The Palace Amusement Company (1921) Limited

Financial Statements
30 June 2017

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Independent auditor's report

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

Report on the audit of the consolidated and stand-alone financial statements

Our opinion

In our opinion, the consolidated financial statements and stand-alone financial statements give a true and fair view of the consolidated financial position of The Palace Amusement Company (1921) Limited (the Company) and its subsidiaries (together the Group) and the stand-alone financial position of the Company as at 30 June 2017, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

What we have audited

The Palace Amusement Company (1921) Limited's consolidated and stand-alone financial statements comprise:

- The consolidated and stand-alone statements of comprehensive income for the year ended 30 June 2017;
- The consolidated and stand-alone statements of financial position as at 30 June, 2017;
- The consolidated and stand-alone statements of changes in equity for the year ended 30 June 2017;
- The consolidated and stand-alone statements of cash flows for the year ended 30 June 2017; and
- The notes to the financial statements, which include significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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Our audit approach

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and stand-alone financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In assessing the risk of material misstatement to the Group financial statements, we designed and performed a full scope audit over the Group's individually financially significant components being, The Palace Amusement Company (1921) Limited and The Cinema Company of Jamaica Limited. The Group comprises four components all of which are domiciled in Jamaica. Two of these components are dormant. In relation to the remaining two dormant components, none of which are individually greater than 2% of the Group's profit before tax, we performed other procedures including analytical review procedures, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements. All components were audited by PwC Jamaica.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and stand-alone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of pension plan assets and liabilities (Group and Company) *Refer to notes 2(l), 4(b) and 15 of the financial statements for disclosures of related accounting policies, judgments and estimate and balances.* The Group and Company have defined benefit pension plans with a pension plan net asset balance, which is significant in the context of the overall statement of financial position of the Group and Company. Pension plan net assets amounted to $42.130 million for both Group and Company.	We performed the following procedures on the valuations of pension plan assets and liabilities as follows: • we confirmed the existence and net asset value of the assets of the pension plan with the administrator of the pension plan assets; • we evaluated management's assumptions made in relation to the assumptions around salary and pension increases and mortality rates by comparing them to national and industry averages; • we agreed the discount and inflation rates used in the valuation of the pension liability to that issued by the Institute of Chartered Accountants of Jamaica;

Key audit matter	How our audit addressed the key audit matter
The pension plan net assets include significant pension asset investments, the fair value measurement of which includes some judgement. A number of the key assumptions can have a material impact on the calculation of the pension plan liability including; • salary increases; • pension increases; • inflation; • discount rates and; • mortality rates. Management uses external actuaries to assist in determining these assumptions and the liabilities within the pension plan. We focused on this area as the valuation of the pension plan net asset requires significant levels of judgement and technical expertise in choosing appropriate assumptions and application of judgement.	• we evaluated the work of management's actuarial expert, including their independence, experience and objectivity; • we tested the completeness and accuracy of data extracted and supplied to the actuary, which is used to calculate the pension plans' surplus or deficit; Based on the audit evidence obtained, we determined that the data and assumptions used by management in the actuarial valuations and determination of the fair value of the plan assets were supported by the available audit evidence with no material exceptions noted.

Other information

Management is responsible for the other information. The other information comprises the Annual Report (but does not include the consolidated and stand-alone financial statements and our auditor's report thereon), which is expected to be made available to us after this auditor's report date.

Our opinion on the consolidated and stand-alone financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated and stand-alone financial statements

Management is responsible for the preparation and fair presentation of the consolidated and stand-alone financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and stand-alone financial statements, management is responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group, the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and stand-alone financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and stand-alone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and stand-alone financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial and stand-alone statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and stand-alone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and stand-alone financial statements, including the disclosures, and whether the consolidated and stand-alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and stand-alone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 stand-alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

The engagement partner on the audit resulting in this independent auditor's report is Peter Williams.

PricewaterhouseCoopers

Chartered Accountants
27 September 2017
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Statement of Comprehensive Income

Year ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue		990,137	909,240
Direct expenses		(789,249)	(728,015)
Gross Profit		200,888	181,225
Other operating income	6	12,773	11,528
Administration expenses		(170,611)	(167,982)
Operating Profit		43,050	24,771
Finance costs – interest expense		(1,363)	(1,979)
Profit before Taxation		41,687	22,792
Taxation	9	(8,867)	(6,586)
Net Profit		32,820	16,206
Other Comprehensive Income:			
Item(s) that may be reclassified to profit or loss in the future			
Unrealised gains/(losses) on available-for-sale investments, net of taxation		1,044	(310)
Item(s) that will not be reclassified to profit or loss in the future			
Re-measurement of post-employment benefit asset, net of taxation		9,007	(155)
Total other comprehensive income		10,051	(465)
Total Comprehensive Income		42,871	15,741
Net Profit Attributable to:			
Stockholders of the company	10	33,013	16,351
Non-controlling interest		(193)	(145)
		32,820	16,206
Total Comprehensive Income Attributable to:			
Stockholders of the company		43,170	16,028
Non-controlling interest		(299)	(287)
		42,871	15,741
Earnings per Stock Unit Attributable to Stockholders of the Company	11	22.97	11.38

