MAIN EVENT ENTERTAINMENT GROUP LIMITED

AUDITED RESULTS

FOR THE YEAR ENDED OCTOBER 31, 2022

REPORT TO STOCKHOLDERS
Year Ended October 31, 2022

The Board of Directors of Main Event Entertainment Group Limited is pleased to present the Company's audited financial statements for the year ended October 31, 2022.

Performance Highlights:

	Year Ended October 31, 2022		Year Ended October 31, 2021		Year Over Year $		%
Revenues	$ 1,549.003	M	$ 758.393	M	$ 790.610	M	104%
Gross Profit	$ 794.181	M	$ 304.005	M	$ 490.176	M	161%
Net Profit	$ 151.249	M	$ 16.138	M	$ 135.111	M	837%
Earnings Per Share (EPS)	50	cents	5	cents	45	cents	900%
Total Assets	$ 1,094.673	M	$ 791.255	M	$ 303.418	M	38%
Shareholder's Equity	$ 670.997	M	$ 549.748	M	$ 121.249	M	22%

This has been a year of recovery, with results to be proud of. The Government of Jamaica officially re-opened the entertainment industry in March 2022, following a most challenging 2-year pandemic lockdown period through 2020 and 2021. There has been a quick bounce back in the demand for entertainment and event experiences, and this has helped to set the stage for a strong recovery in our core business.

In the second half of this 2022 fiscal year, our team worked enthusiastically on boosting customer relationships and recovering core business revenues, while also carefully pursuing new opportunities. We focused heavily on operational efficiency and improved procurement, and we were diligent in continuing cost containment efforts. This approach has yielded success, with our business delivering its strongest profitability yet. Operating profits have significantly improved, increasing by 444% to $178.612 million, from $32.854 million; and net profits have increased by 837%, from $16.138 million to $151.249 million.

The Company has generated revenues of $1,549 million in the current year compared to $758.393 million in 2021,which is an increase of 104%. Total revenues for the 2022 fiscal year have not reached to pre-pandemic levels, but the undeniably speedy and significant bounce-back in the entertainment industry since its re-opening in March 2022 has been very motivating. 68% of the Company's revenues were generated in the second half of the year; and revenues from entertainment and promotions have increased by 151% year over year to $1,044.851 million.

Our gross margins have shown impressive improvements, climbing to 51% from 40% in the prior year. This $490.176 million (or 161%) growth in gross profits was driven by more favourable sales mix, success in cost containment measures and better capacity utilization. We have improved our monitoring and control of contracted costs and project overheads, and there are areas of continued cost savings from measures implemented during the pandemic. We intend to continue to drive this more disciplined operation, and so we will strive to further refine and maintain these cost management strategies.

We have managed our general expenses as tightly as we could, considering the inflationary business environment. Overall, operating expenses grew by 37% year over year. The general increases in operating expenses for this fiscal year largely reflects the return of more full-scale operations. Advertising and promotions, automobile related expenses, facility overheads, and staff costs accounted for the more significant increases. Expected credit losses (ECL) on trade receivables have also increased, by $10.212 million, which is a result of higher trade receivable activity and balances. Asset amortization and depreciation charges have declined by a combined 13%, to a total $122.153 million.

Finance costs show a 30% decline to $11.387 million this year, as debt exposure was reduced. Taxation charges show a large increase of $15.599 million for the current year. This increase is warranted as the remission of corporate income tax on the Company's profits adjusts to 50% in this 6th year since listing on the Junior Stock Exchange.

The Balance Sheet also shows a strengthened position. The Company has seen a 38% increase in total assets which now total $ 1,094.673 million compared to $ 791.255 million last year. Total non-current assets have decreased by $38.523 million or 8%. The reduction is due primarily to depreciation and amortization write offs (total $122.153 million), which are partially offset by the increases in the carrying value of other non-current assets. Right of Use assets of $29.842 million have been recognized, following remeasurements for extensions in lease contracts. Non-current assets for the current year also include a new long-term deposit, with a value of $21.928 million.

REPORT TO STOCKHOLDERS
Year Ended October 31, 2022

Cont'd

Current assets of predominantly trade receivables and cash, have more than doubled to $664.011 million as of 31 October 2022. Trade and other receivables of $355.737 million increased by $259.890 million, driven by the increased business activities. The Company's net cash position rose by 43% to $278.447 million. This position is comprised of cash and cash equivalents, and short-term deposits. The strong cash flows generated by operations parallel revenue growth, increasing by 107%, from $115.269 million in 2021 to $238.460 million in the current year.

Increases in current liabilities are reflective of the increased business activities. Total long-term loans and lease liabilities have reduced by 20% year over year, to $126.728 million. We made progress in deleveraging the Company's balance sheet, with the early settlement of the $21 million amortised mortgage facility. Shareholder's equity increased by $121.249 million (or 22%) this year. This follows a dividend payment of $30 million, which was completed in October 2022.

As we look to turn the page on a difficult chapter, we are optimistic that the policies of lockdowns and curfews will not be revisited in the future, and as such the demands for the Company's core services should not be significantly curtailed. However, we are now acutely mindful that this position could be easily compromised. As such, the Company continues to closely monitor the situation and remains flexible to adjust as may become necessary.

