PULSE INVESTMENTS LIMITED

FINANCIAL STATEMENTS

30 JUNE 2017

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Pulse Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pulse Investments Limited ("the company") set out on pages 6 to 43, which comprise the statement of financial position as at 30 June 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the key audit matters
Impairment assessment of intangible assets *See note 3(e) and 13 to the financial statement* The recorded intangible assets of $92.7 million arose from acquisitions of patents and trademarks from Pulse Entertainment Group Limited. We focused on this area as the valuation requires management's judgement and estimation of future cash flows from these assets.	We evaluated management's future cash flow forecasts and the process over which they were determined including testing the underlying assumptions and calculations. We challenged management forecasts by comparing them with historical results. We assessed the adequacy of the disclosures in accordance with the accounting standards.
Valuation of Investment Properties *See notes 3(d) and 14 to the financial statements for managements disclosures of related accounting policies* As at 30 June 2017, Investment Properties amounted to $1.481 billion or 60% of total assets. During the year management used experts in determining the valuation of these properties.	We placed reliance on the valuators report and therefore assessed the qualification, objectivity, independence and competence of the valuators. We reviewed the valuation reports and the methodology used and evaluated whether they were suitable for determining market value in accordance with the financial reporting framework. We assessed the adequacy of the disclosures in accordance with IFRS 13, Fair Value Measurement.
Impairment Provision on Advertising Entitlements *See note 4b (IV) and 17 to the financial statements* As at 30 June 2017, advertising entitlements amounted to $567.2 million or 23% of the company's total asset. As such the recoverability of advertising entitlements represent a possible credit risk.	We focused on the method used by management to determine the recoverability from the individual customers. We discussed and reviewed the basis on which no provision are made for long outstanding debts. We assessed and tested the fairness of the advertising entitlements balance by positive confirmation of a sample of broadcast houses.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Key Audit Matters (cont'd)

Key Audit Matters	How our audit addressed the key audit matters
Impairment Provision on Advertising Entitlements (cont'd)	We obtained and review contracts with broadcast houses and legal opinion received by management in relation to the enforceability and collectability on these contracts.
Deferred taxation asset *See notes 3(n) and 15 to the financial statements for management's related accounting policies and disclosures.* The company has a significant amount of deferred tax assets, mainly resulting from tax losses carried forward. We focused on this area as the assessment of the amount of deferred tax assets to be recognised for tax losses involves judgements and estimates in relation to future taxable profits and hence the capacity to utilise available tax assets. The risk exists that future taxable profits may not be sufficient to fully utilize the deferred tax assets. Changes in the economic environment and in regulations may impact these projections.	We focused on the forecasts and critically assessed the assumptions and judgments included in these forecasts by considering the historical accuracy of forecasts and the sensitivities of the profit forecasts. We reviewed correspondence with the relevant tax authorities to assess the position taken by management.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the 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 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.

BDO

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the 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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial 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 Company's internal control.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 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 auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 additional matters 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 financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Raynold McFarlane.

BDO
Chartered Accountants
15 September 2017

PULSE INVESTMENTS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
REVENUE	6	390,999	350,583
Administrative and other expenses	7	(217,117)	(202,630)
		173,882	147,953
Other income/gains	8	97,622	94,877
OPERATING PROFIT		271,504	242,830
Finance costs	9	(3,092)	(3,753)
PROFIT BEFORE TAXATION		268,412	239,077
Taxation	10	8,440	138,498
NET PROFIT		276,852	377,575
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Gain on leasehold revaluation		47,274	10,098
Deferred tax effect	15	(11,416)	(19,597)
		35,858	(9,499)
TOTAL COMPREHENSIVE INCOME		312,710	368,076
EARNINGS PER SHARE	11	99c	135c