The Palace Amusement Company (1921) Limited

Consolidated Statement of Financial Position

30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Non-Current Assets			
Property, plant and equipment	12	219,246	223,189
Investments	13	16,184	15,140
Post-employment benefit asset	15	42,130	26,367
		277,560	264,696
Current Assets			
Inventories	17	45,109	45,296
Receivables	18	44,815	46,592
Taxation recoverable		-	2,298
Short term deposits	19	60,348	58,516
Cash and cash equivalents	20	81,155	49,540
		231,427	202,242
Current Liabilities			
Payables	21	100,403	120,130
Taxation payable		2,183	296
Current portion of long term liabilities	22	7,237	5,855
		109,823	126,281
Net Current Assets		121,604	75,961
		399,164	340,657
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	166,488	166,488
Fair value reserve	25	15,733	14,583
Retained earnings	10	172,761	132,178
		356,419	314,686
Non-Controlling Interest		4,659	4,958
		361,078	319,644
Non-Current Liabilities			
Long term liabilities	22	21,705	10,142
Deferred tax liabilities	14	16,381	10,871
		399,164	340,657

Approved for issue by the Board of Directors on 27 September 2017 and signed on its behalf by:

Douglas Graham — Director

Melanie Graham — Director

The Palace Amusement Company (1921) Limited

Consolidated Statement of Changes in Equity

Year ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to the Company's Stockholders						
	Number of Shares	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings	Non-Controlling Interest	Total
	'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 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
Total comprehensive income							
Net profit	-	-	-	-	33,013	(193)	32,820
Other comprehensive income –							
Unrealised gains on available-for-sale investments	-	-	-	1,150	-	(106)	1,044
Re-measurement of post-employment benefit asset	-	-	-	-	9,007	-	9,007
	-	-	-	1,150	42,020	(299)	42,871
Transactions with owners							
Dividends paid	-	-	-	-	(1,437)	-	(1,437)
Balance at 30 June 2017	1,437	1,437	166,488	15,733	172,761	4,659	361,078

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 $'000	2016 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	49,014	38,469
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(29,482)	(19,534)
Proceeds from sale of property, plant and equipment	1,250	2,031
Short term deposits, net	(1,963)	(5,343)
Interest received	1,180	1,089
Dividends received	232	456
Cash used in investing activities	(28,783)	(21,301)
Cash Flows from Financing Activities		
Long term loans repaid	(5,855)	(7,553)
Long term loans received	18,800	-
Interest paid	(1,363)	(1,979)
Dividends paid	(1,437)	(2,515)
Cash provided by/(used in) financing activities	10,145	(12,047)
	30,376	5,121
Exchange gain on foreign cash balances	1,239	5,607
Increase in cash and cash equivalents	31,615	10,728
Cash and cash equivalents at beginning of year	49,540	38,812
Cash and Cash Equivalents at End of Year (Note 20)	81,155	49,540

The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Revenue		715,620	659,020
Direct expenses		(556,262)	(509,480)
Gross Profit		159,358	149,540
Other operating income	6	37,737	35,143
Administration expenses		(170,611)	(167,982)
Operating Profit		26,484	16,701
Finance costs – interest expense		(1,282)	(1,878)
Profit before Taxation		25,202	14,823
Taxation	9	(5,425)	(4,728)
Net Profit	10	19,777	10,095
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		2,116	1,121
Item(s) that will not be reclassified to profit or loss in the future -			
Re-measurement of post-employment benefit asset, net of taxation		9,007	(155)
Total other comprehensive income		11,123	966
Total Comprehensive Income		30,900	11,061

The Palace Amusement Company (1921) Limited

Company Statement of Financial Position

30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2017 $'000	2016 $'000
Non-Current Assets			
Property, plant and equipment	12	92,390	86,262
Investments	13	6,304	4,188
Post-employment benefit asset	15	42,130	26,367
Due from subsidiaries	16/27	35,971	62,813
		176,795	179,630
Current Assets			
Inventories	17	42,345	42,846
Receivables	18	42,656	44,223
Taxation recoverable		-	2,298
Short term deposits	19	60,348	58,516
Cash and cash equivalents	20	79,764	48,495
		225,113	196,378
Current Liabilities			
Payables	21	85,136	105,308
Taxation payable		283	-
Current portion of long term liabilities	22	7,237	5,855
		92,656	111,163
Net Current Assets		132,457	85,215
		309,252	264,845
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	148,365	148,365
Fair value reserve	25	5,747	3,631
Retained earnings	10	103,311	75,964
		258,860	229,397
Non-Current Liabilities			
Due to subsidiaries	16/27	20,599	21,612
Long term liabilities	22	21,705	10,142
Deferred tax liabilities	14	8,088	3,694
		309,252	264,845

