The Palace Amusement Company (1921) Limited

Financial Statements
30 June 2019

The Palace Amusement Company (1921) Limited
Index
30 June 2019

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Consolidated statement of comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Company statement of comprehensive income	5
Company statement of financial position	6
Company statement of changes in equity	7
Company statement of cash flows	8
Notes to the financial statements	9-58

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 2019, 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 2019;
- 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 2019;
- 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.

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

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

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.

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. 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 are 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 16 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgements, estimates and balances. 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 $37.749 million for both the Group and Company as at 30 June 2019 consisting of a gross asset balance of $395.382 million and a gross liability of $357.633 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.	We performed the following procedures on the valuation of pension plan liabilities: • 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. We determined that the data and assumptions used by management in the actuarial valuation of the pension plan liability were consistent with the audit evidence obtained and no material exceptions were identified.

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 with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and 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 or 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 or 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
27 September 2019
Kingston, Jamaica

The Palace Amusement Company (1921) Limited

Consolidated Statement of Comprehensive Income

Year ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue	5	1,112,639	1,163,033
Direct expenses		(900,088)	(890,604)
Gross Profit		212,551	272,429
Other operating income	6	6,137	67,783
Non-operating income	7	46,557	-
Administration expenses		(186,739)	(183,171)
Operating Profit		78,506	157,041
Finance costs – interest expense		(1,696)	(2,139)
Profit before Taxation		76,810	154,902
Taxation	10	(6,448)	(17,591)
Net Profit		70,362	137,311
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
Item(s) that will not be reclassified to profit or loss in the future			
Unrealised gains on FVOCI investments, net of taxation		9,663	-
Re-measurement of post-employment benefit asset, net of taxation		(12,535)	3,511
Total other comprehensive income		(2,872)	5,697
Total Comprehensive Income		67,490	143,008
Net Profit Attributable to:			
Stockholders of the Company	11	82,431	123,839
Non-controlling interest		(12,069)	13,472
		70,362	137,311
Total Comprehensive Income Attributable to:			
Stockholders of the Company		79,389	129,589
Non-controlling interest		(11,899)	13,419
		67,490	143,008
Earnings per Stock Unit Attributable to Stockholders of the Company	12	57.36	86.18

The Palace Amusement Company (1921) Limited

Consolidated Statement of Financial Position

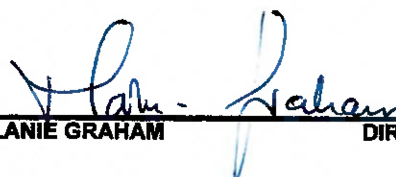
30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Non-Current Assets			
Property, plant and equipment	13	452,423	222,452
Investments	14	65,924	183,959
Post-employment benefit asset	16	37,749	51,494
		556,096	457,905
Current Assets			
Inventories	18	61,502	53,847
Receivables	19	46,046	47,115
Cash and cash equivalents	20	39,235	119,365
		146,783	220,327
Current Liabilities			
Payables	21	165,099	122,584
Taxation payable		8,509	12,848
Deferred Income		-	3,008
Current portion of long term liabilities	22	6,947	7,237
		180,555	145,677
Net Current (Liabilities)/Assets		(33,772)	74,650
		522,324	532,555
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	165,984	165,984
Fair value reserve	25	27,465	17,972
Retained earnings	11	304,049	297,955
		498,935	483,348
Non-Controlling Interest		6,179	18,078
		505,114	501,426
Non-Current Liabilities			
Long term liabilities	22	7,520	14,468
Deferred tax liabilities	15	9,690	16,661
		17,210	31,129
		522,324	532,555

Approved for issue by the Board of Directors on 27 September 2019 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 2019

(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 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
Other Comprehensive Income –							
Reserve from sale of property	-	-	(504)	-	-	-	(504)
Re-measurement of post-employment benefit asset	-	-	-	-	3,511	-	3,511
Unrealised gains on available for sale investments	-	-	-	2,239	-	(53)	2,186
	-	-	(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
Total Comprehensive Income							
Net profit	-	-	-	-	82,431	(12,069)	70,362
Other Comprehensive Income –							
Unrealised gains on FVOCI investments	-	-	-	9,493	-	170	9,663
Re-measurement of post-employment benefit asset	-	-	-	-	(12,535)	-	(12,535)
	-	-	-	9,493	69,896	(11,899)	67,490
Transactions with Owners							
Dividends paid	-	-	-	-	(2,875)	-	(2,875)
Capital distribution paid	-	-	-	-	(60,927)	-	(60,927)
Balance at 30 June 2019	1,437	1,437	165,984	27,465	304,049	6,179	505,114

The Palace Amusement Company (1921) Limited

Consolidated Statement of Cash Flows

Year ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	81,138	127,943
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(289,114)	(38,044)
Proceeds from sale of property, plant and equipment	16,107	61,508
Short term deposits, net	-	60,122
Purchase of investments	-	(165,589)
Encashment of investments	131,640	-
Increase in fair value of investments	(3,942)	-
Interest received	5,173	2,522
Dividends received	235	507
Capital distribution received	46,557	-
Cash used in investing activities	(93,344)	(78,974)
Cash Flows from Financing Activities		
Long term loans repaid	(7,238)	(7,237)
Interest paid	(1,696)	(2,139)
Capital distribution paid	(60,927)	-
Dividends paid	(2,875)	(2,156)
Cash used in financing activities	(72,736)	(11,532)
	(84,942)	37,437
Exchange gain on foreign cash balances	4,812	773
(Decrease)/Increase in cash and cash equivalents	(80,130)	38,210
Cash and cash equivalents at beginning of year	119,365	81,155
Cash and Cash Equivalents at End of Year (Note 20)	39,235	119,365