PULSE INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

30 JUNE 2017

	Note	2017 $'000	2016 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	160,774	115,050
Intangible assets	13	92,720	92,720
Investment properties	14	1,481,868	1,309,400
Deferred tax asset	15	127,080	123,510
		1,862,442	1,640,680
CURRENT ASSETS:			
Receivables	16	38,444	24,764
Advertising entitlements	17	567,237	439,237
Cash and bank balances	18	15,705	18,656
		621,386	482,657
		2,483,828	2,123,337
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	19	152,367	152,367
Share premium	20	366,376	366,376
Capital reserve	21	2,637	2,637
Capital redemption reserve	22	20,500	20,500
Revaluation reserve	23	94,650	58,792
Shares to be issued	24	2,609	2,609
Retained earnings		1,647,933	1,393,537
		2,287,072	1,996,818
NON-CURRENT LIABILITIES:			
Loans	25	9,692	13,346
Related party	26	149,698	90,264
		159,390	103,610
CURRENT LIABILITIES:			
Payables	27	17,134	8,149
Taxation		11,155	4,609
Bank overdraft	18	5,020	6,094
Current portion of loans	25	4,057	4,057
		37,366	22,909
		2,483,828	2,123,337

Approved for issue by the Board of Directors on 15 September 2017 and signed on its behalf by:

K. Cooper Director

J. Cobham Director

PULSE INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

	Note	Share Capital $'000	Share Premium $'000	Capital Reserve $'000	Capital Redemption Reserve $'000	Revaluation Reserve $'000	Shares to be Issued $'000	Retained Earnings $'000	Total $'000
At 1 July 2015		152,367	366,376	2,637	20,500	68,291	2,609	1,032,804	1,645,584
TOTAL COMPREHENSIVE INCOME									
Net profit		-	-	-	-	-	-	377,575	208,598
Other comprehensive income		-	-	-	-	(9,499)	-	-	(9,499)
		-	-	-	-	(9,499)	-	377,575	368,076
TRANSACTIONS WITH OWNERS									
Dividends paid	28	-	-	-	-	-	-	(16,842)	(16,842)
		-	-	-	-	(9,499)	-	360,733	351,234
Balance at 30 June 2016		152,367	366,376	2,637	20,500	58,792	2,609	1,393,537	1,996,818
TOTAL COMPREHENSIVE INCOME									
Net profit		-	-	-	-	-	-	276,852	276,852
Other comprehensive income		-	-	-	-	35,858	-	-	35,858
		-	-	-	-	35,858	-	276,852	312,710
TRANSACTIONS WITH OWNERS									
Dividends paid	28	-	-	-	-	-	-	(22,456)	(22,456)
		-	-	-	-	35,858	-	254,396	290,254
Balance at 30 June 2017		152,367	366,376	2,637	20,500	94,650	2,609	1,647,933	2,287,072

PULSE INVESTMENTS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit		276,852	377,575
Items not affecting cash resources:			
Fair value appreciation on investment properties	14	(93,906)	(93,996)
Advertising entitlements		(128,000)	(115,486)
Depreciation	12	1,792	1,808
Interest expense	9	3,092	3,753
Deferred taxation		(14,986)	(143,107)
Taxation expense		6,546	4,609
		51,390	35,156
Changes in operating assets and liabilities:			
Receivables		(13,680)	(8,846)
Payables		8,985	609
Related party		59,434	40,669
Cash provided by operating activities		106,129	67,588
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(242)	(266)
Additions to investment properties	14	(78,562)	(40,454)
Cash used in investing activities		(78,804)	(40,720)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	8	(3,092)	(3,753)
Dividends paid		(22,456)	(16,842)
Loan repayment		(3,654)	(3,414)
Cash used in financing activities		(29,202)	(24,009)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,877)	2,859
Cash and cash equivalents at beginning of year		12,562	9,703
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	10,685	12,562

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

1. **IDENTIFICATION AND PRINCIPAL ACTIVITY:**

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

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

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting polices applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost convention as modified by the revaluation of certain properties that are measured at fair value or revalued amounts. They are also prepared in accordance with provisions of the Jamaican Companies Act.