We extend our gratitude to our entire team. We are grateful for their efforts through the challenging period of the pandemic and since our restart. They have displayed a spirit of perseverance in navigating these first engagements after an extended lull. We wish to acknowledge the efforts of our Board members and are thankful for all the frank and constructive discussions which have guided us, with the common goal being to realize the Company's visions and goals. We are grateful for their passion and commitment to our values and to the brand.

Thanks to our customers for their support and loyalty, and to suppliers, who have positively impacted the way we work, through co-operation, coordination, and agile responsiveness. Finally, the Board warmly thanks you, our shareholders, for your constant support throughout this period of challenging circumstances. We sincerely appreciate your patience, insights, and support as we look to recover and rebuild a Company that will be increasingly valuable to you all.

Dr. Ian Blair
Chairman, Finance Committee

Mr. Solomon Sharpe
Chief Executive Officer

MAIN EVENT ENTERTAINMENT GROUP LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2022

MAIN EVENT ENTERTAINMENT GROUP LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2022

I N D E X

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INDEPENDENT AUDITORS' REPORT

To the Members of
Main Event Entertainment Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Main Event Entertainment Group Limited ("the company") set out on pages 6 to 43, which comprise the statement of financial position as at 31 October 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 October 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

Key Audit Matters (cont'd)

Key audit matter	How our audit addressed the key audit matter
Measurement of Expected Credit Losses The carrying value of the company's trade receivables may not be recoverable due to changes in the business and economic environment in which customers operate. There is judgment involved in determining the levels of allowance for impairment on these balances, because of the uncertainty involved in estimating the timing and amount of future collections. These estimates involve increased judgment as a result of the economic impacts of COVID-19. Management considered the following: • qualitative factors that create COVID-19-related changes to SICR; and • increased uncertainty about potential future economic scenarios and their impact on credit losses. We therefore determined that the estimates of impairment in respect of receivables have a high degree of estimation uncertainty.	Our audit procedures in response to this matter included: • Testing the company's recording and ageing of trade receivables. • Evaluating the techniques and methodologies utilized by the company to estimate the ECLs, and assesssing their compliance with the requirements of IFRS 9. • Testing the completeness and accuracy of the inputs used to derive the loss rates used in determing the ECLs for trade receivables. • Testing the accuracy of the ECL calculation. • Assessing the adequacy of disclosures in the financial statements. Based on the results of the procedures performed, no adjustments to the financial statements were considered necessary.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

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

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

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

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

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Karen Heron.

BDO

Chartered Accountants

6 February 2023

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 OCTOBER 2022

	Note	2022 $'000	2021 $'000
REVENUE	6	1,549,003	758,393
Direct expenses		(794,181)	(304,005)
GROSS PROFIT		754,822	454,388
Other operating income	7	2,540	2,193
		757,362	456,581
EXPENSES:			
Administrative and general		(446,810)	(279,480)
Selling and promotion		(9,787)	(4,436)
Depreciation	13	(109,728)	(121,990)
Amortisation	12(a)	(12,425)	(17,821)
		(578,750)	(423,727)
OPERATING PROFIT		178,612	32,854
Finance costs	8	(11,387)	(16,339)
PROFIT BEFORE TAXATION		167,225	16,515
Taxation	11	(15,976)	(377)
NET PROFIT, BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		151,249	16,138
EARNINGS PER STOCK UNIT	12	$0.50	$0.05

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2022

	Note	2022 $'000	2021 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	376,679	454,391
Deferred taxation	14	2,213	2,369
Deposit - long term	15(a)	21,928	-
Right-of-use assets	21(a)	29,842	12,425
		430,662	469,185
CURRENT ASSETS:			
Receivables	16	355,737	95,847
Due from related parties	17(b)	29,527	29,209
Taxation recoverable		-	1,992
Deposit - short term	15(b)	150,814	-
Cash and cash equivalents	18(a)	127,933	195,022
		664,011	322,070
		1,094,673	791,255
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	19	103,652	103,652
Retained earnings		567,345	446,096
		670,997	549,748
NON-CURRENT LIABILITIES:			
Long term loans	20	68,564	110,415
Lease liabilities	21(a)	22,818	8,136
		91,382	118,551
CURRENT LIABILITIES:			
Payables	22	248,829	74,199
Due to related parties	17(b)	34,492	8,913
Taxation payable		13,627	-
Current portion of long term loans	20	21,768	22,885
Current portion of lease liabilities	21(a)	13,578	16,959
		332,294	122,956
		1,094,673	791,255

Approved for issue by the Board of Directors on 6 February 2023 and signed on its behalf by:

Dr. Ian Blair - Chairman, Finance Committee

Solomon Sharpe - Chief Executive Officer

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 OCTOBER 2022

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 NOVEMBER 2020		103,652	429,958	533,610
TOTAL COMPREHENSIVE INCOME				
Net profit		-	16,138	16,138
BALANCE AT 31 OCTOBER 2021		103,652	446,096	549,748
TOTAL COMPREHENSIVE INCOME				
Net profit		-	151,249	151,249
TRANSACTION WITH OWNERS				
Dividends paid	23	-	(30,000)	(30,000)
BALANCE AT 31 OCTOBER 2022		103,652	567,345	670,997