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

	2019 $'000	2018 $'000
At 1 July	21,705	28,942
Loans repaid	(7,238)	(7,237)
	14,467	21,705

The Palace Amusement Company (1921) Limited

Company Statement of Comprehensive Income

Year ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Revenue		773,689	817,194
Direct expenses		(619,175)	(615,641)
Gross Profit		154,514	201,553
Other operating income	6	33,679	36,165
Non-operating income	7	30,451	-
Administration expenses		(186,739)	(183,171)
Operating Profit		31,905	54,547
Finance costs – interest expense		(1,601)	(2,073)
Profit before Taxation		30,304	52,474
Taxation	10	(1,449)	(10,786)
Net Profit	11	28,855	41,688
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
Item(s) that will not be reclassified to profit or loss in the future -			
Unrealised gains on FVOCI investments, net of taxation		7,948	-
Re-measurement of post-employment benefit asset, net of taxation		(12,535)	3,511
Total other comprehensive income		(4,587)	6,232
Total Comprehensive Income		24,268	47,920

The Palace Amusement Company (1921) Limited

Company Statement of Financial Position

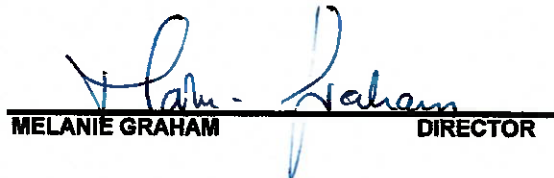
30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2019 $'000	2018 $'000
Non-Current Assets			
Property, plant and equipment	13	308,824	84,141
Investments	14	54,863	174,614
Post-employment benefit asset	16	37,749	51,494
Due from subsidiaries	17/27	-	10,723
		401,436	320,972
Current Assets			
Inventories	18	57,919	50,868
Receivables	19	43,989	44,518
Cash and cash equivalents	20	38,011	117,923
		139,919	213,309
Current Liabilities			
Payables	21	139,095	108,306
Taxation payable		1,688	5,117
Deferred Income		-	3,008
Current portion of long-term liabilities	22	6,947	7,237
		147,730	123,668
Net Current (Liabilities)/Assets		(7,811)	89,641
		393,625	410,613
Stockholders' Equity			
Share capital	23	1,437	1,437
Capital reserve	24	148,365	148,365
Fair value reserve	25	16,416	8,468
Retained earnings	11	159,799	146,354
		326,017	304,624
Non-Current Liabilities			
Due to subsidiaries	17/27	55,665	81,064
Long term liabilities	22	7,520	14,468
Deferred tax liabilities	15	4,423	10,457
		67,608	105,989
		393,625	410,613

Approved for issue by the Board of Directors on 27 September 2019 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 2019

(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 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
Total Comprehensive Income						
Net profit	-	-	-	-	28,855	28,855
Other Comprehensive Income –						
Re-measurement of post employment benefit asset	-	-	-	-	(12,535)	(12,535)
Unrealised gains on FVOCI investments	-	-	-	7,948	-	7,948
	-	-	-	7,948	16,320	24,268
Transactions with owners						
Dividends paid	-		-	-	(2,875)	(2,875)
Balance at 30 June 2019	1,437	1,437	148,365	16,416	159,799	326,017

The Palace Amusement Company (1921) Limited

Company Statement of Cash Flows

Year ended 30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

	2019 $'000	2018 $'000
Cash Flows from Operating Activities		
Cash provided by operating activities (Note 26)	14,565	160,091
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(266,368)	(9,480)
Proceeds from sale of property, plant and equipment	16,107	580
Short term deposits, net	-	60,122
Purchase of investments	-	(165,589)
Encashment of investments	131,640	-
Increase in fair value of investments	(3,942)	-
Interest received	4,302	2,937
Dividend received	235	191
Capital distribution received	30,451	-
Cash used in investing activities	(87,575)	(111,239)
Cash Flows from Financing Activities		
Long term loans repaid	(7,238)	(7,237)
Interest paid	(1,601)	(2,073)
Dividends paid	(2,875)	(2,156)
Cash used in financing activities	(11,714)	(11,466)
	(84,724)	37,386
Exchange gain on foreign cash balances	4,812	773
(Decrease)/Increase in cash and cash equivalents	(79,912)	38,159
Cash and cash equivalents at beginning of year	117,923	79,764
Cash and Cash Equivalents at End of Year (Note 20)	38,011	117,923

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

	2019 $'000	2018 $'000
At 1 July	21,705	28,942
Loans repaid	(7,238)	(7,237)
	14,467	21,705

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The Palace Amusement Company (1921) Limited (the Company) and its subsidiaries (collectively referred to as the Group) are limited liability companies, incorporated and resident in Jamaica and are cinema operators. The Company is a 65.95% 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.

IFRS 9, 'Financial instruments', (effective for annual periods beginning on or after 1 January 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

IFRS 9, 'Financial instruments (continued)
IFRS 9 has three classification categories for debt instruments: amortised cost, fair value through other comprehensive income ('FVOCI') and fair value through profit or loss ('FVPL'). Classification under IFRS 9 for debt instruments is based on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ('SPPI'). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity. That is, an entity's business model determines whether the cash flows will result from collecting contractual cash flows, selling financial assets or both.