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

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards, interpretations and amendments are relevant to its operations:

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

New, revised and amended standards and interpretations that became effective during the year (cont'd)

Amendment to IAS 1, 'Presentation of Financial Statements: Disclosure Initiative' (effective for accounting periods beginning on or after 1 January 2016). These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is not expected to have a significant impact on the financial statements.

Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' (effective for accounting periods beginning on or after 1 January 2016). In these amendments, the International Accounting Standards Board (lASB) has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The company does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

lASB Annual Improvements - The IASB annual improvements project for the 2012 - 2014 cycle resulted in amendments to the following standards which are relevant to the company's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2016.

IAS 34, 'Interim Financial Reporting'. The amendment clarifies that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report". The interim financial report is incomplete if the interim financial statements and any disclosures incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

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NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

New standards, amendments and interpretation not yet effective and not early adopted

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the company's future financial statements:

Amendments to IAS 7, 'Statement of Cash Flows' (effective for accounting periods beginning on or after 1 January 2017), requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

Amendment to IAS 12, 'Income Taxes' (effective for accounting periods beginning on or after 1 January 2017). The amendment clarifies 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.

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 UNE 2017

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

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

New standards, amendments and interpretation not yet effective and not early adopted (cont'd)

IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018). The standard 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.

IFRS 16, 'Leases', (**effective for accounting periods beginning on or after 1 January 2019)**. The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognised on the statement of financial position, 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 company is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

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

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

(c) **Property, plant and equipment (cont'd)**

Leasehold properties are carried at fair value, based on yearly valuations by the directors. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss.

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

Depreciation rates are as follows:

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

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

At the date of revaluation, the accumulated depreciation on the revalued leasehold properties and improvements is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(d) **Investment properties**

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

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

(e) **Intangible assets**

Intangible assets represent expenditure incurred for the acquisition of trademarks and patents. These are recognized initially at cost. Trademarks and patents are stated at cost less impairment losses. Trademarks and patents are determined to have an indefinite useful life as there are no foreseeable limit to the period over which they are expected to generate net cash inflows for the company. Trademarks and patents are tested annually for impairment.

(f) **Impairment**

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

(i) Calculation of recoverable amount:

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

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

(i) Reversals of impairment:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Financial instruments

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

Financial assets

(i) Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

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

(ii) Recognition and Measurement

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial liabilities

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

(h) Receivables

Receivables are stated at amortised cost less impairment losses.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

(i) **Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and bank overdraft.

(j) **Borrowings**

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

(k) **Accounts payable**

Trade and other payables are stated at amortised cost.

(l) **Related parties**

A party is related to the company, if:

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

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

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

(c) has joint control over the company.

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

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

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

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

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

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

PULSE INVESTMENTS LIMITED

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

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

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

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

(m) **Provisions**

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

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

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

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

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

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(o) **Revenue recognition**

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

Advertising entitlements/Sale of TV programming

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

Sponsorships in kind

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

Model agency representation

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

Show production and promotion

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

Operating leases

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

(p) **Earnings per share**

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(q) Segment reporting

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

Based on the information presented on review by the CODM, the entire operations of the company are viewed as one operating segment.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity.

(s) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends, this is recognised when declared by the directors.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

(i) **Fair value estimation**

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

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

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

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

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

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

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

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

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

The company measures certain items at fair value.

Leasehold property	note 12
Investment property	note 14

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(i) **Fair value estimation (cont'd)**

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

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

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

(iii) The fair value of the due to related party balance could not be reasonably determined as there is no set repayment date.

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

Properties are independently valued periodically, in the intervening years management makes an estimate of the fair value of property interests recognized as investment property and leasehold property. Estimates are determined by the directors, on the basis of appreciation in construction work-in-progress as valued by an independent quantity surveyor and have been restricted to a 8% adjustment. However, these estimates involve significant judgement and involve assumptions about the economic value of the company's property interests.

The values recognized for property interests, including construction work in progress, are based on amounts indicated by a related party engaged to carry out the construction works.

