The Palace Amusement Company (1921) Limited

Financial Statements
30 June 2018

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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 the 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 2018, 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 with 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 statement of financial position as at 30 June 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the company statement of financial position as at 30 June 2018;
- the company statement of comprehensive income for the year then ended;
- the company statement of changes in equity for the year then ended;
- the company statement of cash flows for the year then ended; and
- the notes to the consolidated and stand-alone 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 two individually financially significant components being, The Palace Amusement Company (1921) Limited and The Cinema Company of Jamaica Limited. In total the Group comprises four components all of which are domiciled in Jamaica. The remaining two components are dormant and neither contributes more than 2% of the Group's profit before tax from continued operations. However, during the period, one of the dormant entities disposed of a real estate holding which resulted in a significant gain and its profit exceeding 2% of overall Group profit. Consequently this transaction was scoped in for testing. We performed other procedures including analytical review procedures and testing of consolidation journals and intercompany eliminations to further respond to the 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 liabilities (Group and Company) *Refer to notes 2(l), 4(b) and 15 to the financial statements for disclosures of related accounting policies, judgements, estimates and balances.*	We performed the following procedures on the valuation of pension plan liabilities:

The Group and Company have a defined benefit pension plan, with a 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 $51.494 million for both the Group and Company as at 30 June 2018 consisting of a gross asset balance of $385.285 million and a gross liability of $333.711 million, being the present value of funded obligations.

The pension plan liability estimate involves a number of key assumptions which 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 liability requires significant levels of judgement and technical expertise in choosing appropriate assumptions and the application of judgement.

- we evaluated management's assumptions relating to salary and pension increases and mortality rates by comparing them to national and industry averages;

- we assessed the appropriateness of the discount and inflation rates used in the valuation of the pension liability and agreed them to the rates issued by the Institute of Chartered Accountants of Jamaica;

- we evaluated the work of management's actuarial expert, including their independence, experience and objectivity and;

- we tested the completeness and accuracy of data extracted and supplied to the actuary, which is used to calculate the pension plan's surplus or deficit.

Based on the audit evidence obtained, we determined that the data and assumptions used by management in the actuarial valuation of the pension plan liability 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 the date of this auditor's report.

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 of the consolidated and stand-alone financial statements that give a true and fair view 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 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 and stand-alone 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 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 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.

Chartered Accountants
28 September 2018
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Statement of Comprehensive Income

Year ended 30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue	5	1,163,033	990,137
Direct expenses		(890,604)	(789,249)
Gross Profit		272,429	200,888
Other operating income	6	67,783	12,773
Administration expenses		(183,171)	(170,611)
Operating Profit		157,041	43,050
Finance costs – interest expense		(2,139)	(1,363)
Profit before Taxation		154,902	41,687
Taxation	9	(17,591)	(8,867)
Net Profit		137,311	32,820
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		2,186	1,044
Item(s) that will not be reclassified to profit or loss in the future			
Re-measurement of post-employment benefit asset, net of taxation		3,511	9,007
Total other comprehensive income		5,697	10,051
Total Comprehensive Income		143,008	42,871
Net Profit Attributable to:			
Stockholders of the Company	10	123,839	33,013
Non-controlling interest		13,472	(193)
		137,311	32,820
Total Comprehensive Income Attributable to:			
Stockholders of the Company		129,589	43,170
Non-controlling interest		13,419	(299)
		143,008	42,871
Earnings per Stock Unit Attributable to Stockholders of the Company	11	86.18	22.97

The Palace Amusement Company (1921) Limited

Consolidated Statement of Financial Position

30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Property, plant and equipment	12	222,452	219,246
Investments	13	183,959	16,184
Post-employment benefit asset	15	51,494	42,130
		457,905	277,560
Current Assets			
Inventories	17	53,847	45,109
Receivables	18	47,115	44,815
Short term deposits	19	-	60,348
Cash and cash equivalents	20	119,365	81,155
		220,327	231,427
Current Liabilities			
Payables	21	122,584	100,403
Taxation payable		12,848	2,183
Deferred Income		3,008	-
Current portion of long term liabilities	22	7,237	7,237
		145,677	109,823
Net Current Assets		74,650	121,604
		532,555	399,164
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	165,984	166,488
Fair value reserve	25	17,972	15,733
Retained earnings	10	297,955	172,761
		483,348	356,419
Non-Controlling Interest		18,078	4,659
		501,426	361,078
Non-Current Liabilities			
Long term liabilities	22	14,468	21,705
Deferred tax liabilities	14	16,661	16,381
		31,129	38,086
		532,555	399,164