Approved for issue by the Board of Directors on 27 September 2017 and signed on its behalf by:

Douglas Graham — Director

Melanie Graham — Director

The Palace Amusement Company (1921) Limited

Company Statement of Changes in Equity

Year ended 30 June 2017

(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 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
Total comprehensive income						
Net profit	-	-	-	-	19,777	19,777
Other comprehensive income –						
Unrealised gains on available-for-sale investments	-	-	-	2,116	-	2,116
Re-measurement of post employment benefit asset	-	-	-	-	9,007	9,007
	-	-	-	2,116	28,784	30,900
Transactions with owners						
Dividends paid	-	-	-	-	(1,437)	(1,437)
Balance at 30 June 2017	1,437	1,437	148,365	5,747	103,311	258,860

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2017

(expressed in Jamaican dollars unless otherwise indicated)

	2017 $'000	2016 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	41,467	26,097
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(23,281)	(8,706)
Proceeds from sale of property, plant and equipment	1,250	2,031
Short term deposits, net	(1,963)	(5,343)
Interest received	2,184	2,656
Dividend received	147	169
Cash used in investing activities	(21,663)	(9,193)
Cash Flows from Financing Activities		
Long term loans repaid	(5,855)	(7,553)
Long term loans received	18,800	-
Interest paid	(1,282)	(1,878)
Dividends paid	(1,437)	(2,515)
Cash provided by/(used in) financing activities	10,226	(11,946)
	30,030	4,958
Exchange gain on foreign cash balances	1,239	5,607
Increase in cash and cash equivalents	31,269	10,565
Cash and cash equivalents at beginning of year	48,495	37,930
Cash and Cash Equivalents at End of Year (Note 20)	79,764	48,495

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2017
(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 By Experience, which represents National Theatre Live and Bolshoi Ballet; 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.

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 July 2017, 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:

- **Amendments to IAS 7, "Statement of Cash Flows"** on disclosure initiative - These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. The standard is effective for accounting periods beginning on or after 1 January 2017. This amendment is not expected to have a significant impact on the Group.

- **Amendment to IAS 12, 'Income Taxes'** in January 2017 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 became effective on 1 January 2017. The amendement does not have a significant impact on the financial statements.

- **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.

The Palace Amusement Company (1921) Limited

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

New standards, amendments and interpretations not yet adopted (continued)

- **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 2017. 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.

- **IFRIC 22', foreign currency transactions and advance consideration'** - This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The standard is effective for annual periods beginning on or after 1 January 2018. The company is yet to assess to impact of this IFRIC.

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.

2. Significant Accounting Policies (Continued)

(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.

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.

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Subsidiaries (continued)
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.

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.

The Palace Amusement Company (1921) Limited

2. Significant Accounting Policies (Continued)

(d) Property, plant and equipment

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

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

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

Theatre and other buildings	40 years
Leasehold improvements	10 years
Equipment and fixtures	5-10 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.

2. Significant Accounting Policies (Continued)

(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.

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 subsidiaries'.

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.

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

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

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

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

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

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

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

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

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2. Significant Accounting Policies (Continued)

(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.

(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.

2. Significant Accounting Policies (Continued)

(l) Employee benefits

The Group operates defined benefit plans, the assets of which are generally held in separate trustee-administered funds. 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.

(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.

2. Significant Accounting Policies (Continued)

(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.

In 2016, the Group discontinued the sale of electronic cards which entitled customers to future box office attendance and/or confectionery purchases. The fair value of the consideration received was recognised as deferred income at the time of sale. Revenue is recognised as the electronic cards are utilised or expire. Electronic cards expire 18 months after no registered activity.

The Group sold movie vouchers which entitled customers to box office attendance in the future. The fair value of the consideration received was recognized as deferred income. 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.

Leases of property, plant and equipment, where the Group 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.

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3. Financial Risk Management

(a) Financial risk factors

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

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

(i) Market risk

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

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

Concentration of currency risk
The Group and Company are exposed to foreign currency risk in respect of US dollar receivables and cash and bank balances amounting to $12,822,000 (2016 – $12,232,000) and $84,952,000 (2016 – $74,519,000), 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% (2016 – 6%) depreciation and a 1% (2016 – 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 2017	Effect on Profit before Tax 30 June 2017 $'000	% Change in Currency Rate 2016	Effect on Profit before Tax 30 June 2016 $'000
Currency:				
USD	-6	5,866	-6	5,205
USD	+1	(978)	+1	(868)

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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 or cash flows 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 companies, 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.