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

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

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

(iii) **Depreciable assets**

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

(iv) **Advertising entitlements**

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

(v) **Income taxes**

Estimates are required in determining the provisions for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

5. **FINANCIAL RISK MANAGEMENT:**

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

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

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

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

(i) **Principal financial instruments**

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

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Due to related party
- Loans

(ii) **Financial instruments by category**

Financial assets

	Loans and Receivable	
	2017 $'000	2016 $'000
Cash and bank balance	15,705	18,656
Receivables	34,701	21,499
Total financial assets	50,406	40,155

Financial liabilities

	Financial Liabilities At Amortised Cost	
	2017 $'000	2016 $'000
Payables	16,436	5,772
Due to related party	149,698	90,264
Overdraft	5,020	6,094
Loans	13,749	17,403
Total financial liabilities	184,903	119,533

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

(iv) **Financial risk factors**

The Board of directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's management function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

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

(i) **Market risk**

Currency risk

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

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

	Net foreign currency Monetary assets	
	2017 US$'000	**2016 US$'000**
Accounts receivable	235	146
Cash and cash equivalents	104	-
Loans	(9)	(9)
	330	137

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

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

Currency risk (cont'd)

	Exchange rates	
	2017	2016
	$	$
1 United States dollar	128.62	126.01

Sensitivity analysis:

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank and accounts receivable balances, and adjusts their translation at the year-end for 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.

	2017		2016	
	1% strengthening	6% weakening	1% strengthening	6% weakening
	$'000	$'000	$'000	$'000
Effect of change in United States dollar (US$) exchange rate	(424)	2,547	(173)	1,036

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company materially contracts financial liabilities at fixed exchange rates. These primarily relate to bank overdrafts and loans which are subject to interest rates which are fixed in advance and which may be varied by appropriate notice by the lenders. At 30 June 2017, financial liabilities subject to interest aggregated approximately $12,645 thousand (2016: $16,299 thousand).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

(ii) **Credit risk**

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

Trade receivables

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

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions.

Trade receivables that are past due but not impaired

As at 30 June 2017, trade receivables of $34,485 thousand (2016 - $19,121 thousand) were past due but not impaired. These relate to outstanding sponsorship from various sources as well as current rental income due.

Trade receivables that are past due and impaired

As at 30 June 2017, trade receivables of $18,995 thousand (2016 - $13,101 thousand) were impaired. The amount of provision was $18,995 thousand (2016 - $13,101 thousand). These receivables were aged over 30 days.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(iii) **Liquidity risk**

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

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

2017

	Carrying Amount	Contractual Cashflows	Within 6 months	Six to 12 months	Over 12 months	No specific Maturity
	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdraft	5,020	5,020	-	-	-	5,020
Accounts payable and accrued charges	25,651	25,651	25,651	-	-	-
Due to related party	149,698	149,698	-	-	-	140,698
Loans payable	13,749	17,278	3,384	3,207	10,687	-
Total liabilities	194,118	197,647	29,035	3,207	10,687	154,718

2016

	Carrying Amount	Contractual Cashflows	Within 6 months	Six to 12 months	Over 12 months	No specific Maturity
	$'000	$'000	$'000	$'000	$'000	$'000
Bank overdraft	6,094	6,094	-	-	-	6,094
Accounts payable and accrued charges	4,348	4,348	4,348	-	-	-
Due to related party	92,332	92,332	-	-	-	92,332
Loans payable	17,403	24,380	3,180	3,180	18,020	-
Total liabilities	120,177	127,154	7,528	3,180	18,020	98,426

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

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

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

(v) **Operational risk**

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

6. **REVENUE:**

	2017 $'000	2016 $'000
Market sponsorship and advertising entitlements:		
In kind sponsorship	97,000	80,764
Advertising entitlements	128,000	115,486
Cash and other sponsorship	78,000	69,894
Model agency income	27,249	25,464
Rental of leasehold properties	47,644	47,323
Ticket sales	13,106	11,652
	390,999	350,583