If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVPL is the residual category - financial assets should therefore be classified as FVPL if they do not meet the criteria of FVOCI or amortised cost.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. The ECL model constitutes a change from the guidance in IAS 39 and seeks to address the criticisms of the incurred loss model which arose during the economic crisis. In practice, the new rules mean that entities will have to record a day 1 loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). IFRS 9 contains a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

The adoption of IFRS 9 from 1 July 2018 resulted in changes in accounting policies, however, there were no material adjustments to the amounts recognised in the financial statements. In accordance with the transitional provisions in IFRS 9 [7.2.15], comparative figures have not been restated. Details of the new accounting policy in relation to IFRS 9 are outlined in Note 2 (f) and the impact on the financial statements on adoption of the new standard is disclosed in Note 30.

IFRS 15, 'Revenue from contracts with customers' (effective for annual period beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers are required to be capitalised and amortised over the period when the benefits of the contract are consumed. Except for management fees and commission, all other revenue streams are not within the scope of IFRS 15. The group has assessed the main types of commercial arrangements used with customers under the model and has concluded that the application of IFRS 15 does not have a material impact on the consolidated results or financial position based on the nature of goods and services offered by the group.

The Palace Amusement Company (1921) Limited

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

Annual improvements 2014–2016 (effective 1 January 2018). These amendments impact two standards: IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10. IAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. The adoption of these amendment did not have any significant impact on the Group's financial statements.

IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018). 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 adoption of this interpretation did not have any significant impact on the Group's financial statements

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.

Amendment to IFRS 9, Financial instruments', on prepayment features with negative compensation and modification of financial liabilities (effective annual periods beginning on or after 01 January 2019). This amendment confirmed two points: (1) that reasonable compensation fcr prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

Annual improvements 2015–2017 (effective annual periods beginning on or after 1 January 2019). These amendments include minor changes to the following standards:

- IFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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' (effective annual periods beginning on or after 1 January 2019). These amendments require an entity to:

- use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and
- 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.

IFRS 16 'Leases' (effective annual periods beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular.

Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Amendments to IFRS 3 – definition of a business (effective annual periods beginning on or after 1 January 2020). This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

Amendments to IAS 1 and IAS 8 on the definition of material (effective annual periods beginning on or after 1 January 2020). These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

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)

IFRIC 23, 'Uncertainty over income tax treatments' (effective annual periods beginning on or after 1 January 2019). 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 deduction 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. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The Group is assessing the impact of the future adoption of these standards, amendments and interpretations on the financial statements.

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

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries

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.

2. Significant Accounting Policies (Continued)

(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.

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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

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

(i) *Classification*

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- At fair value (either through OCI or through profit or loss); and
- At amortised cost

The classification is based on the group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are recorded in profit or loss or OCI.

(ii) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. 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 the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the group measures a financial asset at its fair value plus transaction cost directly attributable to the acquisition of the financial asset in the case of a financial asset not at fair value through profit or loss (FVPL). Transaction costs that are directly attributable to the acquisition of the financial asset carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- *Amortised costs* - Financial assets classified as amortised costs are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in gains/(losses). Impairment losses are presented as separate line item in profit or loss. The Group's financial assets measured at amortised cost comprise solely of 'trade and other receivables', 'short term deposits' and 'cash and bank balances'. The Company's financial assets measured at amortised cost also includes 'due from subsidiaries'.

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

(iii) Measurement (continued)

- *FVOCI* – Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in investment income using the effective interest rate method. Foreign exchange gains and losses are presented in gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- *FVPL* - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Gains or losses on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payment is established.

Changes in the fair value of financial assets at FVPL are recognised in gains/(losses) in the profit or loss statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment
From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost (include cash and cash equivalents) and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Accounting policies applied until 30 June 2018

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.

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 Palace Amusement Company (1921) Limited

2. Significant Accounting Policies (Continued)

(f) Financial instruments (continued)

Financial assets (continued)

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

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

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

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

(i) Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short term deposits with original maturity of 90 days or less.

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

2. Significant Accounting Policies (Continued)

(k) Current and deferred income taxes

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

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

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

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

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

Deferred income tax liabilities are not recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested and are not subject to tax.

(l) Employee benefits

The Group operates defined benefit plans, the assets of which are generally held in 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.

2. Significant Accounting Policies (Continued)

(m) Provisions

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

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(n) Revenue recognition

Group revenue comprises box office receipts, theatre confectionery sales, advertising and film rental income. Box office receipts and concession sales are cash sales and are recognised when cash is collected. Advertising and rental income are recognised on an accrual basis in accordance with the substance of the underlying contracts. Revenue is shown net of General Consumption Tax, returns and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described above.

The Group 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.

(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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(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.

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 $9,707,000 (2018 – $11,627,000) and $12,366,000 (2018 – $72,928,000), respectively.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. *Financial Risk Management (Continued)*

(i) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity
The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank and accounts receivable balances, and adjusts their translation at the year-end for 6% (2018 – 4%) depreciation and a 4% (2018 – 2%) 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 2019	Effect on Profit before Tax 30 June 2019 $'000	% Change in Currency Rate 2018	Effect on Profit before Tax 30 June 2018 $'000
Currency:				
USD	-6	1,324	-4	3,382
USD	+4	(883)	+2	(1,691)

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.

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(i) Market risk (continued)

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.