Approved for issue by the Board of Directors on 27 September 2018 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 2018

(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 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
Total Comprehensive Income							
Net profit	-	-	-	-	123,839	13,472	137,311
Realised reserve from sale of property	-	-	(504)	-	-	-	(504)
Other Comprehensive Income –							
Unrealised gains on available-for-sale investments	-	-	-	2,239	-	(53)	2,186
Re-measurement of post-employment benefit asset	-	-	-	-	3,511	-	3,511
	-	-	(504)	2,239	127,350	13,419	142,504
Transactions with Owners							
Dividends paid	-	-	-	-	(2,156)	-	(2,156)
Balance at 30 June 2018	1,437	1,437	165,984	17,972	297,955	18,078	501,426

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	2018 $'000	2017 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	127,943	49,014
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(38,044)	(29,482)
Proceeds from sale of property, plant and equipment	61,508	1,250
Short term deposits, net	60,122	(1,963)
Purchase of investments	(165,589)	-
Interest received	2,522	1,180
Dividends received	507	232
Cash used in investing activities	(78,974)	(28,783)
Cash Flows from Financing Activities		
Long term loans repaid	(7,237)	(5,855)
Long term loans received	-	18,800
Interest paid	(2,139)	(1,363)
Dividends paid	(2,156)	(1,437)
Cash (used in)/provided by financing activities	(11,532)	10,145
	37,437	30,376
Exchange gain on foreign cash balances	773	1,239
Increase in cash and cash equivalents	38,210	31,615
Cash and cash equivalents at beginning of year	81,155	49,540
Cash and Cash Equivalents at End of Year (Note 20)	119,365	81,155

Reconciliation of movements of liabilities to cash flows arising from financing activities:
Amounts represent bank and other loans, excluding bank overdraft.

	2018 $'000	2017 $'000
At 1 July	28,942	15,997
Loans received	-	18,800
Loans repaid	(7,237)	(5,855)
	21,705	28,942

The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Revenue		817,194	715,620
Direct expenses		(615,641)	(556,262)
Gross Profit		201,553	159,358
Other operating income	6	36,165	37,737
Administration expenses		(183,171)	(170,611)
Operating Profit		54,547	26,484
Finance costs – interest expense		(2,073)	(1,282)
Profit before Taxation		52,474	25,202
Taxation	9	(10,786)	(5,425)
Net Profit	10	41,688	19,777
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		2,721	2,116
Item(s) that will not be reclassified to profit or loss in the future -			
Re-measurement of post-employment benefit asset, net of taxation		3,511	9,007
Total other comprehensive income		6,232	11,123
Total Comprehensive Income		47,920	30,900

The Palace Amusement Company (1921) Limited

Company Statement of Financial Position

30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
Non-Current Assets			
Property, plant and equipment	12	84,141	92,390
Investments	13	174,614	6,304
Post-employment benefit asset	15	51,494	42,130
Due from subsidiaries	16/27	10,723	35,971
		320,972	176,795
Current Assets			
Inventories	17	50,868	42,345
Receivables	18	44,518	42,656
Short term deposits	19	-	60,348
Cash and cash equivalents	20	117,923	79,764
		213,309	225,113
Current Liabilities			
Payables	21	108,306	85,136
Taxation payable		5,117	283
Deferred Income		3,008	-
Current portion of long term liabilities	22	7,237	7,237
		123,668	92,656
Net Current Assets		89,641	132,457
		410,613	309,252
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	148,365	148,365
Fair value reserve	25	8,468	5,747
Retained earnings	10	146,354	103,311
		304,624	258,860
Non-Current Liabilities			
Due to subsidiaries	16/27	81,064	20,599
Long term liabilities	22	14,468	21,705
Deferred tax liabilities	14	10,457	8,088
		105,989	50,392
		410,613	309,252

Approved for issue by the Board of Directors on 27 September 2018 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 2018

(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 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
Total Comprehensive Income						
Net profit	-	-	-	-	41,688	41,688
Other Comprehensive Income –						
Unrealised gains on available-for-sale investments	-	-	-	2,721	-	2,721
Re-measurement of post employment benefit asset	-	-	-	-	3,511	3,511
	-	-	-	2,721	45,199	47,920
Transactions with owners						
Dividends paid	-	-	-	-	(2,156)	(2,156)
Balance at 30 June 2018	1,437	1,437	148,365	8,468	146,354	304,624

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2018

(expressed in Jamaican dollars unless otherwise indicated)