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 OCTOBER 2022

	Note	2022 $'000	2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit		151,249	16,138
Items not affecting cash resources:			
Interest income	7	(1,223)	(1,676)
Interest expense	8	11,387	16,339
Exchange loss on foreign balances		276	289
Taxation expense	11	15,976	377
Depreciation	13	109,728	121,990
Right-of-use assets amortisation	21(a)	12,425	17,821
(Gain)/loss on disposal of property, plant and equipment		(425)	2,807
		299,393	174,085
Changes in operating assets and liabilities:			
Receivables		(259,890)	(26,736)
Related party balances		25,261	(31,832)
Payables		173,897	586
		238,661	116,103
Taxation paid		(201)	(834)
Cash provided by operating activities		238,460	115,269
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	13	(32,017)	(1,232)
Proceeds from sale of property, plant and equipment		426	451
Interest received		-	1,676
Long term deposit	15(a)	(21,519)	-
Short term deposit	15(b)	(150,000)	-
Cash (used in)/provided by investing activities		(203,110)	895
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loan received	18(c)	-	122,610
Loan repayments	18(c)	(42,968)	(134,428)
Lease repayments		(19,268)	(24,819)
Interest paid		(10,660)	(16,339)
Dividends paid	23	(30,000)	-
Cash used in financing activities		(102,896)	(52,976)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(67,546)	63,188
Exchange gain/(loss) on foreign cash balances		457	(289)
Cash and cash equivalents at beginning of year		195,022	132,123
CASH AND CASH EQUIVALENTS AT END OF YEAR	18(a)	127,933	195,022

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) Main Event Entertainment Group Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 7-9 Ardenne Road, Kingston 10.

(b) The company is a subsidiary of MEEG Holdings, a company incorporated and domiciled in Saint Lucia.

(c) The company was listed on the Junior Market of the Jamaica Stock Exchange on 8 February 2017.

(d) The principal activities of the company are to carry on the business of entertainment promoter, agent and manager. This includes planning, coordinating and delivering diverse entertainment and event related experiences; and providing advertising, marketing, and corporate communications services to clients.

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) **Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standard Board (IASB) and Interpretations (collectively IFRS) and, comply with the requirements of the Jamaican Companies Act. The financial statements have also been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

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

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

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

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

Amendment to IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 April 2021). As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. This amendment provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. There was no impact on the company's financial statements from the adoption of this amendment as the company did not receive rent concessions.

Amendments to IFRS 9, IFRS 7, IFRS 4 and IFRS 16, (effective for accounting periods beginning on or after 1 January 2021). These address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). Major changes:

- Added a practical expedient that enables a company to account for a change in the contractual cash flows that are required by the reform by updating the effective interest rate to reflect, for example, the change in an interest rate benchmark from IBOR to an alternative benchmark rate.

- Provide relief from specific hedge accounting requirements.

There was no impact from the adoption of these amendments.

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

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

Amendments to IAS 1, 'Presentation of Financial Statements', (effective for accounting periods beginning on or after 1 January 2023). These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exists at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the company.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

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

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

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

Amendments to IAS 1, 'Presentation of Financial Statements', Practice Statement 2 and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2023). The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The adoption of these amendments is not expected to have a significant impact on the company.

Amendments to IAS 12, 'Income Taxes', (effective for accounting periods beginning on or after 1 January 2023). In specified circumstances, companies are exempt from recognizing deferred tax when they recognize assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which companies recognize both an asset and a liability. The amendments clarify that the exemption does not apply and that companies are required to recognize deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations. The adoption of these amendments is not expected to have a significant impact on the company.

Amendment to IAS 16, 'Property, Plant and Equipment', (effective for accounting periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. The adoption of this amendment is not expected to have a significant impact on the company.

Amendment to IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets', (effective for accounting periods beginning on or after 1 January 2022). This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this amendment is not expected to have a significant impact on the company.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

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

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

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

Annual improvements to IFRS Standards 2018-2021 cycle (effective for accounting periods beginning on or after 1 January 2022). These amendments include minor changes to the following applicable standards:

(i) IFRS 9, 'Financial Instruments' amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

(ii) IFRS 16, 'Leases' amendment removes the illustration of payments from the lessor relating to leasehold improvements.

(b) **Foreign currency translation**

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

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

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

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

Items of property, plant and equipment are recorded at historical 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 company 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.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

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

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

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. Annual rates are as follows:

Leasehold improvements	10%
Audio and filming equipment	10%
Furniture and fixtures	10%
Motor vehicles	12.5%
Equipment	15%
Computer equipment	20%
Rentals and décor	15-33 1/3%
Building	2.5%

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

(d) **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 recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) **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) **Recognition and derecognition**

Financial assets are initially recognized on the settlement date, which is the date that an asset is delivered to the company. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by the company is recognized as a separate asset or liability.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(e) **Financial instruments (cont'd)**

Financial assets (cont'd)

(ii) **Classification**

The company classifies all of its financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The company classifies its financial assets as those measured at amortised cost.