In assessing credit losses associated with trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Due from 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. The credit risk associated with these balances is considered low due to the credit quality of these subsidiaries.

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 2019, trade receivables of $5,914,000 (2018 - $4,586,000) 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 2019, the Group and Company had trade receivables of $786,000 (2018 - $557,000) that were impaired. The amount of the provision was $786,000 (2018 – $557,000). These receivables were aged over 90 days.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(ii) Credit risk (continued)

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

	The Group and Company	
	2019 $'000	2018 $'000
At 1 July	557	481
Provision for receivables impairment	229	76
At 30 June	786	557

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.

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	
	2019 $'000	2018 $'000
Independent cinemas	13,624	13,585
Advertising agencies	3,754	5,845
Other	7,577	6,994
	24,955	26,424
Less: Provision for credit losses	(786)	(557)
	24,169	25,867

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

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

	The Group			
	Within 1 Year $'000	**1 to 2 Years $'000**	**2 to 5 Years $'000**	**Total $'000**
		2019		
Trade payables	89,794	-	-	89,794
Accruals and other payables	69,131	-	-	69,131
Long term liabilities	7,936	4,282	3,944	16,162
Total financial liabilities	166,861	4,282	3,944	175,087
		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

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

Cash flows of financial liabilities (continued)

	The Company			
	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
		2019		
Trade payables	87,567	-	-	87,567
Accruals and other payables	48,707	-	-	48,707
Due to subsidiary companies	55,665	-	-	55,665
Long term liabilities	7,936	4,282	3,944	16,162
Total financial liabilities	199,875	4,282	3,944	208,101
		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

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 2019.

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 FVOCI 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 equities classified as FVOCI and FVPL of $65,924,000 (2018 - $183,959,000) and $54,378,000 (2018 - $174,129,000) for the Group and Company, respectively.

There were no transfers between levels during the year.

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 $88,113,000 (2018 - $83,652,000) earned from other Caribbean countries.

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

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

	2019						
	Cinema Activities						
	Carib Cinema $'000	Palace Cineplex $'000	Palace Multiplex $'000	Sunshine Palace $'000	Film Activities $'000	Screen Advertising Activities $'000	Total $'000
Revenue –							
Box office receipts	355,178	117,377	164,494	-	-	-	637,049
Confectionery sales	186,694	54,504	72,372	-	-	-	313,570
Film rental	-	-	-	-	443,515	-	443,515
Screen advertising	26,750	11,801	17,517	-	-	33,899	89,967
Other activities	5	1,951	242	-	-	-	2,198
	568,627	185,633	254,625	-	443,515	33,899	1,486,299
Eliminations							(373,660)
Revenue from external customers							1,112,639
Segment result [1]	30,021	20,628	23,637	(5,885)	93,166	23,193	184,760
Eliminations							28,414
							213,174
Segment assets[2]	150,464	15,382	20,768	250,858	190	143	437,805
Unallocated assets							265,074
Total assets							702,879
Segment liabilities[3]	21,624	-	-	-	-	-	21,624
Unallocated liabilities							176,141
Total liabilities							197,765
Other items –							
Capital expenditure	22,746	929	5,907	249,306	96	23	279,007
Eliminations							-
Unallocated head office capital expenditure							10,108
Total capital expenditure							289,115
Depreciation	17,458	5,320	4,675	-	85	17	27,555
Unallocated head office depreciation							6,560
Total depreciation							34,115
Interest expense	485	-	-	-	-	-	485
Unallocated head office interest expense							1,601
Eliminations							(390)
Total interest expense							1,696

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

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	183,004
Unallocated assets						495,228
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

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

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

	The Group	
	2019 $'000	**2018 $'000**
Profit from reportable segments	213,174	272,970
Unallocated income -		
Other operating income	6,137	67,783
Non operating income	46,557	-
Unallocated costs -		
Administrative expenses	(186,739)	(183,171)
Other	(1,108)	(1,275)
	(187,847)	(184,446)
Unallocated interest expense	(1,601)	(2,073)
Eliminations	390	668
	(1,211)	(1,405)
	76,810	154,902

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

	The Group	
	2019 $'000	**2018 $'000**
Segment assets from reportable segments	437,805	183,004
Unallocated assets -		
Property, plant and equipment	29,460	52,493
Investments	65,924	183,959
Post-employment benefit asset	37,749	51,494
Inventories	51,730	46,287
Receivables	43,989	44,518
Cash and bank balances	36,222	116,477
	702,879	678,232

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Reporting (Continued)

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

	The Group	
	2019 $'000	**2018 $'000**
Segment liabilities from reportable segments	21,624	20,593
Unallocated liabilities -		
Deferred tax liabilities	9,690	16,661
Payables	146,662	108,656
Long term liabilities	11,280	15,040
Deferred Income	-	3,008
Taxation payable	8,509	12,848
	197,765	176,806

6. Other Operating Income

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Dividend income	235	507	235	191
(Loss)/Gain on sale of property, plant and equipment	(8,921)	61,462	(8,921)	580
Interest income	6,057	2,601	5,185	3,016
Management fees	-	-	28,414	29,165
Exchange gain on foreign balances	6,920	1,556	6,920	1,556
Other	1,846	1,657	1,846	1,657
	6,137	67,783	33,679	36,165

7. Other Non-Operating Income

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Capital distribution income	46,557	-	30,451	-
	46,557	-	30,451	-