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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7. EXPENSES BY NATURE:

	2017 $'000	2016 $'000
Accommodation and meals	21,824	15,701
Advertising and PR	57,496	51,546
Auditor's remuneration	2,500	2,359
Bank charges	2,399	2,334
Bar costs	2,739	561
Cleaning and sanitation	648	753
Contracted services	14,179	16,219
Depreciation	1,792	1,807
Donation and subscriptions	683	2,066
Entertainment	462	391
Equipment rental	5,168	3,387
Insurance	103	580
Legal and professional fees	5,262	4,810
Management fees	48,099	44,293
Office expenses	1,214	939
Other expenses	666	589
Parking services	646	596
Printing	938	1,488
Provision for receivables	7,183	9,310
Repairs, maintenance and upkeep	1,722	3,449
Security services	1,869	198
Shows and production	26,537	25,044
Show supplies	1,580	1,580
Travel	2,230	3,394
Utilities	9,179	8,897
Venue rental	-	339
	217,117	202,630

8. OTHER INCOME/GAINS:

	2017 $'000	2016 $'000
Miscellaneous income	3,716	881
Fair value appreciation on investment property	93,906	93,996
	97,622	94,877

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. **FINANCE COSTS:**

	2017 $'000	2016 $'000
Loan interest	2,706	3,309
Overdraft expense	386	444
	3,092	3,753

10. **TAXATION:**

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

	2017 $'000	2016 $'000
Current taxation	6,546	4,609
Deferred tax credit (note 15)	(14,986)	(143,107)
Current taxation	(8,440)	(138,498)

(b) The tax on the profit before taxation differs from theoretical amount that would arise using the applicable rate of 25%.

	2017 $'000	2016 $'000
Reconciliation of effective tax rate:		
Profit before tax	268,412	239,077
Income tax @ 25%	67,103	59,769
Adjusted for the effects of:		
Deferred taxation	(14,986)	(143,107)
Disallowed expenses and other adjustments	(5,080)	(2,789)
Fair value appreciation on investment property	(23,477)	(23,499)
Other tax exempt income	(32,000)	(28,872)
Taxation	(8,440)	(138,498)

11. **EARNINGS PER SHARE:**

The calculation of earnings per share is based on the net profit for the year divided by 280,703,000 ordinary shares at the year end (2016 – 280,703,000 shares).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

	Leasehold Properties $'000	Leasehold Improvement $'000	Furniture, Office Equipment and Computer $'000	Motor Vehicle $'000	Total $'000
At cost or valuation –					
1 July 2015	101,152	4,925	6,994	5,700	118,771
Additions	-	-	266	-	266
Revaluation	8,092	394	-	-	8,486
30 June 2016	109,244	5,319	7,260	5,700	127,523
Additions	-	-	242	-	242
Revaluation	43,542	2,120	-	-	45,662
30 June 2017	152,786	7,439	7,502	5,700	173,427
Accumulated Depreciation -					
1 July 2015	-	-	6,578	5,699	12,277
Charge for the year	1,612	-	196	-	1,808
Revaluation adjustment	(1,612)	-	-	-	(1,612)
30 June 2016	-	-	6,774	5,699	12,473
Charge for the year	1,612	-	180	-	1,792
Revaluation adjustment	(1,612)	-	-	-	(1,612)
30 June 2017	-	-	6,954	5,699	12,653
Net Book Value -					
30 June 2017	152,786	7,439	548	1	160,774
30 June 2016	109,244	5,319	486	1	115,050

Leasehold properties represent properties situated at 38a Trafalgar Road, Kingston 10, St. Andrew and Stony Hill, St. Andrew which are leased from a director and shareholder for a period of forty-nine (49) years. These properties were previously leased by Pulse Entertainment Group Limited, a related company, and the leases are part of the assets acquired on the restructuring of Pulse Entertainment Group Limited. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in revaluation reserve (note 23).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