(iii) **Measurement**

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's financial assets measured at amortised cost comprise receivables, due from related parties, short and long term deposits and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents are carried in the statement of financial position at fair value. For the purpose of the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

(iv) **Impairment**

Financial assets carried at amortised cost are assessed on a forward looking basis for the expected credit losses (ECL) associated with these instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

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

(e) **Financial instruments (cont'd)**

Financial assets (cont'd)

(iv) **Impairment (cont'd)**

The ECL will be recognised in profit or loss before a loss event has occurred. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The probability-weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. Under current guidance, impairment amount represents the single best outcome; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Application of the Simplified Approach

For receivables, the company applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL. As a practical expedient, a provision matrix is utilised in determining the lifetime ECLs for receivables.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL.

Impairment provisions for receivables from related parties and loans to related parties are recognized based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognized. For those for which credit risk has increased significantly, lifetime expected credit losses along with gross interest are recognized. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognized.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(e) **Financial instruments (cont'd)**

Financial liabilities

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

The company derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled.

(f) **Borrowings**

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

(g) **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 company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

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

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

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

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

(h) **Revenue recognition**

Revenue is measured taking into account contractually defined terms of payment. Revenue comprises the fair value of the consideration specified in a contract which is received or receivable for the services rendered in the ordinary course of the company's activities. Revenue is shown net of discount allowance. The company recognizes revenue over time when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the company regardless of when payment is made.

The specific recognition criteria are described below -

Entertainment services

Revenue from entertainment promotion, digital signage and audio and film are recognized in the accounting period in which the services are rendered by reference to completion of the specific transaction, assessed on the basis of the actual services provided. These services are rendered as a single performance contract or as multiple performance obligations within a contract. A contract with several performance obligations are normally for a period of six (6) to twelve (12) months. Revenue is recognized when the performance obligations are satisfied.

The company collects deposits on contracts for mobilization. These deposits are initially recognized as deferred income and recognized as revenue when the performance obligations are completed.

Interest income

Interest income is recognized in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets, that is, after deduction of ECL.

(i) **Leases**

All leases are accounted for by recognising a right-of-use asset and a corresponding lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(i) **Leases (cont'd)**

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at an amount equal to the initial value of the lease liability reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the company is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Property, plant and equipment includes right-of-use assets previously held under finance lease.

Right-of-use assets are generally depreciated over the lease terms on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying assets' useful life.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(j) **Related party identification**

A party is related to the company if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the company;
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company.

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

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

(iv) the party is a member of the key management personnel of the company

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

A party is related to the company if:

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

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

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

(k) **Dividend distribution**

Dividends are recorded as a deduction from equity and recognized as a liability in the company's financial statements in the period in which the dividends are declared or approved. In the case of interim dividends to shareholders, this is when declared by the directors and final dividends when approved by the company's shareholders.

Dividend for the year that are declared after the reporting date are dealt with in the subsequent events note

(l) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(m) **Earnings per share**

Earnings per share is calculated by dividing the operating results for the year by the weighted average number of ordinary shares in issue.

(n) **Segment reporting**

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

Based on the information presented for review by the chief operating decision maker, the entire operations of the company are viewed as one operating segment.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

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

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

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

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

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

(i) **Depreciable assets**

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

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

(ii) **Income taxes**

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

(iii) **Allowance for expected credit losses**

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable, for example, repayment default and adverse economic conditions.

In determining amounts recorded for impairment of accounts receivable in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from accounts receivable, for example, repayment default and adverse economic conditions.

5. **FINANCIAL RISK MANAGEMENT:**

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

- Credit risk
- Market risk
- Liquidity risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks are presented throughout these financial statements.

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(a) **Principal financial instruments**

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

- Receivables
- Cash and cash equivalents
- Long and short term deposits
- Payables
- Related party balances
- Long term loans
- Lease liabilities

(b) **Financial instruments by category**

Financial assets

	Amortised Cost	
	2022 $'000	2021 $'000
Long term deposit	21,928	-
Short term deposit	150,814	-
Cash and cash equivalents	127,933	195,022
Receivables	325,493	70,928
Due from related parties	29,527	29,209
Total financial assets	655,695	295,159

Financial liabilities

	Amortised Cost	
	2022 $'000	2021 $'000
Payables	77,248	30,528
Due to related parties	34,492	8,913
Long term loans	90,332	133,300
Lease liabilities	36,396	25,095
Total financial liabilities	238,468	197,836

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

(c) **Financial risk factors**

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

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

(i) **Market risk**

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

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

The company operates internationally and is exposed to foreign exchange risks arising primarily with respect to the United States Dollar. The company 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 company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets. The company's statement of financial position at 31 December includes aggregates net foreign assets as follows:

	2022 $'000	2021 $'000
Cash and cash equivalents	32,314	19,365
Trade receivables	12,219	-
Trade payables	(7,964)	(4,948)
Net assets	36,569	14,417

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

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

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

Currency risk (cont'd)

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 balances as indicated above, and adjusts their translation at the year-end for 4% (2021 – 8%) depreciation and a 1% (2021 – 2%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency rate 2022	Effect on Profit before Tax 31 October 2022 $'000	% Change in Currency rate 2021	Effect on Profit before Tax 31 October 2021 $'000
Currency:				
USD	-4	1,463	-8	1,153
USD	+1	(366)	+2	(288)

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 company is currently not exposed to price risk.

Cash flow and fair value interest rate risk

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

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

Short and long term deposits and long term loan are the only interest bearing assets and liabilities respectively, within the company. The company's short term deposits are due to mature within 3 months of the reporting date.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Cash flow and fair value interest rate risk (cont'd)

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.