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

8. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Advertising and promotion	24,500	24,508	14,364	14,243
Auditors' remuneration:				
Current year	5,830	5,600	4,600	4,500
Prior year	187	167	135	130
Bank security and fees	7,524	7,885	3,700	3,823
Cost of inventories recognised as expense	156,649	156,123	59,967	62,244
Depreciation	34,115	34,288	16,657	17,729
Film cost	342,852	357,409	342,852	357,409
Insurance	15,741	12,794	10,076	8,168
Legal and professional fees	3,839	6,229	3,405	5,351
Licence fees	6,817	7,075	3,132	3,304
Motor vehicle expenses	5,476	5,551	5,476	5,551
Other	27,211	25,127	21,269	18,975
Repairs and maintenance	36,862	43,704	23,021	24,597
Security	25,214	24,145	11,380	10,056
Staff costs (Note 8)	251,724	231,923	191,071	175,919
Stationery and supplies	26,130	26,178	14,246	13,995
Theatre rental	40,366	38,488	40,366	38,488
Transportation and courier	2,378	2,105	1,653	1,360
Utilities	73,412	64,476	38,544	32,970
	1,086,827	1,073,775	805,914	798,812

9. Staff Costs

	The Group		The Company	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Wages and salaries	197,131	186,073	152,317	143,075
Payroll taxes – Employer's portion	19,402	18,464	13,932	13,235
Pension (Note 16)	2,586	591	2,586	591
Other	32,605	26,795	22,236	19,018
	251,724	231,923	191,071	175,919

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

10. Taxation

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

	The Group		The Company	
	2019 **$'000**	**2018** **$'000**	**2019** **$'000**	**2018** **$'000**
Current taxation	9,232	18,474	3,296	9,580
Prior year under accrual	8	7	8	7
Deferred taxation (Note 15)	(2,792)	(890)	(1,855)	1,199
	6,448	17,591	1,449	10,786

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	
	2019 **$'000**	**2018** **$'000**	**2019** **$'000**	**2018** **$'000**
Profit before taxation	76,810	154,902	30,304	52,474
Tax calculated at applicable tax rates	19,203	38,726	7,576	13,118
Adjusted for the effects of:				
Prior year under accrual	8	7	8	7
Income subject to different tax rates	(9,824)	(22)	(6,433)	(22)
Disallowed expenses	211	2,449	173	1,225
Capital gains not subject to tax	-	(15,220)	-	-
Permanent differences between depreciation and capital allowances	418	(1)	418	(1)
Employment Tax Credit	(3,140)	(7,611)	(596)	(3,799)
Other	(428)	(737)	303	258
	6,448	17,591	1,449	10,786

The Palace Amusement Company (1921) Limited
Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

11. Net Profit and Retained Earnings Attributable to the Stockholders

	2019 $'000	2018 $'000
(a) Net profit attributable to the stockholders of the Company is dealt with as follows in the financial statements of:		
The Company	28,855	41,688
The subsidiaries	53,576	82,151
	82,431	123,839

	2019 $'000	2018 $'000
(b) Retained earnings attributable to the stockholders of the Company are dealt with as follows in the financial statements of:		
The Company	159,799	146,354
The subsidiaries	144,250	151,601
	304,049	297,955

12. 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.

	2019	2018
Net profit attributable to stockholders ($'000)	82,431	123,839
Number of ordinary stock units ('000)	1,437	1,437
Earnings per stock unit ($ per share)	57.36	86.18

The Company has no potentially dilutive ordinary shares.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

13. Property, Plant and Equipment

The Group

	Freehold Land	Theatre Buildings	Other Buildings	Leasehold Improvements	Equipment, Fixtures & Motor Vehicles	Work In Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or deemed cost -							
At 30 June 2017	19,883	73,404	18,171	63,920	546,628	-	722,006
Additions	26,896	-	1,529	-	8,067	1,552	38,044
Disposals	(550)	-	-	-	(4,398)	-	(4,948)
At 30 June 2018	46,229	73,404	19,700	63,920	550,297	1,552	755,102
Additions	-	-	-	6,836	32,973	249,306	289,115
Disposals	(745)	-	(18,906)	-	(16,874)		(36,525)
At 30 June 2019	45,484	73,404	794	70,756	566,396	250,858	1,007,692
Depreciation -							
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
Charge for the year	672	1,934	118	-	31,391	-	34,115
Relieved on disposal	-	-	(2,727)	-	(8,769)	-	(11,496)
At 30 June 2019	776	40,169	351	63,920	450,053	-	555,269
Net Book Value -							
30 June 2019	44,708	33,235	443	6,836	116,343	250,858	452,423
30 June 2018	46,125	35,169	16,740	-	122,866	1,552	222,452

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

13. Property, Plant and Equipment (Continued)

The Company

	Freehold Land	Theatre Buildings	Other Buildings	Leasehold Improvements	Equipment, Fixtures & Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost or deemed cost -							
At 30 June 2017	1,010	6	18,171	63,920	336,216	-	419,323
Additions	-	-	1,529	-	6,399	1,552	9,480
Disposals	-	-	-	-	(4,398)	-	(4,398)
At 30 June 2018	1,010	6	19,700	63,920	338,217	1,552	424,405
Additions	-	-	-	6,836	10,227	249,306	266,369
Disposals	(745)	-	(18,906)	-	(16,874)	-	(36,525)
At 30 June 2019	265	6	794	70,756	331,570	250,858	654,249
Depreciation -							
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
Charge for the year	-	-	118	-	16,539	-	16,657
Relieved on disposal	-	-	(2,727)	-	(8,769)	-	(11,496)
At 30 June 2019	-	3	351	63,920	281,151	-	345,425
Net Book Value -							
30 June 2019	265	3	443	6,836	50,419	250,858	308,824
30 June 2018	1,010	3	16,740	-	64,836	1,552	84,141