During the year a new fifty (50) years lease agreement was signed between the parties which had the effect of extending the current lease terms by twelve (12) years

The fair value of leasehold properties and improvements is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value is as follows:

	Leasehold Properties $'000	Leasehold Improvements $'000	2017 Total $'000	2016 Total $'000
Opening balance	109,244	5,319	114,563	106,077
Revaluation adjustment included in other comprehensive income	45,154	2,120	47,274	10,098
Depreciation	(1,612)	-	(1,612)	(1,612)
Closing balance (level 3 recurring fair values)	152,786	7,439	160,225	114,563

The fair value of the leasehold properties and improvements were determined by independent valuations done during the year (see note 14).

There has been no change to the valuation techniques during the year.

13. **INTANGIBLE ASSETS:**

	2017 $'000	2016 $'000
Patents	90,000	90,000
Trademarks	2,720	2,720
	92,720	92,720

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

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

14. INVESTMENT PROPERTIES:

	Leasehold property and buildings $'000	Construction work-in-progress $'000	2017 Total $'000	2016 Total $'000
At fair value				
1 July 2015	731,720	443,230	1,174,950	1,063,383
Additions	188	40,266	40,454	15,863
Fair value adjustment	58,538	35,458	93,996	95,704
30 June 2016	790,446	518,954	1,309,400	1,174,950
Additions	10,865	67,697	78,562	40,454
Fair value adjustment	170,675	(76,769)	93,906	93,996
30 June 2017	971,986	509,882	1,481,868	1,309,400

During the year the investment properties were revalued. Property situated at Trafalgar road was revalued by independent valuers Oran Real Estate and Valuation Limited of Kingston, Jamaica who has an appropriate recognized professional qualification and experience in the location and category of the property being valued. The increase in the fair value of the investment property has been credited to income.

Property situated at Stony Hill road was revalued by independent values TASC Property Appraisals Company Limited of Kingston, Jamaica who has an appropriate recognized professional qualification and experience in the location and category of the property being valued. The decrease in the fair value of the investment property has been debited to income.

At 30 June 2017, leasehold land included in leasehold property aggregated $153,880,000 (2016: $153,880,000).

The land on which the leasehold properties are situated is owned by a director and shareholder (see note 26(d)).

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

	2017 $'000	2016 $'000
Income earned from properties (note 6)	47,644	47,323

Expenses incurred on investment properties are borne by the tenants.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

15. **DEFERRED TAXATION:**

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 amounts determined after appropriate offsetting are as follows:

	2017 $'000	2016 $'000
Deferred tax asset for the year	127,080	123,510

(a) Taxation is due to the following temporary differences:

	2017 $'000	2016 $'000
Deferred income tax assets:		
Property, plant and equipment	32,559	7,359
Tax losses carried forward	158,323	165,021
	190,882	172,380
Deferred income tax liabilities:		
Investment properties	(789)	(402)
Advertising entitlements	(32,000)	(28,871)
Revaluation reserve	(31,013)	(19,597)
	(63,802)	(48,870)
Net asset	127,080	123,510

(b) Deferred taxation (credited)/charged to profit or loss comprises the following temporary differences:

	2017 $'000	2016 $'000
Property, plant and equipment	(25,200)	(7,359)
Tax losses carried forward	6,698	(165,021)
Investment properties	387	402
Advertising entitlements	3,129	28,871
	(14,986)	(143,107)

Deferred taxation charged to other comprehensive income comprises the following temporary differences:

	2017 $'000	2016 $'000
Revaluation reserve	11,416	19,597

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

15. **DEFERRED TAXATION (CONT'D):**

(c) Deferred income tax assets are recognised for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Commissioner, Tax Administration Jamaica losses of approximately $633,292 thousand are available for set-off against future profits. These tax losses may be carried forward indefinitely, however the amount which can be utilized in any one year is restricted to 50% of the current year's taxable profits.