	2018 $'000	2017 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	160,091	41,467
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(9,480)	(23,281)
Proceeds from sale of property, plant and equipment	580	1,250
Short term deposits, net	60,122	(1,963)
Purchase of investments	(165,589)	-
Interest received	2,937	2,184
Dividend received	191	147
Cash used in investing activities	(111,239)	(21,663)
Cash Flows from Financing Activities		
Long term loans repaid	(7,237)	(5,855)
Long term loans received	-	18,800
Interest paid	(2,073)	(1,282)
Dividends paid	(2,156)	(1,437)
Cash (used in)/provided by financing activities	(11,466)	10,226
	37,386	30,030
Exchange gain on foreign cash balances	773	1,239
Increase in cash and cash equivalents	38,159	31,269
Cash and cash equivalents at beginning of year	79,764	48,495
Cash and Cash Equivalents at End of Year (Note 20)	117,923	79,764

Reconciliation of movements of liabilities to cash flows arising from financing activities:
Amounts represent bank and other loans, excluding bank overdraft.

	2018 $'000	2017 $'000
At 1 July	28,942	15,997
Loans received	-	18,800
Loans repaid	(7,237)	(5,855)
	21,705	28,942

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.

Standards, interpretations and amendments to published standards effective in the current year

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 the following new standards, interpretations and amendments are immediately relevant to its operations.

Amendments to IAS 7, 'Statements of cash flow' (effective for annual periods beginning on or after 1 January 2017). The amendment introduces 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. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdown and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. The reconciliation of changes in liabilities arising from financing activities is disclosed in the Statement of Cash Flows.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards effective in the current year (continued)

Amendments to IAS 12. 'Income taxes' (effective for annual periods beginning on or after 1 January 2017). The amendments clarify accounting for deferred taxes where an asset is measured at fair value and that fair value is below the asset's tax base. Deferred tax assets are assessed in combination with other deferred tax assets where the tax law does not restrict the source of taxable profits against which particular types of deferred tax assets can be recovered. Where restrictions apply, deferred tax assets are assessed in combination only with other deferred tax assets of the same type. The amendment also clarifies that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits that is used to evaluate the recoverability of those assets. There was no impact from the amendment of this adoption.

Annual Improvements to IFRSs 2014 - 2016 cycles. The amendment to IFRS 12 'Disclosure of interest in other entities' effective for periods beginning on or after 1 January 2017, clarifies that the disclosure requirements apply to interests in entities that are classified as held for sale except for summarised information. There was no impact from adoption of these amendments and clarifications as the company does not have interests in entities classified as held for sale.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The Group has concluded that the following standards, which are published but not yet effective, are relevant to its operations. These pronouncements are effective for annual periods beginning on or after year end dates noted and will be applied by the Group as of those dates unless otherwise indicated.

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 assessing the impact of adoption on the entities within the Group.

The Group is in the process of assessing the impact of IFRS 9 on its financial statements. An implementation team headed by the Group Financial Controller was created to oversee the implementation project.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2018
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9, 'Financial Instruments' (continued)

The project involves impact assessment to determine the key potential areas of impact and to develop a plan to address the implementation of the standard, conversion assessment to focus on key areas of impact identified and quantify what changes to the financial statements may be required and embedding the new accounting standard into the existing reporting structure.

Management has performed an initial impact assessment while key decisions around the transition approach, practical expedients and data and system needs are currently being reviewed. Based on the impact assessment of the effects of applying the new standard, management does not expect any significant impact on the Group's financial statements.

Impairment
The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income (FVOCI), contract assets under IFRS 15 - Revenue with contract customers, lease receivables, loan commitments and certain financial guarantee contracts.

Application of the model
The adoption of IFRS 9 will have a significant impact on the Group's impairment methodology. Under this model, the Group is required to assess on a forward looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The ECL will be recognised in the profit and loss before a loss event has occurred which could result in earlier recognition of credit losses compared to the current model. The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes. The probability weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. IFRS 9 considers the calculation of ECL by multiplying the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

Simplified Approach
IFRS 9 permits the use of a simplified approach for trade receivables. For trade receivables that do not contain a significant financing component, the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix can be utilised in determining the ECL's for trade receivables.

The simplified approach may be utilised by the Group for trade receivables. The lifetime ECL's are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

Transition Approach
The Group will apply the modified retrospective approach as allowed under IFRS 9. Under this approach cumulative retrospective adjustments will be made against opening retained earnings as at 1 July 2018. Comparatives for the 2018 financial year end will not be restated.

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2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (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. However, IFRS 15 is not expected to have a significant impact on the Group.

Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

IFRS 16, 'Leases', primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2018. 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 Group is yet to assess to impact of this IFRIC.

Annual improvements 2015 – 2017, These amendments include minor changes to:

- **IAS 12, 'Income taxes'** - The amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. These amendments should be applied for annual periods beginning on or after 1 January 2019 to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period. Earlier application is permitted.

- **IAS 23, 'Borrowing costs'** - The amendments clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. These amendments should be applied prospectively for borrowing costs incurred on or after the beginning of annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Palace Amusement Company (1921) Limited

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' - The amendments require an entity: to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement. The amendments are applied prospectively to plan amendments, settlements or curtailments that occur after the beginning of the first annual reporting period beginning on or after 1 January 2019.

IFRIC 23, 'Uncertainty over income tax treatments' - This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. The Interpretation is effective for annual periods beginning on or after 1 January 2019.

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.

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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.

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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

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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.

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.

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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.

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

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.

(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 distributions to the Company's shareholders are 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 $11,627,000 (2017 – $12,822,000) and $72,928,000 (2017 – $84,952,000), 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 4% (2017 – 6%) depreciation and a 2% (2017 – 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 2018	Effect on Profit before Tax 30 June 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Tax 30 June 2017 $'000
Currency:				
USD	-4	3,382	-6	5,866
USD	+2	(1,691)	+1	(978)

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 2018, trade receivables of $4,586,000 (2017 - $6,230,000) 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 2018, the Group and Company had trade receivables of $557,000 (2017 - $481,000) that were impaired. The amount of the provision was $557,000 (2017 – $481,000). These receivables were aged over 90 days.

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

	The Group and Company	
	2018	2017
	$'000	$'000
At 1 July	481	825
Provision for receivables impairment	76	50
Receivables written off during the year as uncollectible	-	(374)
Receivables recovered during the year	-	(20)
At 30 June	557	481

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.

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	
	2018 $'000	2017 $'000
Independent cinemas	13,585	16,931
Advertising agencies	5,845	2,946
Other	6,994	5,171
	26,424	25,048
Less: Provision for credit losses	(557)	(481)
	25,867	24,567

(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**
		2018		
Trade payables	60,870	-	-	60,870
Accruals and other payables	43,532	-	-	43,532
Long term liabilities	8,842	7,936	8,226	25,004
Total financial liabilities	113,244	7,936	8,226	129,406
		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

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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**
		2018		
Trade payables	59,730	-	-	59,730
Accruals and other payables	32,713	-	-	32,713
Due to subsidiary companies	81,064	-	-	81,064
Long term liabilities	8,842	7,936	8,226	25,004
Total financial liabilities	182,349	7,936	8,226	198,511
		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

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 2018.

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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 $183,959,000 (2017 - $16,184,000) and $174,129,000 (2017 - $5,819,000) 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.

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 $83,652,000 (2017 - $94,200,000) 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)

	2018					
	Cinema Activities					
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Film Activities $'000	Screen Advertising Activities $'000	Total $'000
Revenue –						
Box office receipts	364,561	131,020	176,389	-	-	671,970
Confectionery sales	188,617	61,374	76,497	-	-	326,488
Film rental	-	-	-	462,993	-	462,993
Screen advertising	26,227	11,444	16,656	-	32,821	87,148
Other activities	1,197	1,928	324	-	-	3,449
	580,602	205,766	269,866	462,993	32,821	1,552,048
Eliminations						(389,015)
Revenue from external customers						1,163,033
Segment result [1]	42,028	36,415	43,431	98,413	23,518	243,805
Eliminations						29,165
						272,970
Segment assets[2]	145,327	18,943	18,418	179	137	183,003
Unallocated assets						495,229
Total assets						678,232
Segment liabilities[3]	20,593	-	-	-	-	20,593
Unallocated liabilities						156,213
Total liabilities						176,806
Other items –						
Capital expenditure	28,564	520	316	-	150	29,550
Eliminations						-
Unallocated head office capital expenditure						8,494
Total capital expenditure						38,044
Depreciation	16,559	5,316	3,844	78	14	25,811
Unallocated head office depreciation						8,477
Total depreciation						34,288
Interest expense	734	-	-	-	-	734
Unallocated head office interest expense						2,073
Eliminations						(668)
Total interest expense						2,139

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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)

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Profit from reportable segments	272,970	201,107
Unallocated income -		
Other operating income	67,783	12,773
Unallocated costs -		
Administrative expenses	(183,171)	(170,611)
Other	(1,275)	(1,334)
	(184,446)	(171,945)
Unallocated interest expense	(2,073)	(1,252)
Eliminations	668	1,004
	(1,405)	(248)
	154,902	41,687

