

Financial Statements of

**GIANT SCREEN
ENTERTAINMENT LIMITED**

Year ended September 30, 2014





KPMG

Chartered Accountants

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**Independent Auditors' Report to the Shareholders of
Giant Screen Entertainment Limited**

Report on the Financial Statements

We have audited the accompanying financial statements of Giant Screen Entertainment Limited (the Company), which comprise the statement of financial position as at September 30, 2014, the statements of comprehensive income and retained earnings, changes in cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



**Independent Auditors' Report to the Shareholders of
Giant Screen Entertainment Limited
Report on the Financial Statements (continued)**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

Chartered Accountants

April 14, 2015

Port of Spain

Trinidad and Tobago, W.I.

GIANT SCREEN ENTERTAINMENT LIMITED

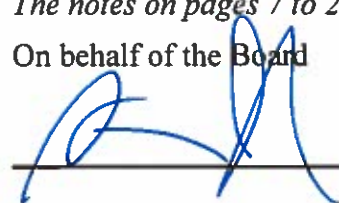
Statement of Financial Position

September 30, 2014

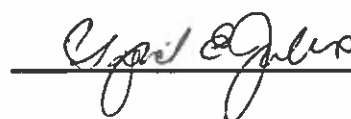
	Notes	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	1	\$ 19,843,855	21,161,322
Current assets			
Inventories		61,124	171,933
Accounts receivable	2	2,832,533	1,313,711
Cash on hand and at bank – restricted cash		596,996	911,160
Cash on hand and at bank – unrestricted cash		192,396	618,359
Total current assets		3,683,049	3,015,163
Total assets		\$ 23,526,904	24,176,485
Shareholders' Equity and Liabilities			
Shareholders' equity			
Stated capital	3	\$ 5,000,000	5,000,000
Accumulated deficit		(970,377)	(1,366,657)
		4,029,623	3,633,343
Non-current liabilities			
Deferred tax liability	4	764,736	279,814
Loans and borrowings	5	5,797,927	6,703,081
Convertible redeemable preference shares	6	8,482,402	8,482,402
		15,045,065	15,465,297
Current liabilities			
Loans and borrowings	5	1,458,631	1,722,268
Accounts payable	7	621,393	1,475,580
Deferred sponsorship income	8	306,250	554,435
Dividend payable on convertible redeemable preference shares		2,036,503	1,303,161
Taxation payable		29,439	22,362
Bank overdraft		-	39
		4,452,216	5,077,845
Total shareholders' equity and liabilities		\$ 23,526,904	24,176,485

The notes on pages 7 to 20 are an integral part of these financial statements.

On behalf of the Board



Director



Director

GIANT SCREEN ENTERTAINMENT LIMITED

Statement of Comprehensive Income

For the year ended September 30, 2014

	Notes	2014	2013
Revenue			
Sponsorship	8	\$ 3,547,084	3,752,540
Film		7,458,019	7,637,810
Concession		<u>2,406,227</u>	<u>1,789,033</u>
		<u>13,411,330</u>	<u>13,179,383</u>
Cost of sales			
Film		(3,515,763)	(3,437,715)
Leasehold revenue share		(635,182)	(546,106)
Concession		<u>(598,117)</u>	<u>(405,334)</u>
		<u>(4,749,062)</u>	<u>(4,389,155)</u>
Gross profit		<u>8,662,268</u>	<u>8,790,228</u>
Other income (expenses)			
Administrative expenses	Schedule 1	(1,529,634)	(1,706,240)
Rent		(247,896)	(247,896)
Staff costs	9	(1,758,378)	(2,158,022)
Marketing		(462,494)	(333,786)
Depreciation		(1,839,827)	(1,820,350)
Loss on foreign exchange translation		-	(389)
Total other income (expenses)		<u>(5,838,229)</u>	<u>(6,266,683)</u>
Profit before finance costs		<u>2,824,039</u>	<u>2,523,545</u>
Finance costs			
Dividends on convertible redeemable preference shares		(1,018,253)	(1,018,253)
Interest expense		<u>(884,350)</u>	<u>(824,905)</u>
Total finance costs		<u>(1,902,603)</u>	<u>(1,843,158)</u>
Net profit for the year before provision for taxation		921,436	680,387
Provision for taxation	4	<u>(525,156)</u>	<u>(463,858)</u>
Profit for the year being the total comprehensive profit for the year		\$ <u>396,280</u>	<u>216,529</u>

The notes on pages 7 to 20 are an integral part of these financial statements.