A 2% increase/0.5% decrease (2021 - nil) in interest rates on long term deposit would result in a $439,000 increase and $110,000 decrease (2021 - nil) in profit before tax for the company.

A 2% increase/0.5% decrease (2021 - 3% increase/0.5% decrease) in interest rates on borrowings would result in a $1,807,000 decrease and $452,000 increase (2021-$3,999,000 decrease and $666,500 increase) in profit before tax for the company.

(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 related companies and cash and bank balances.

Cash and bank balances and short and long term deposits

Cash transactions are limited to high credit quality financial institutions. The company 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 related company, short and long term deposits and cash and cash equivalents in the statement of financial position.

Trade receivables

Revenue transactions in respect of the company's primary operations are settled either in cash or by using major credit cards. For its operations done on a credit basis, the company has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(ii) **Credit risk (cont'd)**

Maximum exposure to credit risk (cont'd)

Trade receivables (cont'd)

Customer credit risks are monitored according to credit characteristics such as whether it is an individual or company, geographic location, industry, aging profile and previous financial difficulties. Trade receivables relate mainly to the company's customers. The company's average credit period on the provision of services is 30 days.

The company applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the company's historical credit losses experienced over the period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the inflation rate of the country in which it offers its service to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The following table provides information about the ECLs for trade receivables as at 31 October 2022:

Aging	Gross Carrying Amount $'000	Expected Loss Rate %	ECL Allowance $'000
Trade receivables:			
0-30 days	124,754	1.49	1,864
31-60 days	90,476	1.49	1,352
61-90 days	36,456	6.54	2,383
91 and over	34,901	54.16	18,903
	286,587		24,502

The following table provides information about the ECLs for trade receivables as at 31 October 2021:

Aging	Gross Carrying Amount $'000	Expected Loss Rate %	ECL Allowance $'000
Trade receivables:			
0-30 days	41,239	2.89	1,192
31-60 days	10,626	6.43	683
61-90 days	12,821	5.17	662
91 and over	20,632	57.45	11,853
	85,318		14,390

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2022

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

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

(ii) **Credit risk (cont'd)**

Maximum exposure to credit risk (cont'd)

Trade receivables (cont'd)

Movements in the impairment allowance for trade receivables are as follows:

	2022 $'000	2021 $'000
At 1 November	14,390	14,201
Bad debt recovered	-	(23)
Movement on ECL	10,112	212
At 31 October	24,502	14,390

The majority of trade receivables are due from customers in Jamaica.

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.

Concentration of risk – trade receivables

The following table summarises the company's credit exposure for trade receivables at their carrying amounts, as categorized by the customer sector:

	2022 $'000	2021 $'000
M Style Rental & Décor	21,433	11,215
Entertainment promotions	204,654	52,393
Digital signage	34,343	11,476
Audio and film	26,157	10,234
	286,587	85,318
Less: Provision for credit losses	(24,502)	(14,390)
	262,085	70,928

(iii) **Liquidity risk**

Liquidity risk is the risk that the company 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.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

(iii) **Liquidity risk (cont'd)**

Liquidity risk management process

The company's liquidity management process, as carried out within the company and monitored by the Accounts Department, includes:

(i) Monitoring future cash flows and liquidity on a weekly basis.
(ii) Maintaining committed lines of credit.
(iii) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
At 31 October 2022				
Trade payables	77,248	-	-	77,248
Due to related parties	34,492	-	-	34,492
Lease liabilities	17,288	13,264	11,999	42,551
Long term loans	29,589	29,454	44,181	103,224
Total financial liabilities (contractual maturity dates)	158,617	42,718	56,180	257,515
At 31 October 2021				
Trade payables	30,528	-	-	30,528
Due to related parties	8,913	-	-	8,913
Lease liabilities	17,612	8,303	-	25,915
Long term loans	32,719	58,875	77,049	168,643
Total financial liabilities (contractual maturity dates)	89,772	67,178	77,049	233,999

(d) **Capital management**

The company's objectives when managing capital are:

(i) to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders;
(ii) to maintain a strong capital base which is sufficient for the future development of the company's operations; and
(iii) to ensure compliance with all capital requirements as stipulated by loan covenants.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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6. **REVENUE:**

	2022 $'000	2021 $'000
Audio and film	256,952	105,671
Digital signage	119,289	155,764
Entertainment promotions	1,044,851	415,989
M Style Rental & Décor	127,911	80,969
	1,549,003	758,393

7. **OTHER OPERATING INCOME:**

	2022 $'000	2021 $'000
Interest income	1,223	1,676
Other income	1,317	517
	2,540	2,193

8. **FINANCE COSTS:**

	2022 $'000	2021 $'000
Loan interest	10,660	12,310
Other finance charges	727	4,029
	11,387	16,339

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. EXPENSES BY NATURE:

Total direct and administration expenses:

	2022 $'000	2021 $'000
Signature events expenses	645,394	225,847
Audio and filming costs	57,956	19,226
Digital signage costs	39,531	31,463
M Style costs	41,160	22,034
Freight expenses	10,138	5,435
Donation and subscription	10,034	10,546
Sponsorship	20,522	10,524
Directors' remuneration	22,844	15,927
Staff costs (note 10)	251,357	158,236
Advertising and entertainment	10,179	4,436
Utilities	22,424	17,674
Audit fees	4,400	2,400
Repairs and maintenance	12,813	7,453
Gasoline	29,685	10,915
Motor vehicle expenses	25,432	10,950
Printing, stationery and office expenses	6,791	4,421
Security	13,618	12,094
Research and development	215	116
Depreciation	109,728	121,990
Amortisation	12,425	17,821
Bad debts	-	66
Increase in expected credit losses	10,112	212
(Gain)/loss on foreign exchange translation	(232)	289
Other operating expenses	2,018	1,670
(Gain)/loss on disposal of property, plant and equipment	(426)	2,807
Legal and professional fees	7,373	6,111
Insurance	7,440	7,069
	1,372,931	727,732

10. STAFF COSTS:

	2022 $'000	2021 $'000
Wages and salaries	242,948	151,389
Staff welfare and Insurance	8,409	6,847
	251,357	158,236

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. **TAXATION EXPENSE:**

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

	2022 $'000	2021 $'000
Current taxation	15,820	-
Deferred tax (note 14)	156	377
	15,976	377

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

	2022 $'000	2021 $'000
Profit before taxation	167,225	16,515
Tax calculated at 25%	41,806	4,129
Adjusted for the effects of:		
Expenses not deductible for tax purposes	29,467	35,705
Remission of taxes (note (c) below)	(11,300)	(6,226)
Net effect of other charges and allowances	(43,997)	(33,231)
Taxation charge	15,976	377

(c) Remission of income tax:

On 8 February 2017, the company's shares were listed on the Junior Market of the Jamaica Stock Exchange. Consequently, the company is entitled to a remission of income tax for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5 100%
Years 6 to 10 50%

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. **EARNINGS PER STOCK UNIT:**

The calculation of earnings per stock unit is based on the profit after taxation and the weighted average number of stock units in issue during the year.

	2022	2021
Net profit attributable to stockholders ($'000)	151,249	16,138
Weighted average of ordinary stock units ('000)	300,005	300,005
Basic earnings per stock unit ($ per share)	0.50	0.05

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

	Equipment $'000	Building $'000	Leasehold Improvements $'000	Furniture & Fixtures $'000	Computer Equipment $'000	Audio & Filming Equipment $'000	Rentals & Décor $'000	Motor Vehicles $'000	Total $'000
Cost:									
1 November 2020	311,382	40,610	13,722	12,101	61,628	546,409	132,154	85,423	1,203,429
Additions	-	-	-	-	-	1,232	-	-	1,232
Transfer	-	-	(1,760)	-	1,760	-	-	-	-
Disposals	-	-	(7,316)	-	-	-	-	(1,264)	(8,580)
31 October 2021	311,382	40,610	4,646	12,101	63,388	547,641	132,154	84,159	1,196,081
Additions	13,333	-	382	44	4,581	3,285	5,130	5,262	32,017
Disposals	(3,038)	-	-	-	-	-	-	-	(3,038)
31 October 2022	321,677	40,610	5,028	12,145	67,969	550,926	137,284	89,421	1,225,060
Depreciation:									
1 November 2020	181,000	2,478	5,059	5,488	42,858	290,079	49,966	48,094	625,022
Charge for the year	39,193	1,416	1,819	956	6,713	42,642	23,271	5,980	121,990
Disposals	-	-	(5,322)	-	-	-	-	-	(5,322)
31 October 2021	220,193	3,894	1,556	6,444	49,571	332,721	73,237	54,074	741,690
Charge for the year	29,804	1,416	489	1,139	6,269	40,791	22,028	7,792	109,728
Disposals	(3,037)	-	-	-	-	-	-	-	(3,037)
31 October 2022	246,960	5,310	2,045	7,583	55,840	373,512	95,265	61,866	848,381
Net Book Value:									
31 October 2022	74,717	35,300	2,983	4,562	12,129	177,414	42,019	27,555	376,679
31 October 2021	91,189	36,716	3,090	5,657	13,817	214,920	58,917	30,085	454,391

Included in motor vehicles are assets acquired under finance leases with net book value of $10,574,000 (2021 - $13,003,000). See note 21(a).

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14. **DEFERRED TAXATION:**

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

The movement in the deferred tax account is as follows:

	2022 $'000	2021 $'000
Balance at start of year	2,369	2,746
Charge for the year (note 11)	(156)	(377)
Balance at end of year	2,213	2,369

Deferred tax is due to the following temporary differences:

	2022 $'000	2021 $'000
Accelerated capital allowances	2,327	2,542
Unrealized foreign exchange	(114)	(173)
	2,213	2,369

Deferred tax charged to profit or loss comprises the following temporary differences:

	2022 $'000	2021 $'000
Accelerated capital allowances	(214)	(310)
Unrealized foreign exchange	58	(67)
	(156)	(377)

15. **DEPOSIT:**

(a) Long term deposit represents an amount invested for more than 1 year at an interest rate of 5.75% per annum and includes interest accrued of $409,000.

(b) Short term deposit represents an amount invested for greater than 90 days but less than 1 year at an interest rate of 8.25% per annum and includes interest accrued of $814,000.