16. **RECEIVABLES:**

	2017 $'000	2016 $'000
Trade receivables	53,480	32,222
Provision for doubtful debts	(18,995)	(13,101)
	34,485	19,121
Other receivables	216	2,378
GCT recoverable	3,743	3,265
	38,444	24,764

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

	2017			
	0 to 60 days $'000	60-90 days $'000	More than 90 days $'000	Total $'000
Receivable arising from:				
Model agents	30,207	-	-	30,207
Cash sponsors	15,915	-	7,028	22,943
Lease agreements	-	-	52	52
Other trade receivables	-	278	612	278
	46,122	278	7,080	53,480
Less: Allowance for impairment	(11,915)	-	(7,080)	(18,995)
	34,207	278	-	34,485

PULSE INVESTMENTS LIMITED

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

	2016			
	0 to 60 days $'000	60-90 days $'000	More than 90 days $'000	Total $'000
Receivable arising from:				
Model agents	18,420	-	-	18,420
Cash sponsors	9,000	-	4,005	13,005
Lease agreements	-	-	53	53
Other trade receivables	98	34	612	744
	27,518	34	4,670	32,222
Less: Allowance for impairment	(8,431)	-	(4,670)	(13,101)
	19,087	34	-	19,121

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

	2017 $'000	2016 $'000
At 1 July	13,101	7,182
Provisions for receivables impairment	5,894	8,582
Receivables written-off during the year as uncollectible	-	(2,663)
Balance at end of year	18,995	13,101

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.

17. **ADVERTISING ENTITLEMENTS:**

(a) Advertising entitlements -

	2017 $'000	2016 $'000
Opening balance	439,237	323,751
Amount recognized as income during the year (note 6)	128,000	115,486
	567,237	439,237

This represents recoverable costs for shows produced and delivered by way of utilizing advertising entitlements contractually made with various media houses to the Company. During the year, no advertising entitlements were utilized (2016 - $nil).

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17. **ADVERTISING ENTITLEMENTS (CONT'D):**

(b) Advertising entitlements/Sale of TV programming -

The directors estimate that the company has generated advertising entitlements of $911,319 thousand (2016: $828,472 thousand) which remain unused at the reporting date. In accordance with the company's accounting policy [see note 3(o)], these entitlements have not been recognized in preparing the financial statements.

18. **CASH AND CASH EQUIVALENTS:**

	2017 $'000	2016 $'000
Cash in hand (J$)	2,343	4,330
Deposit (US$)	13,362	8
Chequeing account (J$)	-	14,318
Cash and bank balances	15,705	18,656
Bank overdraft	(5,020)	(6,094)
	10,685	12,562

(a) The savings account is interest bearing. Interest rate at year end 2017 and 2016 was nil.

(b) Bank overdraft resulted from unpresented cheques that were drawn but not released at year end.

19. **SHARE CAPITAL:**

Authorised:
336,825,000 (2016: 336,825,000) ordinary shares of no par value

	2017		2016	
	No. of Shares '000	Ordinary Share Capital $'000	No. of Shares '000	Ordinary Share Capital $'000
Stated, issued and fully paid at 30 June	280,703	152,367	280,703	152,367

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

PULSE INVESTMENTS LIMITED

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20. **SHARE PREMIUM:**

Share premium is made up as follows:

	2017 $'000	2016 $'000
31,549,768 (2016: 31,549,768) ordinary shares – premium of $0.51 each	16,042	16,042
91,341,692 (2016: 91,341,692) ordinary shares – premium of $3.91 per share	357,146	357,146
	373,188	373,188
Costs of rights issue	(6,812)	(6,812)
	366,376	366,376

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

21. **CAPITAL RESERVE:**

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

22. **CAPITAL REDEMPTION RESERVE:**

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

23. **REVALUATION RESERVE:**

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

24. **SHARES TO BE ISSUED:**

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

PULSE INVESTMENTS LIMITED

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25. **LOANS:**

	2017 $'000	2016 $'000
i. Caricom Trade Support Programme	1,104	1,104
ii. CIBC First Caribbean International Bank	12,645	16,299
	13,749	17,403
Less: current portion	(4,057)	(4,057)
	9,692	13,346