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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 2017, trade receivables of $6,230,000 (2016 - $7,563,000) 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 2017, the Group and Company had trade receivables of $481,000 (2016 - $825,000) that were impaired. The amount of the provision was $481,000 (2016 – $825,000). These receivables were aged over 90 days.

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

	The Group and Company	
	2017 $'000	2016 $'000
At 1 July	825	875
Provision for receivables impairment	50	43
Receivables written off during the year as uncollectible	(374)	(6)
Receivables recovered during the year	(20)	(87)
At 30 June	481	825

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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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	
	2017 **$'000**	**2016** **$'000**
Independent cinemas	16,931	15,991
Advertising agencies	2,946	4,725
Other	5,171	9,682
	25,048	30,398
Less: Provision for credit losses	(481)	(825)
	24,567	29,573

(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.

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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
	2017			
Trade payables	45,122	-	-	45,122
Accruals and other payables	39,453	-	-	39,453
Long term liabilities	9,459	8,842	16,162	34,463
Total financial liabilities	94,034	8,842	16,162	119,038
	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

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company			
	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
		2017		
Trade payables	43,689	-	-	43,689
Accruals and other payables	29,193	-	-	29,193
Due to subsidiary companies	20,599	-	-	20,599
Long term liabilities	9,459	8,842	16,162	34,463
Total financial liabilities	102,940	8,842	16,162	127,944
		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

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

(b) Capital management

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

There are no particular strategies to determine the optimal capital structure. There are externally imposed capital maintenance requirements to which the Group is subjected, and with which they were in compliance for the year ended 30 June 2017.

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3. Financial Risk Management (Continued)

(c) Fair value estimation

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

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

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

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

The 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 $16,184,000 (2016 - $15,140,000) and $5,819,000 (2016 - $3,703,000) 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.

(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 them.

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.

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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 $94,200,000 (2016 - $74,484,000) earned from other Caribbean countries.

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

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5. Segment Reporting (Continued)

	2017					
	Cinema Activities					
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Film Activities $'000	Screen Advertising Activities $'000	Total $'000
Revenue –						
Box office receipts	300,397	103,955	163,539	-	-	567,891
Confectionery sales	143,617	47,076	64,004	-	-	254,697
Film rental	-	-	-	413,943	-	413,943
Screen advertising	23,952	10,325	14,590	-	29,480	78,347
Other activities	1,680	3,160	880	-	-	5,720
	469,646	164,516	243,013	413,943	29,480	1,320,598
Eliminations						(330,461)
Revenue from external customers						990,137
Segment result [1]	17,557	18,307	35,521	86,358	19,319	177,062
Eliminations						24,045
						201,107
Segment assets[2]	132,620	23,645	21,781	257	-	178,303
Unallocated assets						330,684
Total assets						508,987
Segment liabilities[3]	25,079	-	-	-	-	25,079
Unallocated liabilities						122,830
Total liabilities						147,909
Other items –						
Capital expenditure	6,202	2,234	87	-	-	8,523
Eliminations						-
Unallocated head office capital expenditure						20,959
Total capital expenditure						29,482
Depreciation	16,273	4,889	3,602	78	-	24,842
Unallocated head office depreciation						8,584
Total depreciation						33,426
Interest expense	1,085	30	-	-	-	1,115
Unallocated head office interest expense						1,252
Eliminations						(1,004)
Total interest expense						1,363

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5. Segment Reporting (Continued)

	2016					
	Cinema Activities					
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Film Activities $'000	Screen Advertising Activities $'000	Total $'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
	436,336	153,423	223,058	379,654	30,802	1,223,273
Eliminations						(314,033)
Revenue from external customers						909,240
Segment result (1)	8,695	15,822	30,354	83,120	20,235	158,226
Eliminations						22,335
						180,561
Segment assets(2)	142,241	25,712	24,977	335	-	193,265
Unallocated assets						273,673
Total assets						466,938
Segment liabilities(3)	30,052	793	-	-	-	30,845
Unallocated liabilities						116,449
Total liabilities						147,294
Other items –						
Capital expenditure	10,828	364	3,501	-	-	14,693
Eliminations						-
Unallocated head office capital expenditure						4,841
Total capital expenditure						19,534
Depreciation	15,060	5,482	3,996	224	8	24,770
Unallocated head office depreciation						7,815
Total depreciation						32,585
Interest expense	1,668	169	-	-	-	1,837
Unallocated head office interest expense						1,709
Eliminations						(1,567)
Total interest expense						1,979

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5. Segment Reporting (Contined)