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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

14. Investments

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Quoted equities – at fair value through OCI	28,033	-	16,487	
Quoted equities – available for sale at fair value	-	18,370	-	8,540
Sagicor Sigma Investments – at fair value through P&L	37,891	-	37,891	-
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
	65,924	183,959	54,863	174,614

15. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	(16,661)	(16,381)	(10,457)	(8,088)
Credited/(charged) to profit or loss (Note 10)	2,792	890	1,855	(1,199)
Charged to other comprehensive income	4,179	(1,170)	4,179	(1,170)
Balance at end of year	(9,690)	(16,661)	(4,423)	(10,457)

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

15. Deferred Income Taxes (Continued)

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

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Deferred tax assets to be recovered after more than 12 months	5,056	2,907	5,056	2,907
Deferred tax liabilities to be settled after more than 12 months	(14,704)	(19,078)	(9,437)	(12,874)

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unrealised foreign exchange gains	(42)	(489)	(42)	(490)
(Accelerated)/decelerated capital allowances	(211)	(3,298)	5,056	2,907
Pension surplus	(9,437)	(12,874)	(9,437)	(12,874)
	(9,690)	(16,661)	(4,423)	(10,457)

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

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Profit or loss –				
Unrealised foreign exchange (gains)/losses	448	(466)	448	(466)
Accelerated capital allowances	3,086	2,471	2,149	382
Pension surplus	(742)	(1,171)	(742)	(1,171)
Interest receivable	-	56	-	56
	2,792	890	1,855	(1,199)
Other comprehensive income –				
Pension surplus	4,179	(1,170)	4,179	(1,170)
	6,971	(280)	6,034	(2,369)

15. 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 (2018 – $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 (2018 - $247,000) and $1,221,000 (2018 - $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 $227,674,000 (2018 - $186,169,000).

16. Post-employment Benefit Asset

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

	The Group and Company	
	2019 $'000	2018 $'000
Present value of funded obligations		
Head office employees' pension plan	(280,527)	(253,463)
Cinema employees' pension plan	(77,106)	(80,248)
	(357,633)	(333,711)
Fair value of plan assets:		
Head office employees' pension plan	298,491	279,520
Cinema employees' pension plan	116,689	105,685
	415,180	385,205
Limitation of asset due to uncertainty of obtaining economic benefits in Cinema employees' plan	(19,798)	-
Asset in the statement of financial position	37,749	51,494

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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

16. 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 2019.

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	253,463	267,313	80,248	67,513
Current service cost	4,997	3,396	1,990	1,336
Interest cost	17,449	19,659	5,759	5,608
	275,909	290,368	87,997	74,457
Re-measurements -				
Loss from change in financial assumptions	16,236	27,685	4,804	9,355
Experience losses/(gains)	11,648	3,217	(14,598)	(2,864)
	303,793	321,270	78,203	80,948
Members' contributions	6,332	5,759	2,743	2,427
Benefits paid	(44,606)	(73,566)	(3,840)	(7,449)
Purchased annuities	15,008	-	-	4,322
Balance at end of year	280,527	253,463	77,106	80,248

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

16. 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	279,520	292,863	105,685	89,890
Interest income	19,769	22,215	7,840	7,686
Re-measurements - Return on plan assets, excluding amounts included in interest income	18,864	28,774	2,310	7,010
Members' contributions	6,332	5,759	2,743	2,427
Employers' contributions	3,604	3,475	1,951	1,799
Benefits paid	(44,606)	(73,566)	(3,840)	(7,449)
Purchased annuities	15,008	-	-	4,322
Balance at end of year	298,491	279,520	116,689	105,685

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Balance at beginning of year	-	-	-	5,797
Interest on asset	-	-	-	493
Change in asset ceiling, excluding amounts included in interest expense	-	-	19,798	(6,290)
Balance at end of year	-	-	19,798	-

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

16. Post-employment Benefit Asset (Continued)

The amounts recognised in profit or loss are as follows:

	Head office employees' pension plan		Cinema employees' pension plan	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Current service cost	4,997	3,396	1,990	1,336
Interest cost	17,449	19,659	5,759	5,608
Interest income on plan assets	(19,769)	(22,215)	(7,840)	(7,686)
Interest on effect of asset ceiling	-	-	-	493
Total included in staff costs	2,677	840	(91)	(249)

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

	Head office employees pension plan				Cinema employees pension plan			
	2019		**2018**		**2019**		**2018**	
	$'000	**%**	**$'000**	**%**	**$'000**	**%**	**$'000**	**%**
Pooled investment funds –								
Equity Fund	105,436	35	88,116	31	40,318	35	28,598	27
International Equity Fund	4,404	2	5,074	2	3,644	3	3,597	3
Mortgage and Real Estate Fund	27,642	9	71,377	26	16,118	13	30,857	30
Fixed Income Fund	43,824	16	19,794	7	18,487	16	2,378	2
Global Market Funds	12,204	4	13,496	5	4,081	4	3,932	4
Money Market Fund	3,116	1	3,302	1	1	-	1	-
Foreign Currency Fund	36,784	12	38,642	14	19,066	16	17,190	16
CPI- Indexed	10,145	3	-	-	2,263	2	3,330	3
Purchased annuities	53,750	18	38,978	14	14,071	12	15,450	15
Other	1,186	-	741	-	(1,360)	(1)	352	-
	298,491	100	279,520	100	116,689	100	105,685	100

16. 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 2019 are $7,356,000 for cinema employees and $10,419,000 for head office employees. The actual return on the plan assets was $12,041,000 and $42,496,000 for cinema and head office employees respectively (2018 - $16,465,000 and $55,392,000 respectively).