(i) Caricom Trade Support Programme

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

(ii) CIBC First Caribbean International Bank

This loan attracts interest of 17.85% per annum and is repayable over 110 months with maturity in June 2020. The loan is secured as follows:

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

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

The following transactions were carried out with related parties

(a) Provision of services and sponsorship

	2017 $'000	2016 $'000
Studio 38/Puls8 - Rental income	13,255	12,050
Samurai Investment Limited - Cash sponsorship	-	47,000
GL Superb Limited – Cash sponsorship	45,000	-
	58,255	59,050

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

PULSE INVESTMENTS LIMITED

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26. RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D):

The following transactions were carried out with related parties

(b) Purchase of services

	2017 $'000	2016 $'000
Samurai Investments Limited		
Management fees	-	44,293
Lease expense	-	1
Additions to investment property	-	40,265
GL Superb Limited		
Management fee	48,099	-
Lease expense	1	-
Addition to investment property	78,562	-

During the year, trading occurred between the company and related party, GL Superb Limited, in respect of lease arrangement for 50 years at $1 per year (see notes 12 and 14) and acquisition services which were negotiated on an arm's length basis.

(c) Key Management Compensation -

	2017 $'000	2016 $'000
Salaries, wages and other benefits	5,402	4,845

(d) The land on which the leasehold properties are situated are owned by of a director and shareholder (see note 14).

(e) Year-end balances arising from transactions with related parties.

	2017 $'000	2016 $'000
Due to GL Superb Limited	149,698	-
Due to Samurai Investments Limited	-	90,264

During the year by resolution of the respective Boards of Directors of Samurai Investments Limited and GL Superb Limited, the balance owing to Samurai Investments Limited was transferred to GL Superb Limited. The formal legal documentation including a deed of novation is in the process of completion.

The balance due to GL Superb Limited will not be demanded within sixty months.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2017

27. **PAYABLES:**

	2017 $'000	2016 $'000
Deposits	2,636	2,378
Accrued charges	14,498	5,771
	17,134	8,149

28. **DIVIDENDS PAID:**

	2017 $'000	2016 $'000
In respect of 30 June 2016 ($0.08 per share)	22,456	-
In respect of 30 June 2015 ($0.06 per share)	-	16,842
	22,456	16,842

By way of resolution dated 20 December 2016 final dividend payment of $0.08 per share was approved by the Board of Directors.

29. **OPERATING LEASE RECEIVABLE:**

The company has entered into several lease agreements for office and storage space with expiry dates from -

	2017 $'000	2016 $'000
Year 1	47,644	47,323
Year 2	52,408	53,048
Year 3	57,649	59,261
	157,701	159,632

30. **UNEXPIRED SPONSORSHIP IN KIND:**

	2017 $'000	2016 $'000
Opening balance	52,163	47,421
Sponsorship in kind generated during the year	103,192	85,506
	155,355	132,927
Sponsorship utilized during the year (note 6)	(97,000)	(80,764)
Unexpired sponsorship in kind at end of year	58,355	52,163

During the year, sponsorship in kind utilized amounted to $97,000 thousand (2016 - $80,764 thousand).

PULSE INVESTMENTS LIMITED

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

The directors estimate that the company has unexpired sponsorship in kind of $58,355 thousand (2016 - $52,163 thousand) which remain unused at the reporting date. In accordance with the company's policy, the unexpired sponsorship entitlements at year end have not been recognised in the financial statements due to uncertainty in the timing of utilization of the sponsorship.

31. **EVENTS AFTER REPORTING PERIOD:**

An extra ordinary general meeting was held on 5 July 2017. The meeting was convened for members of the Company to consider the recommendation to split the shares of the Company so each shareholder receives an additional five (5) units for every one (1) held. This recommendation was passed by the members.