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16. **RECEIVABLES:**

	2022 $'000	2021 $'000
Trade receivables	286,587	85,318
Less – expected credit losses	(24,502)	(14,390)
Trade receivables (net)	262,085	70,928
Prepayments	21,776	4,728
Staff loans	6,292	4,250
Other	65,584	15,941
	355,737	95,847

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

(a) The following transactions were carried out with related parties:

	2022 $'000	2021 $'000
(i) Purchase/(sale) of goods and services -		
IPrint Digital Limited	39,137	7,675
Dream Entertainment Limited	10,309	(274)
Supreme Ventures Services Limited	(13,715)	(70,352)
Mystique Integrated Services Limited	(42,361)	(70,003)
The M One Productions Limited	12,624	19,049
(ii) Rental of property -		
Lannaman & Morris (Shipping) Limited	-	12,000
(iii) Directors' emoluments -		
Fees	795	645
Management remuneration	22,049	15,282
(iv) Interest paid on related party loan	-	1,561

(b) Year end balances arising from transactions with related parties –

	2022 $'000	2021 $'000
Due from related parties -		
Mystique Integrated Services Limited	12,157	9,345
Stimulus Entertainment Limited	492	492
Ras Promotions Incorporated Limited	678	678
IPrint Digital Limited	192	192
National Outdoor Advertising Limited	440	-
The M One Productions Limited	928	-
Directors	9,865	8,639
Supreme Ventures Services Limited	4,775	9,863
	29,527	29,209

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

(b) Year end balances arising from transactions with related parties (cont'd) –

	2022 $'000	2021 $'000
Due to related parties -		
IPrint Digital Limited	26,587	2,876
Lannaman & Morris (Shipping) Limited	-	1,736
Directors	2,043	1,425
The M-One Productions Company Limited	-	2,613
Dream Entertainment Limited	5,862	263
	34,492	8,913

(c) Supreme Ventures Limited is an affiliate of the company, holding 10% of issued share capital as at reporting date. In addition, the company's Chief Executive Officer holds an executive directorship post in a subsidiary entity of Supreme Venture Limited. All other related companies share common directorship with one or more directors of the company.

18. **CASH AND CASH EQUIVALENTS:**

(a) For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

	2022 $'000	2021 $'000
Cash in hand	554	484
Foreign currency accounts	26,371	13,376
Local currency accounts	71,621	129,382
Short term deposits (less than 90 days)	29,387	51,780
	127,933	195,022

(b) The company has bank overdraft facilities totaling $30 million (2021 – $30 million) which attracts interest at 12% (2021 – 12%) per annum.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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31 OCTOBER 2022

18. **CASH AND CASH EQUIVALENTS (CONT'D):**

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities: Amounts represent long term loan.

Financing activities

	Non-current Loans and Borrowing $'000 (note 19)	Current Loans and Borrowing $'000 (note 19)	Total $'000 (note 19)
1 November 2021	110,415	22,885	133,300
Cash flows:			
- Loan repayment	(20,083)	(22,885)	(42,968)
Non-cash flows:			
- Loans and borrowings classified as non-current as at 31 October 2020 becoming current during 2021	(21,768)	21,768	-
31 October 2022	68,564	21,768	90,332
1 November 2020	106,358	38,760	145,118
Cash flows:			
- Loan received	122,610	-	122,610
- Loan repayment	(95,668)	(38,760)	(134,428)
Non-cash flows:			
- Loans and borrowings classified as non-current at 31 October 2019 becoming current during 2020	(22,885)	22,885	-
31 October 2021	110,415	22,885	133,300

19. **SHARE CAPITAL:**

	2022 $'000	2021 $'000
Authorised - 320,004,000 ordinary shares of no par value		
Stated capital - Issued and fully paid - 300,005,000 ordinary shares of no par value	103,652	103,652

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20. **LONG TERM LOANS:**

		2022 $'000	2021 $'000
(i)	National Commercial Bank Jamaica Limited - amortised JMD loan	-	21,065
(ii)	Sagicor Bank Jamaica Limited - amortised JMD loan	90,332	112,235
Total loan balances		90,332	133,300
Current portion of loans		(21,768)	(22,885)
Long term portion of loans		68,564	110,415

(i) National Commercial Bank Jamaica Limited –

This loan was used to purchase commercial property. The loan bore interest of 11% per annum and was repayable over 180 months. The loan was secured by first legal mortgage over commercial property registered at Volume 1512 Folio 618 and peril insurance with the bank's interest noted. The loan was repaid during the year.

(ii) Sagicor Bank Jamaica Limited –

JMD loans -

The loan bears a current interest rate of 8.75% per annum and is repayable over 72 months. The loan is secured by corporate guarantee of Main Event Entertainment Group Limited supported by:

Hypothecation of USD$410,704 in an "A" account held in the name of Main Event Entertainment Group Limited.

Hypothecation of "A" account in the amount of JMD$255,000 held in the name of Main Event Entertainment Group Holding Limited at Sagicor Bank Jamaica Limited.

Hypothecation of Certificate of Deposit in the amount of JMD$258,635 held in the name of Main Event Entertainment Group Holding Limited at Sagicor Bank Jamaica Limited.