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

	Head office employees' pension plan		Cinema employees' pension plan	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Asset at beginning of year	26,057	25,550	25,437	16,580
Amounts recognised in the income statement	(2,677)	(840)	91	249
Remeasurements recognised in OCI	(9,020)	(2,128)	(7,694)	6,809
Contributions paid	3,604	3,475	1,951	1,799
Asset at end of year	17,964	26,057	19,785	25,437

Taxation in relation to the remeasurements recognised in OCI is disclosed in note 15.

The principal actuarial assumptions used were as follows:

	Head office employees' pension plan		Cinema employees' pension plan	
	2019	2018	2019	2018
Discount rate	7.0%	7.5%	7.0%	7.5%
Inflation rate	3.0%	4.5%	3.0%	4.5%
Future salary increases	5.0%	4.5%	3.0%	4.5%
Future pension increases	-	-	1.50%	2.0%

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

The Palace Amusement Company (1921) Limited

16. 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.

16. 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%	(31,572)	41,426
Future salary increases	1%	21,458	(18,136)
Future pension increases	1%	21,006	(18,357)
Life expectancy	1 year	2,854	(2,929)

Cinema employees

	Impact on post-employment obligations		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
		$'000	$'000
Discount rate	1%	(14,512)	21,096
Future salary increases	1%	7,065	(6,126)
Future pension increase	1%	19,761	(16,694)
Life expectancy	1 year	1,718	(1,699)

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.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

17. 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 $3,187,000 (2018 - $6,665,000).

There are no fixed terms of repayment. The balances are classified as non-current as the Company and subsidiaries have expressed their intention to not demand repayment of any portion of the balance until after 1 July 2019.

18. Inventories

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Confectionery and snacks	28,836	30,227	25,252	27,248
General stores	31,122	17,542	31,122	17,542
Goods in transit	1,544	6,078	1,545	6,078
	61,502	53,847	57,919	50,868

19. Receivables

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	24,955	26,424	24,955	26,424
Provision for doubtful debts	(786)	(557)	(786)	(557)
	24,169	25,867	24,169	25,867
Prepayments	6,021	12,588	4,126	10,624
Other	15,856	8,660	15,694	8,027
	46,046	47,115	43,989	44,518

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

20. Cash and Cash Equivalents

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at bank and in hand	39,235	119,365	38,011	117,923
Cash and cash equivalents	39,235	119,365	38,011	117,923

21. Payables

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables	96,970	69,148	94,743	68,008
Accruals and other payables	68,129	53,436	44,352	40,298
	165,099	122,584	139,095	108,306

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

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 $15,903,000 (2018 - $21,403,000) which attract interest at 9% (2018 – 9%) and are immediately rate sensitive.

(b) Long term liabilities

	The Group and Company	
	2019 $'000	**2018 $'000**
Bank of Nova Scotia Jamaica Limited -		
Development Bank of Jamaica Limited, non-revolving term loan (i)	3,187	6,665
Non-revolving term loan (ii)	11,280	15,040
	14,467	21,705
Less: Current portion	(6,947)	(7,237)
	7,520	14,468

(i) This loan incurs interest at a rate of 8% (2018 – 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

	2019 $'000	**2018 $'000**
Authorised - 1,500,000 ordinary shares		
Issued and fully paid – 1,437,028 stock units of no par value	1,437	1,437

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

24. Capital Reserve

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Unrealised surplus on assets carried at deemed cost	1,727	1,727	1,373	1,373
Realised capital gains	163,868	163,868	146,992	146,992
Other	389	389	-	-
	165,984	165,984	148,365	148,365

25. Fair Value Reserve

This represents the unrealised surplus on revaluation of investments carried at FVOCI.

26. Cash Flows from Operating Activities

	The Group		The Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Net profit	70,362	137,311	28,855	41,688
Items not affecting cash resources:				
Depreciation	34,115	34,288	16,657	17,729
Loss/(gain) on sale of property, plant and equipment	8,921	(61,462)	8,921	(580)
Interest income	(6,057)	(2,601)	(5,185)	(3,016)
Dividend income	(235)	(507)	(235)	(191)
Capital distribution income	(46,557)	-	(30,451)	-
Exchange gain on foreign balances	(6,920)	(1,556)	(6,920)	(1,556)
Interest expense	1,696	2,139	1,601	2,073
Taxation	6,448	17,591	1,449	10,786
	61,773	125,203	14,692	66,933
Changes in operating assets and liabilities:				
Inventories	(7,655)	(8,738)	(7,050)	(8,523)
Receivables	4,473	710	3,933	1,148
Post-employment benefits	(2,969)	(4,683)	(2,969)	(4,683)
Due from subsidiaries	-	-	(14,676)	85,713
Deferred Income	(3,008)	3,008	(3,008)	3,008
Payables	41,219	19,954	29,493	20,943
	93,833	135,454	20,415	164,539
Taxation paid	(12,695)	(7,511)	(5,850)	(4,448)
Cash provided by operating activities	81,138	127,943	14,565	160,091

27. Related Party Transactions and Balances

(a) Purchases of services

Film rental charged by the parent company for the year amounted to $133,420,000 (2018 - $129,238,000) respectively. Trade payables include $18,707,000 (2018 – $691,000) due to the parent company in respect of these expenses.