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

	The Group	
	2017 **$'000**	**2016** **$'000**
Profit from reportable segments	201,107	180,561
Unallocated income -		
Other operating income	12,773	11,528
Unallocated costs -		
Administrative expenses	(170,611)	(167,982)
Other	(1,334)	(1,173)
	(171,945)	(169,155)
Unallocated interest expense	(1,252)	(1,709)
Eliminations	1,004	1,567
	(248)	(142)
	41,687	22,792

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

	The Group	
	2017 **$'000**	**2016** **$'000**
Segment assets from reportable segments	178,303	193,265
Unallocated assets -		
Property, plant and equipment	53,026	40,650
Investments	16,184	15,140
Post-employment benefit asset	42,130	26,367
Inventories	38,482	39,485
Receivables	42,656	44,222
Taxation recoverable	-	2,298
Short term deposits	60,348	58,516
Cash and bank balances	77,858	46,995
	508,987	466,938

5. Segment Reporting (Continued)

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

	The Group	
	2017 $'000	**2016 $'000**
Segment liabilities from reportable segments	25,079	30,845
Unallocated liabilities -		
Deferred tax liabilities	16,381	10,871
Payables	85,466	105,578
Long term liabilities	18,800	-
Taxation payable	2,183	-
	147,909	147,294

6. Other Operating Income

	The Group		The Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Dividend income	232	456	147	169
Gain on sale of property, plant and equipment	1,250	1,109	1,250	1,109
Interest income	1,400	1,508	2,404	3,075
Management fees	-	-	24,045	22,335
Exchange gain on foreign balances	1,887	6,236	1,887	6,236
Other	8,004	2,219	8,004	2,219
	12,773	11,528	37,737	35,143

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7. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Advertising and promotion	24,041	24,963	13,887	14,497
Auditors' remuneration:				
Current year	5,205	4,920	4,200	4,000
Prior year	237	(6)	180	32
Bank security and fees	6,743	6,801	3,392	3,501
Cost of inventories recognised as expense	127,085	112,573	52,248	46,752
Depreciation	33,426	32,585	17,153	17,525
Film cost	320,196	289,087	320,196	289,087
Insurance	15,218	16,680	9,288	10,216
Legal and professional fees	2,565	5,687	2,024	5,002
Licence fees	6,181	5,751	2,978	2,773
Motor vehicle expenses	4,701	4,005	4,701	4,005
Other	24,410	23,002	17,639	16,500
Repairs, maintenance and renewals	31,839	29,678	23,111	20,901
Security	20,563	19,460	8,942	8,646
Staff costs (Note 8)	212,439	206,401	163,775	158,248
Stationery and supplies	25,701	20,887	12,879	11,510
Theatre rental	38,012	34,456	38,012	34,456
Transportation and courier	863	806	785	686
Utilities	60,435	58,261	31,483	29,125
	959,860	895,997	726,873	677,462

8. Staff Costs

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Wages and salaries	174,248	168,190	134,898	129,163
Payroll taxes – Employer's portion	16,518	16,573	12,110	12,218
Pension (Note 15)	736	1,842	736	1,842
Other	20,937	19,796	16,031	15,025
	212,439	206,401	163,775	158,248

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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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Current taxation	6,359	3,391	4,033	2,538
Prior year under accrual	1	623	1	623
Deferred taxation (Note 14)	2,507	2,572	1,391	1,567
	8,867	6,586	5,425	4,728

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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Profit before taxation	41,687	22,792	25,202	14,823
Tax calculated at applicable tax rates	10,422	5,698	6,300	3,705
Adjusted for the effects of:				
Prior year under accrual	1	623	1	623
Income subject to different tax rates	(17)	(20)	(17)	(20)
Disallowed expenses	148	168	98	118
Permanent differences between depreciation and capital allowances	252	766	252	766
Employment Tax Credit	(2,241)	(746)	(1,244)	(381)
Other	302	97	35	(83)
	8,867	6,586	5,425	4,728

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10. Net Profit and Retained Earnings Attributable to the Stockholders

	2017 $'000	2016 $'000
(a) Net profit attributable to the stockholders of the Company is dealt with as follows in the financial statements of:		
The Company	19,777	10,095
The subsidiaries	13,236	6,256
	33,013	16,351

	2017 $'000	2016 $'000
(b) Retained earnings attributable to the stockholders of the Company are dealt with as follows in the financial statements of:		
The Company	103,311	75,964
The subsidiaries	69,450	56,214
	172,761	132,178

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.

	2017	2016
Net profit attributable to stockholders ($'000)	33,013	16,351
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit ($ per share)	22.97	11.38

The Company has no potentially dilutive ordinary shares.