GIANT SCREEN ENTERTAINMENT LIMITED

Statement of Changes in Shareholders' Equity

For the year ended September 30, 2014

	Ordinary Shares	Class B Preference Shares	Accumulated Deficit	Shareholders' Equity
Year ended September 30, 2013				
Balance at October 1, 2012	\$ 2,500,000	2,500,000	(1,583,186)	3,416,814
Profit for the year being the total comprehensive profit for the year	-	-	216,529	216,529
Balance at September 30, 2013	\$ <u>2,500,000</u>	<u>2,500,000</u>	<u>(1,366,657)</u>	<u>3,633,343</u>
Year ended September 30, 2014				
Balance at October 1, 2013	\$ 2,500,000	2,500,000	(1,366,657)	3,633,343
Profit for the year being the total comprehensive profit for the year	-	-	396,280	396,280
Balance at September 30, 2014	\$ <u>2,500,000</u>	<u>2,500,000</u>	<u>(970,377)</u>	<u>4,029,623</u>

The notes on pages 7 to 20 are an integral part of these financial statements.

GIANT SCREEN ENTERTAINMENT LIMITED

Statement of Cash Flows

For the year ended September 30, 2014

	2014	2013
Cash Flows from Operating Activities		
Net profit for the year before provision for taxation	\$ 921,436	680,387
Adjustments to reconcile net profit for the year before provision for taxation to net cash used in operating activities:		
Depreciation	1,839,827	1,820,350
Amortisation of deferred sponsorship income	(3,547,084)	(3,752,540)
Interest expense	884,350	824,905
Changes in inventories	110,809	(106,601)
Changes in accounts receivable	(1,409,963)	(260,317)
Changes in due from related parties	-	33,123
Changes in accounts payable	(854,187)	(653,654)
Changes in dividend payable on convertible redeemable preference shares	733,342	733,346
Interest paid	(884,350)	(824,905)
Taxation paid	(33,157)	(24,512)
Net cash used in operating activities	(2,238,977)	(1,530,418)
Cash Flows used in Investing Activities		
Acquisition of property, plant and equipment	(522,360)	(863,217)
Net cash used in investing activities	(522,360)	(863,217)
Cash Flows from Financing Activities		
Repayment of loans and borrowings	(1,168,791)	(339,001)
Proceeds from sponsorship income	3,190,040	3,190,040
Net cash from financing activities	2,021,249	2,851,039
(Decrease) increase in cash and cash equivalents for the year	(740,088)	457,404
Cash and cash equivalents at October 1	1,529,480	1,072,076
Cash and cash equivalents at September 30	\$ 789,392	1,529,480
Analysis of cash and cash equivalents		
Cash on hand and at bank – restricted cash	\$ 596,996	911,160
Cash on hand and at bank – unrestricted cash	192,396	618,359
Bank overdraft	-	(39)
	\$ 789,392	1,529,480

The notes on pages 7 to 20 are an integral part of these financial statements.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Reporting Entity

Giant Screen Entertainment Limited (the Company) was incorporated in the Republic of Trinidad and Tobago on December 11, 2009. The registered office of the Company is situated at 63 Tragarete Road and the principal place of operations is situated One Woodbrook Place, Port of Spain.

The Company owns and operates the first and only IMAX Digital Theatre in the Caribbean, to exhibit large format two dimensional (2D) and three dimensional (3D) movies in the proprietary IMAX format. The Company is the exclusive local licensee of the IMAX Corporation whose patented IMAX Technology affords advanced high resolution imagery, dual projection system, patented theatre geometry, laser aligned surround sound and the world's largest movie screens. The theatre opened to the public on August 25, 2011.

As part of its differentiated marketing strategy, the Company offers specialised and exclusive multiple year sponsorship packages. As the lead naming Sponsor, Digicel Trinidad and Tobago Limited has partnered with the Company so that the Company's Trinidad IMAX theatre is known as DIGICEL IMAX. The other four exclusive category sponsors are Atlantic LNG Company of Trinidad and Tobago, Carib Brewery, First Citizens Bank Limited and ANSA Automotive.