Hypothecation of "A" account in the amount of JMD$234,360 to be held in the name of Main Event Entertainment Group Limited at Sagicor Bank Jamaica Limited

Hypothecation of JMD$370,700 in "A" account to be held in the name of Main Event Entertainment Group Limited at Sagicor Bank Jamaica Limited.

Hypothecation of JMD$1,087,768 in "A" account held in the name of Main Event Entertainment Group Limited.

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20. **LONG TERM LOANS (CONT'D):**

(ii) Sagicor Bank loans (cont'd) –

JMD loan (cont'd) –

Demand debenture over the fixed and floating assets of Main Event Entertainment Group Limited to be stamped to secure USD$1,300,000.

Hypothecation of 5% security deposit of JMD$286,026 on "A" account in the name of Main Event Entertainment Group Limited being held at Sagicor Bank Jamaica Limited.

21. **LEASES:**

(a) **Amounts recognized in the statement of financial position**

The statement of financial position shows the following amount relating to leases:

	2022 $'000	2021 $'000
Right-of-use assets		
1 November	12,425	54,808
Addition	29,842	3,717
	42,267	58,525
Disposals	-	(28,279)
	42,267	30,246
Amortisation	(12,425)	(17,821)
31 October	29,842	12,425
Property, plant and equipment (included in note 13) Motor vehicles acquired under finance lease –		
1 November	13,003	17,537
Depreciation	(2,429)	(4,534)
31 October	10,574	13,003

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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21. **LEASES (CONT'D):**

(a) **Amounts recognized in the statement of financial position (cont'd)**

	2022 $'000	2021 $'000
Lease liabilities - Motor vehicles		
1 November	10,847	17,576
Repayments	(4,293)	(6,729)
31 October	6,554	10,847
Lease liabilities - Buildings		
1 November	14,248	56,900
Addition	29,842	3,717
Interest expense	727	4,029
Repayments	(14,975)	(23,509)
	29,842	41,137
Disposal	-	(26,889)
31 October	29,842	14,248
Total lease liabilities at 31 October	36,396	25,095
Current portion	13,578	16,959
Non-current portion	22,818	8,136
	36,396	25,095

(b) **Amounts recognized in the statement of profit or loss:**

The statement of profit or loss shows the following amount relating to leases:

	2022 $'000	2021 $'000
(i) Depreciation/amortization charge of right-of-use assets		
Buildings	12,425	17,821
Motor vehicles (included in note 13)	2,429	4,534
	14,854	22,355
(ii) Interest expense	727	4,029

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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21. **LEASES (CONT'D):**

(c) **Contractual undiscounted cash flows maturity analysis**

The contractual undiscounted cash flows maturity analysis is disclosed under liquidity risk in the financial risk management note 5(c)(iii).

(d) Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at the commencement date less any lease incentives received

Right-of-use assets are generally depreciated over the lease term on a straight line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life.

22. **PAYABLES:**

	2022 $'000	2021 $'000
Trade payables	53,753	30,528
GCT payables	29,110	1,066
Statutory payables	6,562	5,611
Accruals and other payables	74,555	28,388
Deferred income	63,055	7,169
Credit card payables	21,794	1,437
	248,829	74,199

23. **DIVIDENDS PAID:**

	2022 $'000	2021 $'000
In respect of 31 October 2022 ($0.10 per share)	30,000	-

By resolution dated 27 September 2022, dividend payment of $0.10 per share was approved by the Board of Directors.

24. IMPACT OF COVID-19:

The Covid-19 pandemic continued to affect the company's operations during the 2022 financial year.

The company's opportunities to serve its major markets were adversely affected in the first half of this financial year. The Jamaican economy remained constrained in many sectors, particularly in the entertainment and travel industries, as Governments and other local authorities maintained various countermeasures implemented in early 2020, aimed at containing the spread of the infection.

During the first half of the year, the company's management continued to learn how to navigate the effects of the pandemic, as new variants and modified scientific information created the need for constant adjustments to operations. Providing a safe workplace for employees and stakeholders continued to be paramount during the year. To this end, management continued to refine and improve its systems and procedures, aimed at more efficient management of the risks relating to COVID-19. This has included:

- adjusting its operating policies and procedures, to ensure that publicly available advice on Disaster Risk Management was followed; and to ensure that appropriate safety measures were quickly implemented for the employees and customers; and
- Implementing strategic initiatives, which have aided in limiting the financial effects of the pandemic

In the second half of the fiscal year, the negative impact of Covid-19 pandemic softened, as the Government moved away from lockdowns and curfews and shifted to urging persons to take personal responsibility for their health and wellness in the continuing effort to minimize the effects of COVID-19. With the re-opening of the entertainment industry in March 2022, the company saw sharp growth in core business, leading to marked shifts in both sales and profits.

The company's management is optimistic that the policies of lockdowns and curfews will not be revisited in the future, and as such the demands for the company's core services should not be significantly curtailed. However, management remains mindful that this position would be easily compromised if any large-scale wave of infection is not well managed. As such, the company continues to closely monitor the situation and remain flexible to adjust as is necessary.

The company will continue to be proactive and prudent in executing its business plans, ensuring business continuity, and rigorously applying its risk management framework. As in this past year, the company's key areas of focus will be ensuring strict cost and cash management, protecting the supply chain, and continuing to serve the needs of the customers, all while adhering to the protocols and ensuring the health and safety of staff and customers.