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

	The Group	
	2018	**2017**
	$'000	**$'000**
Segment assets from reportable segments	183,003	178,303
Unallocated assets -		
Property, plant and equipment	52,493	53,026
Investments	183,959	16,184
Post-employment benefit asset	51,494	42,130
Inventories	46,287	38,482
Receivables	44,518	42,656
Short term deposits	-	60,348
Cash and bank balances	116,477	77,858
	678,232	508,987

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5. Segment Reporting (Continued)

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

	The Group	
	2018 $'000	**2017 $'000**
Segment liabilities from reportable segments	20,593	25,079
Unallocated liabilities -		
Deferred tax liabilities	16,661	16,381
Payables	108,656	85,466
Long term liabilities	15,040	18,800
Deferred Income	3,008	-
Taxation payable	12,848	2,183
	176,806	147,909

6. Other Operating Income

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Dividend income	507	232	191	147
Gain on sale of property, plant and equipment	61,462	1,250	580	1,250
Interest income	2,601	1,400	3,016	2,404
Management fees	-	-	29,165	24,045
Exchange gain on foreign balances	1,556	1,887	1,556	1,887
Other	1,657	8,004	1,657	8,004
	67,783	12,773	36,165	37,737

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7. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Advertising and promotion	24,508	24,041	14,243	13,887
Auditors' remuneration:				
Current year	5,600	5,205	4,500	4,200
Prior year	167	237	130	180
Bank security and fees	7,885	6,743	3,823	3,392
Cost of inventories recognised as expense	156,123	127,085	62,244	52,248
Depreciation	34,288	33,426	17,729	17,153
Film cost	357,409	320,196	357,409	320,196
Insurance	12,794	15,218	8,168	9,288
Legal and professional fees	6,229	2,565	5,351	2,024
Licence fees	7,075	6,181	3,304	2,978
Motor vehicle expenses	5,551	4,701	5,551	4,701
Other	26,212	24,410	19,626	17,639
Repairs and maintenance	43,704	31,839	24,597	23,111
Security	24,145	20,563	10,056	8,942
Staff costs (Note 8)	231,923	212,439	175,919	163,775
Stationery and supplies	26,178	25,701	13,995	12,879
Theatre rental	38,488	38,012	38,488	38,012
Transportation and courier	1,020	863	709	785
Utilities	64,476	60,435	32,970	31,483
	1,073,775	959,860	798,812	726,873

8. Staff Costs

	The Group		The Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Wages and salaries	186,073	174,248	143,075	134,898
Payroll taxes – Employer's portion	18,464	16,518	13,235	12,110
Pension (Note 15)	591	736	591	736
Other	26,795	20,937	19,018	16,031
	231,923	212,439	175,919	163,775

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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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Current taxation	18,474	6,359	9,580	4,033
Prior year under accrual	7	1	7	1
Deferred taxation (Note 14)	(890)	2,507	1,199	1,391
	17,591	8,867	10,786	5,425

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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Profit before taxation	154,902	41,687	52,474	25,202
Tax calculated at applicable tax rates	38,726	10,422	13,118	6,300
Adjusted for the effects of:				
Prior year under accrual	7	1	7	1
Income subject to different tax rates	(22)	(17)	(22)	(17)
Disallowed expenses	2,449	148	1,225	98
Capital gains not subject to tax	(15,220)	-	-	-
Permanent differences between depreciation and capital allowances	(1)	252	(1)	252
Employment Tax Credit	(7,611)	(2,241)	(3,799)	(1,244)
Other	(737)	302	258	35
	17,591	8,867	10,786	5,425

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10. Net Profit and Retained Earnings Attributable to the Stockholders

	2018 $'000	2017 $'000
(a) Net profit attributable to the stockholders of the Company is dealt with as follows in the financial statements of:		
The Company	41,688	19,777
The subsidiaries	82,151	13,236
	123,839	33,013

	2018 $'000	2017 $'000
(b) Retained earnings attributable to the stockholders of the Company are dealt with as follows in the financial statements of:		
The Company	146,354	103,311
The subsidiaries	151,601	69,450
	297,955	172,761

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.

	2018	2017
Net profit attributable to stockholders ($'000)	123,839	33,013
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit ($ per share)	86.18	22.97

The Company has no potentially dilutive ordinary shares.