These financial statements were approved for issue by the directors on April 14, 2015.

Basis or Preparation

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs).

(b) *Basis of measurement*

These financial statements have been prepared on the historical cost basis.

(c) *Functional and reporting currency*

The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional currency.

(d) *Use of estimates and judgements*

The preparation of these financial statements in conformity with IFRS for SMEs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(d) Use of estimates and judgements (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note (e)	-	Property, plant and equipment
Note (f)	-	Inventories
Note (g)	-	Accounts receivable

(e) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognized net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

The cost of replacing a component of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. The costs of the day-to-day servicing property, plant and equipment are recognized in profit or loss as incurred.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(e) Property, plant and equipment (continued)

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is calculated using the declining balance basis over the estimated useful lives of each item of property, plant and equipment at the following rates:

Leasehold improvement and IMAX system	Life of lease
Theatre equipment	Life of the agreement
Motor vehicle	25%
Computers	33.3%
Concession equipment	25%
Furniture and fixtures	15%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

(g) Accounts receivable

Accounts receivable is stated net of any specific provision established to recognise anticipated losses for bad and doubtful debts. Bad debts are written off during the period in which they are identified.

(h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents are presented net of bank overdraft.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(i) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Preference shares

Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity on approval by the Company's shareholders.

Preference shares are classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued.

(j) *Loans and borrowings*

Loans and borrowings are recognised initially at fair value less attributable transaction costs.

(k) *Trade and other payables*

Trade and other payables are stated at amortised cost.

(l) *Deferred sponsorship income*

Sponsorship income that compensates the Company for expenses incurred is recognised as revenue in the statement of comprehensive income on a systematic basis in the same periods in which the expenses are incurred.

(m) *Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of finance cost is recognised as finance cost.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(n) Revenue recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of goods.

The following specific recognition criteria must also be met before revenue is recognized:

Interest

Interest on short-term investments is recognized as the interest accrues to the net carrying amount of the financial asset.

(o) Operating leases

Payments under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

(p) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(q) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or subsequently enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or subsequently enacted at the reporting date.

Deferred tax asset and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

Basis of Preparation (continued)

(r) *Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

1. Property, plant and equipment

	Leasehold Improvements	Theatre Equipment	Motor Vehicle	Computers	Concession Equipment	Furniture and Fixtures	Total
Year ended September 30, 2014							
Cost							
Balance at October 1, 2013	\$ 11,938,438	12,184,365	357,831	98,864	549,021	66,660	25,195,179
Additions	<u>61,786</u>	<u>305,373</u>	<u>-</u>	<u>7,998</u>	<u>142,288</u>	<u>4,915</u>	<u>522,360</u>
Balance at September 30, 2014	\$ <u>12,000,224</u>	<u>12,489,738</u>	<u>357,831</u>	<u>106,862</u>	<u>691,309</u>	<u>71,575</u>	<u>25,717,539</u>
Accumulated depreciation							
Balance at October 1, 2013	\$ 1,655,936	1,858,202	210,015	52,286	237,266	20,152	4,033,857
Charge for the year	<u>798,985</u>	<u>889,334</u>	<u>36,955</u>	<u>17,090</u>	<u>90,119</u>	<u>7,344</u>	<u>1,839,827</u>
Balance at September 30, 2014	\$ <u>2,454,921</u>	<u>2,747,536</u>	<u>246,970</u>	<u>69,376</u>	<u>327,385</u>	<u>27,496</u>	<u>5,873,684</u>
Net book value							
Balance at September 30, 2014	\$ <u>9,545,303</u>	<u>9,742,202</u>	<u>110,861</u>	<u>37,486</u>	<u>363,924</u>	<u>44,079</u>	<u>19,843,855</u>
Balance at September 30, 2013	\$ <u>10,282,502</u>	<u>10,326,163</u>	<u>147,816</u>	<u>46,578</u>	<u>311,755</u>	<u>46,508</u>	<u>21,161,322</u>
Year ended September 30, 2013							
Cost							
Balance at October 1, 2012	\$ 11,867,042	11,468,391	357,831	78,380	497,884	62,434	24,331,962
Additions	<u>71,396</u>	<u>715,974</u>	<u>-</u>	<u>20,484</u>	<u>51,137</u>	<u>4,226</u>	<u>863,217</u>
Balance at September 30, 2013	\$ <u>11,938,438</u>	<u>12,184,365</u>	<u>357,831</u>	<u>98,864</u>	<u>549,021</u>	<u>66,660</u>	<u>25,195,179</u>
Accumulated depreciation							
Balance at October 1, 2012	\$ 871,073	994,610	160,745	35,051	139,579	12,449	2,213,507
Charge for the year	<u>784,863</u>	<u>863,592</u>	<u>49,270</u>	<u>17,235</u>	<u>97,687</u>	<u>7,703</u>	<u>1,820,350</u>
Balance at September 30, 2013	\$ <u>1,655,936</u>	<u>1,858,202</u>	<u>210,015</u>	<u>52,286</u>	<u>237,266</u>	<u>20,152</u>	<u>4,033,857</u>
Net book value							
Balance at September 30, 2013	\$ <u>10,282,502</u>	<u>10,326,163</u>	<u>147,816</u>	<u>46,578</u>	<u>311,755</u>	<u>46,508</u>	<u>21,161,322</u>
Balance at September 30, 2012	\$ <u>10,995,969</u>	<u>10,473,781</u>	<u>197,086</u>	<u>43,329</u>	<u>358,305</u>	<u>49,985</u>	<u>22,118,455</u>