The Palace Amusement Company (1921) Limited

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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 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	523,497	696,551
Additions	-	714	1,610	-	27,158	29,482
Disposals	-	-	-	-	(4,027)	(4,027)
At 30 June 2017	19,883	73,404	18,171	63,920	546,628	722,006
Depreciation and impairment -						
At 1 July 2015	-	32,531	1,696	63,920	344,543	442,690
Charge for the year	-	1,836	413	-	30,336	32,586
Relieved on disposal	-	-	-	-	(1,915)	(1,915)
At 30 June 2016	-	34,367	2,109	63,920	372,964	473,360
Charge for the year	-	1,934	413	-	31,079	33,426
Relieved on disposal	-	-	-	-	(4,027)	(4,027)
At 30 June 2017	-	36,301	2,522	63,920	400,017	502,760
Net Book Value -						
30 June 2017	19,883	37,103	15,649	-	146,611	219,246
30 June 2016	19,883	38,323	14,452	-	150,531	223,189

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12. Property, Plant and Equipment (Continued)

	The Company					
	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 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
Additions	-	-	1,610	-	21,671	23,281
Disposals	-	-	-	-	(4,027)	(4,027)
At 30 June 2017	1,010	6	18,171	63,920	336,216	419,323
Depreciation and impairment -						
At 1 July 2015	-	3	1,696	63,920	232,578	298,197
Charge for the year	-	-	413	-	17,112	17,525
Relieved on disposal	-	-	-	-	(1,915)	(1,915)
At 30 June 2016	-	3	2,109	63,920	247,776	313,807
Charge for the year	-	-	413	-	16,739	17,153
Relieved on disposal	-	-	-	-	(4,027)	(4,027)
At 30 June 2017	-	3	2,522	63,920	260,488	326,933
Net Book Value -						
30 June 2017	1,010	3	15,649	-	75,728	92,390
30 June 2016	1,010	3	14,452	-	70,797	86,262

Deemed cost of the freehold land and buildings includes revaluation surpluses of $2,231,000 and $2,231,000 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.

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13. Investments

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Quoted equities – available for sale at fair value	16,184	15,140	5,819	3,703
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
	16,184	15,140	6,304	4,188

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.

The movement in deferred taxation is as follows:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at start of year	(10,871)	(8,351)	(3,694)	(2,179)
Charge to profit or loss (Note 9)	(2,507)	(2,572)	(1,391)	(1,567)
(Charge)/Credit to other comprehensive income	(3,003)	52	(3,003)	52
Balance at end of year	(16,381)	(10,871)	(8,088)	(3,694)

14. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets to be recovered after more than 12 months	2,525	4,871	2,525	3,267
Deferred tax liabilities to be settled after more than 12 months	(18,825)	(15,372)	(10,533)	(6,592)

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Tax loss carry forwards	-	1,604	-	-
Unrealised foreign exchange gains	(24)	(280)	(23)	(280)
(Accelerated)/decelerated capital allowances	(5,768)	(5,514)	2,525	3,267
Pension surplus	(10,533)	(6,592)	(10,533)	(6,592)
Interest receivable	(56)	(89)	(56)	(89)
	(16,381)	(10,871)	(8,088)	(3,694)

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

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Profit or loss –				
Tax loss carry forwards	(1,603)	(1,219)	-	-
Unrealised foreign exchange losses/(gains)	256	(195)	256	(195)
Accelerated capital allowances	(255)	(512)	(743)	(725)
Pension surplus	(938)	(634)	(938)	(634)
Interest receivable	33	(13)	33	(13)
	(2,507)	(2,572)	(1,391)	(1,567)
Other comprehensive income –				
Pension surplus	(3,003)	52	(3,003)	52
	5,510	(2,520)	4,394	(1,515)

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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 future taxable periods is probable. Subject to agreement with the Tax Administration Jamaica, losses of approximately $1,468,000 for the Group and nil for the Company (2016 – $7,883,000 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 (2016 - $247,000) and $1,221,000 (2016 - $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 $90,546,000 (2016 - $77,503,000).

15. Post-employment Benefit Asset

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

	The Group and Company	
	2017	**2016**
	$'000	**$'000**
Present value of funded obligations		
Head office employees' pension plan	(267,313)	(240,669)
Cinema employees' pension plan	(67,513)	(49,268)
	(334,826)	(289,937)
Fair value of plan assets:		
Head office employees' pension plan	292,863	256,792
Cinema employees' pension plan	89,890	77,967
	382,753	334,759
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	(5,797)	(18,455)
Asset in the statement of financial position	42,130	26,367

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.

15. Post-employment Benefit Asset (Continued)

Cinema employees' pension plan

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

The plans are valued annually by internal actuaries using the Projected Unit Credit Method. The latest actuarial valuation was done as at 30 June 2017.