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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 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
Additions	26,896	-	1,529	1,552	8,067	38,044
Disposals	(550)	-	-	-	(4,398)	(4,948)
At 30 June 2018	46,229	73,404	19,700	65,472	550,297	755,102
Depreciation and impairment -						
At 30 June 2016	-	34,367	2,109	63,920	372,965	473,361
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
Charge for the year	104	1,934	438	-	31,812	34,288
Relieved on disposal	-	-	-	-	(4,398)	(4,398)
At 30 June 2018	104	38,235	2,960	63,920	427,431	532,650
Net Book Value -						
30 June 2018	46,125	35,169	16,740	1,552	122,866	222,452
30 June 2017	19,883	37,103	15,649	-	146,611	219,246

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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 30 June 2016	1,010	6	16,561	63,920	318,572	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
Additions	-	-	1,529	1,552	6,399	9,480
Disposals	-	-	-	-	(4,398)	(4,398)
At 30 June 2018	1,010	6	19,700	65,472	338,217	424,405
Depreciation and impairment -						
At 30 June 2016	-	3	2,109	63,920	247,775	313,807
Charge for the year	-	-	413	-	16,740	17,153
Relieved on disposal	-	-	-	-	(4,027)	(4,027)
At 30 June 2017	-	3	2,522	63,920	260,488	326,933
Charge for the year	-	-	438	-	17,291	17,729
Relieved on disposal	-	-	-	-	(4,398)	(4,398)
At 30 June 2018	-	3	2,960	63,920	273,381	340,264
Net Book Value -						
30 June 2018	1,010	3	16,740	1,552	64,836	84,141
30 June 2017	1,010	3	15,649	-	75,728	92,390

Deemed cost of the freehold land and buildings includes revaluation surpluses of $1,727,000 and $1,373,000 for the Group and Company, respectively. These revaluation surpluses were designated as part of the deemed cost on adoption of IFRS in 2002.

The Group reassessed the depreciation policies of its property, plant and equipment and estimated that their useful lives would not be affected.

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13. Investments

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Quoted equities – available for sale at fair value	18,370	16,184	8,540	5,819
Sagicor Sigma Investments – available for sale at fair value	165,589	-	165,589	-
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
	183,959	16,184	174,614	6,304

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of year	(16,381)	(10,871)	(8,088)	(3,694)
Credited/(charged) to profit or loss (Note 9)	890	(2,507)	(1,199)	(1,391)
Charged to other comprehensive income	(1,170)	(3,003)	(1,170)	(3,003)
Balance at end of year	(16,661)	(16,381)	(10,457)	(8,088)

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14. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax assets to be recovered after more than 12 months	2,907	2,525	2,907	2,525
Deferred tax liabilities to be settled after more than 12 months	(19,078)	(18,825)	(12,874)	(10,533)

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unrealised foreign exchange gains	(489)	(24)	(490)	(24)
(Accelerated)/decelerated capital allowances	(3,298)	(5,768)	2,907	2,525
Pension surplus	(12,874)	(10,533)	(12,874)	(10,533)
Interest receivable	-	(56)	-	(56)
	(16,661)	(16,381)	(10,457)	(8,088)

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

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Profit or loss –				
Tax loss carry forwards	-	(1,603)	-	-
Unrealised foreign exchange (gains)/losses	(466)	256	(466)	256
Accelerated capital allowances	2,471	(255)	382	(742)
Pension surplus	(1,171)	(938)	(1,171)	(938)
Interest receivable	56	33	56	33
	890	(2,507)	(1,199)	(1,391)
Other comprehensive income –				
Pension surplus	(1,170)	(3,003)	(1,170)	(3,003)
	(280)	(5,510)	(2,369)	4,394

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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 Tax Administration Jamaica, losses of approximately $1,468,000 for the Group and nil for the Company (2017 – $1,468,000 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 (2017 - $247,000) and $1,221,000 (2017 - $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 $186,169,000 (2017 - $90,546,000).

15. Post-employment Benefit Asset

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

	The Group and Company	
	2018	**2017**
	$'000	**$'000**
Present value of funded obligations		
Head office employees' pension plan	(253,463)	(267,313)
Cinema employees' pension plan	(80,248)	(67,513)
	(333,711)	(334,826)
Fair value of plan assets:		
Head office employees' pension plan	279,520	292,863
Cinema employees' pension plan	105,685	89,890
	385,205	382,753
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	-	(5,797)
Asset in the statement of financial position	51,494	42,130

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.

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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 2018.