(b) Key management compensation

	2019 $'000	2018 $'000
Wages and salaries	56,482	55,604
Payroll taxes – Employer's portion	3,158	2,439
Pension	1,182	1,239
Other	5,898	6,057
	66,720	65,339
Directors' emoluments –		
Fees	3,285	1,996
Management remuneration (included above)	33,981	31,389

(c) Transactions between the Company and its subsidiaries

During the year, the Company earned management fees of $28,414,000 (2018 – $29,165,000), film revenue of $213,497,000 (2018 – $218,912,000) and screen advertising administrative fees of $16,179,000 (2018 - $15,851,000) from a subsidiary.

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

	2019 $'000	2018 $'000
Receivables -		
Subsidiary companies	-	10,723
Payables -		
Subsidiary companies	55,665	81,064

(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 2019, the Group and Company were contingently liable in respect of letters of credit issued to third parties in the ordinary course of business totalling $8,970,000 (2018 - $3,607,000).

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements

30 June 2019

(expressed in Jamaican dollars unless otherwise indicated)

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	
	2019	**2018**
	$'000	**$'000**
No later than 1 year	89,196	50,617
Later than 1 year and no later than 5 years	279,900	202,075
Later than 5 years	299,321	-
	668,417	252,692

The Group does not have capital commitments.

30. Adoption of new accounting standards

New accounting standards have been applied from 1 July 2018 and the financial statements of the Group have been restated as of that date to reflect the effect of the adoption of IFRS 9 'Financial instruments' and IFRS 15 "Revenue from contracts with customers'.

As noted in the accounting policies for the new standards, the transition provisions applied by the Group do not require comparative figures to be restated. The total impact of adoption is therefore recognised in the opening statement of financial position on 1 July 2018 as shown on page 57 and company respectively.

There were no fair value gains/ reserves associated with investments reclassified from AFS to FVPL and as such there was no impact on the opening statement of financial position.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

30. Adoption of new accounting standards (Continued)

(i) IFRS 9 'Financial Instruments' – impact of adoption

On 1 July 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

				Group		
		AFS	**Amortised Cost**	**FVOCI**	**FVPL**	**Total**
Financial assets – 1 July 2018	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Closing balance 30 June 2018 – IAS 39		183,959	-	-	-	183,959
Reclassify equity instruments from AFS to FVOCI	(a)	(18,370)	-	18,370	-	-
Reclassify equity instruments from AFS to FVPL	(b)	(165,589)	-	-	165,589	-
Opening balance 1 July 2018 – IFRS 9		-	-	18,370	165,589	183,959

				Company		
		AFS	**Amortised Cost**	**FVOCI**	**FVPL**	**Total**
Financial assets – 1 July 2018	Note	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Closing balance 30 June 2018 – IAS 39		174,129	485	-	-	174,614
Reclassify equity instruments from AFS to FVOCI	(a)	(8,540)	-	8,540	-	-
Reclassify equity instruments from AFS to FVPL	(b)	(165,589)	-	-	165,589	-
Opening balance 1 July 2018 – IFRS 9		-	485	8,540	165,589	174,614

(a) The Group elected to present in OCI changes in the fair value of some of its equity investments previously classified as AFS because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term.

(b) For other equity investments, where the Group has the intention to periodically sell, these investments were reclassified from AFS to FVPL. The associated fair value gains and losses previously recognised in OCI have been reclassified to opening retained earnings.

The Palace Amusement Company (1921) Limited

Notes to the Financial Statements
30 June 2019
(expressed in Jamaican dollars unless otherwise indicated)

30. Adoption of new accounting standards (Continued)

(i) IFRS 9 'Financial Instruments' – impact of adoption (continued)

Reclassifications of financial instruments on adoption of IFRS 9
On 1 July 2018 (the date of initial application of IFRS 9), the financial instruments of the Group were as follows, with any reclassifications noted:

	Group				
	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original $'000	New $'000	Change $'000
Cash and deposits	Amortised Cost	Amortised Cost	119,365	119,365	-
Investment securities - equity	AFS	FVOCI	18,370	18,370	-
Investment securities - equity	AFS	FVPL	165,589	165,589	-
Trade and other receivables	Amortised Cost	Amortised Cost	47,115	47,115	-

	Company				
	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original $'000	New $'000	Change $'000
Cash and deposits	Amortised Cost	Amortised Cost	117,923	117,923	-
Investment securities - equity	AFS	FVOCI	8,540	8,540	-
Investment securities - equity	AFS	FVPL	165,589	165,589	-
Subsidiaries	Amortised Cost	Amortised Cost	1	1	-
Trade and other receivables	Amortised Cost	Amortised Cost	44,518	44,518	-

Impairment of financial assets

The Group's Trade and other receivables is the only financial assets that are subject to the new expected credit loss model under IFRS 9.

The Group revised its impairment methodology under IFRS 9 for these financial assets. There was no material impact of the change in impairment methodology on the Group's and company's retained earnings.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(ii) IFRS 15 – impact of adoption

The Group's adoption of IFRS 15 did not result in any material adjustments to the amounts recognised in the financial statements.