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at beginning of year	240,669	207,439	49,268	43,604
Current service cost	2,799	3,738	847	939
Interest cost	21,361	19,455	4,320	3,942
	264,829	230,632	54,435	48,485
Re-measurements -				
Loss from change in financial assumptions	12,950	12,146	3,040	3,168
Experience (gains)/losses	(9,148)	(2,002)	10,411	(266)
	268,631	240,776	67,886	51,387
Members' contributions	5,484	5,310	2,220	2,191
Benefits paid	(8,957)	(5,417)	(2,593)	(5,502)
Purchased annuities	2,155	-	-	1,192
Balance at end of year	267,313	240,669	67,513	49,268

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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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at beginning of year	256,792	219,922	77,967	67,979
Interest income	23,182	21,019	7,070	6,431
Re-measurements -				
Return on plan assets, excluding amounts included in interest income	11,292	13,123	3,652	4,135
Members' contributions	5,484	5,310	2,220	2,191
Employers' contributions	2,915	2,835	1,574	1,541
Benefits paid	(8,957)	(5,417)	(2,593)	(5,502)
Purchased annuities	2,155	-	-	1,192
Balance at end of year	292,863	256,792	89,890	77,967

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Balance at beginning of year	-	-	18,455	12,818
Interest on asset	-	-	1,661	1,218
Change in asset ceiling, excluding amounts included in interest expense	-	-	(14,319)	4,419
	-	-	5,797	18,455

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15. Post-employment Benefit Asset (Continued)

The amounts recognised in profit or loss are as follows:

	Head office employees' pension plan		Cinema employees' pension plan	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current service cost	2,799	3,738	847	939
Interest cost	21,361	19,455	4,320	3,942
Interest income on plan assets	(23,182)	(21,019)	(7,070)	(6,431)
Interest on effect of asset ceiling	-	-	1,661	1,218
Total included in staff costs	978	2,174	(242)	(332)

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

	Head office employees pension plan				Cinema employees pension plan			
	2017		2016		2017		2016	
	$'000	%	$'000	%	$'000	%	$'000	%
Pooled investment funds –								
Equity Fund	77,804	27	42,142	16	21,835	25	12,340	16
International Equity Fund	4,231	1	18,921	7	3,011	3	6,084	8
Mortgage and Real Estate Fund	77,071	26	68,993	27	23,938	27	20,410	26
Fixed Income Fund	16,818	6	15,197	6	3,198	4	3,886	5
Global Market Funds	11,817	4	9,862	4	3,745	4	6,818	9
Money Market Fund	3,577	1	6,628	3	1	-	1	-
Foreign Currency Fund	62,967	22	44,166	17	18,949	21	13,861	18
CPI- Indexed	-	-	12,928	5	3,831	4	3,329	4
Purchased Annuities	38,045	13	37,437	15	11,071	12	10,966	14
Other	533	-	518	-	311	-	272	-
	292,863	100	256,792	100	89,890	100	77,967	100

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15. Post-employment Benefit Asset (Continued)

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 $3,786,000 for cinema employees and $8,374,000 for head office employees. The actual return on the plan assets was $12,237,000 and $38,028,000 for cinema and head office employees respectively (2016 - $12,318,000 and $37,666,000 respectively).

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Asset at beginning of year	16,123	12,483	10,244	11,557
Amounts recognised in the income statement	(978)	(2,174)	242	332
Remeasurements recognised in OCI	7,490	2,979	4,520	(3,186)
Contributions paid	2,915	2,835	1,574	1,541
Asset at end of year	25,550	16,123	16,580	10,244

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	
	2017	**2016**	**2017**	**2016**
Discount rate	8.5%	9.0%	8.5%	9.0%
Inflation rate	5.5%	5.5%	5.5%	5.5%
Future salary increases	5.5%	5.5%	5.0%	5.5%
Future pension increases	-	-	2.5%	1.0%

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

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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 plans' liabilities, although this will be partially offset by an increase in the return on plans' assets which are linked to debt investments.

(iii) Salary risk

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

(iv) Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the members, so increases in life expectancy will result in an increase in the plans' 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%	(23,352)	29,551
Future salary increases	1%	12,113	(10,127)
Life expectancy	1 year	2,430	(2,510)

Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
		$'000	**$'000**
Discount rate	1%	(6,471)	8,456
Future salary increases	1%	3,746	(3,169)
Expected pension increase	1%	7,024	(5,996)
Life expectancy	1 year	742	(755)

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.

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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 accounts 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 (2016 - 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 $10,142,000 (2016 - $15,204,000)

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

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Confectionery and snacks	27,784	24,189	25,020	21,739
General stores	17,270	20,170	17,270	20,170
Goods in transit	55	937	55	937
	45,109	45,296	42,345	42,846

18. Receivables

	The Group		The Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	25,048	30,398	25,048	30,398
Provision for doubtful debts	(481)	(825)	(481)	(825)
	24,567	29,573	24,567	29,573
Prepayments	9,595	11,676	7,612	9,547
Other	10,653	5,343	10,477	5,103
	44,815	46,592	42,656	44,223

19. Short Term Deposits

Short term deposits include interest receivable amounting to $225,000 (2016 – $356,000).