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of year	267,313	240,669	67,513	49,268
Current service cost	3,396	2,799	1,336	847
Interest cost	19,659	21,361	5,608	4,320
	290,368	264,829	74,457	54,435
Re-measurements -				
Loss from change in financial assumptions	27,685	12,950	9,355	3,040
Experience losses/(gains)	3,217	(9,148)	(2,864)	10,411
	321,270	268,631	80,948	67,886
Members' contributions	5,759	5,484	2,427	2,220
Benefits paid	(73,566)	(8,957)	(7,449)	(2,593)
Purchased annuities	-	2,155	4,322	-
Balance at end of year	253,463	267,313	80,248	67,513

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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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	292,863	256,792	89,890	77,967
Interest income	22,215	23,182	7,686	7,070
Re-measurements - Return on plan assets, excluding amounts included in interest income	28,774	11,292	7,010	3,652
Members' contributions	5,759	5,484	2,427	2,220
Employers' contributions	3,475	2,915	1,799	1,574
Benefits paid	(73,566)	(8,957)	(7,449)	(2,593)
Purchased annuities	-	2,155	4,322	-
Balance at end of year	279,520	292,863	105,685	89,890

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of year	-	-	5,797	18,455
Interest on asset	-	-	493	1,661
Change in asset ceiling, excluding amounts included in interest expense	-	-	(6,290)	(14,319)
Balance at end of year	-	-	-	5,797

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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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current service cost	3,396	2,799	1,336	847
Interest cost	19,659	21,361	5,608	4,320
Interest income on plan assets	(22,215)	(23,182)	(7,686)	(7,070)
Interest on effect of asset ceiling	-	-	493	1,661
Total included in staff costs	840	978	(249)	(242)

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

	Head office employees pension plan				Cinema employees pension plan			
	2018		2017		2018		2017	
	$'000	%	$'000	%	$'000	%	$'000	%
Pooled investment funds –								
Equity Fund	88,116	31	77,804	27	28,598	27	21,835	25
International Equity Fund	5,074	2	4,231	1	3,597	3	3,011	3
Mortgage and Real Estate Fund	71,377	26	77,071	26	30,857	30	23,938	27
Fixed Income Fund	19,794	7	16,818	6	2,378	2	3,198	4
Global Market Funds	13,496	5	11,817	4	3,932	4	3,745	4
Money Market Fund	3,302	1	3,577	1	1	-	1	-
Foreign Currency Fund	38,642	14	62,967	22	17,190	16	18,949	21
CPI- Indexed	-	-	-	-	3,330	3	3,831	4
Purchased annuities	38,978	14	38,045	13	15,450	15	11,071	12
Other	741	-	533	-	352	-	311	-
	279,520	100	292,863	100	105,685	100	89,890	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 2018 are $4,554,000 for cinema employees and $9,721,000 for head office employees. The actual return on the plan assets was $16,465,000 and $55,392,000 for cinema and head office employees respectively (2017 - $12,237,000 and $38,028,000 respectively).

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Asset at beginning of year	25,550	16,123	16,580	10,244
Amounts recognised in the income statement	(840)	(978)	249	242
Remeasurements recognised in OCI	(2,128)	7,490	6,809	4,520
Contributions paid	3,475	2,915	1,799	1,574
Asset at end of year	26,057	25,550	25,437	16,580

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	
	2018	**2017**	**2018**	**2017**
Discount rate	7.5%	8.5%	7.5%	8.5%
Inflation rate	4.5%	5.5%	4.5%	5.5%
Future salary increases	4.5%	5.5%	4.5%	5.0%
Future pension increases	-	-	2.0%	2.5%

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

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%	(24,526)	31,706
Future salary increases	1%	15,553	(13,179)
Life expectancy	1 year	2,530	(2,595)

Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(8,050)	10,678
Future salary increases	1%	4,897	(4,127)
Expected pension increase	1%	8,536	(7,268)
Life expectancy	1 year	882	(897)

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 air conditioning units in 2014. Interest is charged by the holding company on a reducing balance basis on these loans at rates of 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 $6,665,000 (2017 - $10,142,000).

These balances also include $60,928,000 due to Harbour View Cinema Company Limited which relates to funds received as a result of the sale of real estate disposed of by the subsidiary during the period.

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 2019.

17. Inventories

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Confectionery and snacks	30,227	27,784	27,248	25,020
General stores	17,542	17,270	17,542	17,270
Goods in transit	6,078	55	6,078	55
	53,847	45,109	50,868	42,345

18. Receivables

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables	26,424	25,048	26,424	25,048
Provision for doubtful debts	(557)	(481)	(557)	(481)
	25,867	24,567	25,867	24,567
Prepayments	12,588	9,595	10,624	7,612
Other	8,660	10,653	8,027	10,477
	47,115	44,815	44,518	42,656

19. Short Term Deposits

Short term deposits include interest receivable amounting to $Nil (2017 – $225,000).

