hours before the time of the meeting.
- (3) This Proxy Form should bear stamp duty of \$100.00. Adhesive stamps are to be cancelled by the person signing the proxy.
- (4) The Proxy need not be a member of the Company.

Place \$100.00 stamp here