The weighted average interest rate on short term deposits which are denominated in United States dollars was 0.05 to 2.1% (2016 – 0.07% to 0.2%) and these deposits mature within 180 days (2016 – 180 days).

20. Cash and Cash Equivalents

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at bank and in hand	80,036	48,454	78,645	47,409
Short term deposits (with original maturity 90 days or less)	1,119	1,086	1,119	1,086
Cash and cash equivalents	81,155	49,540	79,764	48,495

The weighted average interest rate on short term deposits which are denominated in Jamaican dollars was 4.05% (2016 – 4.05%) and these deposits mature within 90 days (2016 – 90 days).

21. Payables

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables	53,002	69,500	51,569	68,970
Accruals and other payables	47,401	50,630	33,567	36,338
	100,403	120,130	85,136	105,308

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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 $21,695,000 (2016 - $19,275,000) which attract interest at 13.75% (2016 – 13.75%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group and Company	
	2017 $'000	2016 $'000
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving loan (i)	-	2,378
Development Bank of Jamaica Limited, non-revolving term loan (ii)	10,142	13,619
Non-revolving term loan (iii)	18,800	-
	28,942	15,997
Less: Current portion	(7,237)	(5,855)
	21,705	10,142

(i) This loan was repaid in April 2017. The Cinema Company of Jamaica, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee was supported by a first legal mortgage over the Carib Cinema. The loan was 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% (2016 – 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.

(iii) This loan was obtained in June 2017. The loan incurs interest at a rate of 9% and is repayable in June 2022. 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.

23. Share Capital

	2017 $'000	2016 $'000
Authorised -		
1,500,000 ordinary shares		
Issued and fully paid –		
1,437,028 stock units of no par value	1,437	1,437

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24. Capital Reserve

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Unrealised surplus on assets carried at deemed cost	2,231	2,231	1,373	1,373
Realised capital gains	163,868	163,868	146,992	146,992
Other	389	389	-	-
	166,488	166,488	148,365	148,365

25. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments.

26. Cash Flows from Operating Activities

	The Group		The Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net profit	32,820	16,206	19,777	10,095
Items not affecting cash resources:				
Depreciation	33,426	32,585	17,153	17,525
Gain on sale of property, plant and equipment	(1,250)	(1,109)	(1,250)	(1,109)
Interest income	(1,400)	(1,508)	(2,404)	(3,075)
Dividend income	(232)	(456)	(147)	(169)
Exchange gain on foreign balances	(1,887)	(6,236)	(1,887)	(6,236)
Interest expense	1,363	1,979	1,282	1,878
Taxation	8,867	6,586	5,425	4,728
	71,707	48,047	37,949	23,637
Changes in operating assets and liabilities:				
Inventories	187	(3,392)	501	(2,855)
Receivables	2,801	4,448	2,592	6,311
Post-employment benefits	(3,753)	(2,534)	(3,753)	(2,534)
Due from subsidiaries	-	-	25,828	12,603
Payables	(20,103)	(8)	(20,548)	(4,613)
	50,839	46,561	42,569	32,549
Taxation paid	(1,825)	(8,092)	(1,102)	(6,452)
Cash provided by operating activities	49,014	38,469	41,467	26,097

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27. Related Party Transactions and Balances

(a) Purchases of services
Film rental charged by the parent company for the year amounted to $123,514,000 (2016 - $134,259,000) respectively. Trade payables include $13,453,000 (2016 – $28,939,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2017 $'000	2016 $'000
Wages and salaries	54,605	46,368
Payroll taxes – Employer's portion	2,584	2,190
Pension	1,362	1,086
Other	6,042	5,295
	64,593	54,939
Directors' emoluments –		
Fees	1,610	1,742
Management remuneration (included above)	29,595	28,195

(c) Transactions between the Company and its subsidiaries
During the year, the Company earned management fees of $24,045,000 (2016 – $22,335,000), film revenue of $180,673,000 (2016 – $170,845,000) and screen advertising administrative fees of $14,455,000 (2016 - $15,271,000) from a subsidiary.

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

	2017 $'000	2016 $'000
Receivables -		
Subsidiary companies	35,971	62,813
Payables -		
Subsidiary companies	20,599	21,612

(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.

28. Contingent Liabilities

At 30 June 2017, the Group and Company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling $3,420,000 (2016 - $3,305,000).

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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	
	2017	**2016**
	$'000	**$'000**
No later than 1 year	48,275	39,232
Later than 1 year and no later than 5 years	210,567	133,789
Later than 5 years	39,534	77,349
	298,376	250,370

The Group does not have capital commitments.