All short-term deposits held at the end of prior period matured during the current year and were not renewed. The weighted average interest rate on short term deposits denominated in United States dollars was 4.05% in 2017 and these deposits matured within 180 days.

20. Cash and Cash Equivalents

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash at bank and in hand	119,365	80,036	117,923	78,645
Short term deposits (with original maturity 90 days or less)	-	1,119	-	1,119
Cash and cash equivalents	119,365	81,155	117,923	79,764

All short-term deposits held at the end of prior period matured during the current year and were not renewed. The weighted average interest rate on short term deposits which were denominated in Jamaican dollars was 0.05% to 2.1%. These deposits matured within 90 days.

21. Payables

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables	69,148	53,002	68,008	51,569
Accruals and other payables	53,436	47,401	40,298	33,567
	122,584	100,403	108,306	85,136

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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 $21,403,000 (2017 - $21,695,000) which attract interest at 9% (2017 – 13.75%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group and Company	
	2018 $'000	**2017 $'000**
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving term loan (i)	6,665	10,142
Non-revolving term loan (ii)	15,040	18,800
	21,705	28,942
Less: Current portion	(7,237)	(7,237)
	14,468	21,705

(i) This loan incurs interest at a rate of 8% (2017 – 8%) and is repayable in May 2020. The Cinema Company of Jamaica Limited, a wholly owned subsidiary, has provided an unlimited guarantee in respect of this loan. This guarantee is supported by a first legal mortgage over the Carib Cinema. The loan is also secured by assignment of peril insurance in respect of the Carib cinema, at full market value.

(ii) This loan 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 Limited, 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

	2018 $'000	**2017 $'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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Unrealised surplus on assets carried at deemed cost	1,727	2,231	1,373	1,373
Realised capital gains	163,868	163,868	146,992	146,992
Other	389	389	-	-
	165,984	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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Net profit	137,311	32,820	41,688	19,777
Items not affecting cash resources:				
Depreciation	34,288	33,426	17,729	17,153
Gain on sale of property, plant and equipment	(61,462)	(1,250)	(580)	(1,250)
Interest income	(2,601)	(1,400)	(3,016)	(2,404)
Dividend income	(507)	(232)	(191)	(147)
Exchange gain on foreign balances	(1,556)	(1,887)	(1,556)	(1,887)
Interest expense	2,139	1,363	2,073	1,282
Taxation	17,591	8,867	10,786	5,425
	125,203	71,707	66,933	37,949
Changes in operating assets and liabilities:				
Inventories	(8,738)	187	(8,523)	501
Receivables	710	2,801	1,148	2,592
Post-employment benefits	(4,683)	(3,753)	(4,683)	(3,753)
Due from subsidiaries	-	-	85,713	25,828
Deferred Income	3,008	-	3,008	-
Payables	19,954	(20,103)	20,943	(20,548)
	135,454	50,839	164,539	42,569
Taxation paid	(7,511)	(1,825)	(4,448)	(1,102)
Cash provided by operating activities	127,943	49,014	160,091	41,467

27. Related Party Transactions and Balances

(a) Purchases of services

Film rental charged by the parent company for the year amounted to $129,238,000 (2017 - $123,514,000) respectively. Trade payables include $691,000 (2017 – $13,453,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2018 $'000	2017 $'000
Wages and salaries	55,604	54,605
Payroll taxes – Employer's portion	2,439	2,584
Pension	1,239	1,362
Other	6,057	6,042
	65,339	64,593
Directors' emoluments –		
Fees	1,996	1,610
Management remuneration (included above)	31,389	29,595

(c) Transactions between the Company and its subsidiaries

During the year, the Company earned management fees of $29,165,000 (2017 – $24,045,000), film revenue of $218,912,000 (2017 – $180,673,000) and screen advertising administrative fees of $15,851,000 (2017 - $14,455,000) from a subsidiary.

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

	2018 $'000	2017 $'000
Receivables -		
Subsidiary companies	10,723	35,971
Payables -		
Subsidiary companies	81,064	20,599

(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 2018, the Group and Company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling $3,607,000 (2017 - $3,420,000).

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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	
	2018	2017
	$'000	$'000
No later than 1 year	50,617	48,275
Later than 1 year and no later than 5 years	202,075	210,567
Later than 5 years	-	39,534
	252,692	298,376

The Group does not have capital commitments.