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

	2014	2013
2. Accounts receivable		
Accounts receivable	\$ 2,444,012	772,085
Prepayments	388,521	388,750
VAT recoverable	-	152,876
	<u>\$ 2,832,533</u>	<u>1,313,711</u>
3. Stated Capital		
<i>Authorised capital</i>		
2,500,000 Common shares of no par value		
2,500,000 Class B preference shares of \$1.00		
<i>Issued and fully paid capital</i>		
2,500,000 Common shares of no par value	\$ 2,500,000	2,500,000
2,500,000 Class B preference shares of \$1.00	<u>2,500,000</u>	<u>2,500,000</u>
	<u>\$ 5,000,000</u>	<u>5,000,000</u>

Ordinary Shares

All shares rank equally with regard to the Company's residual assets except that preference shareholders participate only to the extent of the face value of the shares. The holders of ordinary shares are entitled to receive dividends at the Company's discretion and are entitled to one vote per share at meetings of the Company.

Class B Preference Shares

Holders of Class B preference shares receive a non-cumulative dividend at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders and the shares do not carry the right to vote.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

	<u>2014</u>	<u>2013</u>
4. Provision for taxation		
<i>Income tax recognized in profit and loss</i>		
Deferred tax charge	\$ 484,922	430,909
Business levy	26,823	19,769
Green fund levy	<u>13,411</u>	<u>13,180</u>
	\$ <u>525,156</u>	<u>463,858</u>
<i>Reconciliation of effective tax rate</i>		
Profit for the year	\$ <u>921,436</u>	<u>680,387</u>
Tax at the statutory tax rate – 25%	230,359	170,097
Non deductible expenses	254,563	260,812
Business levy	26,823	19,769
Green fund levy	<u>13,411</u>	<u>13,180</u>
	\$ <u>525,156</u>	<u>463,858</u>
<i>Movement in the deferred tax liability (asset)</i>		
Balance at the beginning of the year	\$ 279,814	(151,095)
Charge to the statement of comprehensive income	<u>484,922</u>	<u>430,909</u>
Balance at the end of the year	\$ <u>764,736</u>	<u>279,814</u>
<i>Composition of deferred tax liability (asset)</i>		
Property, plant and equipment	\$ 1,837,723	1,685,994
Tax loss	(1,055,719)	(1,372,024)
Capitalised interest	<u>(17,268)</u>	<u>(34,156)</u>
	\$ <u>764,736</u>	<u>279,814</u>

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

	<u>2014</u>	<u>2013</u>
5. Loans and borrowings		
(i) Loan from First Citizens Bank Limited (First Citizens) for \$8,550,000 obtained in July 2012, the proceeds of which were used to repay the loan from AIC and to finance the payment of additional construction costs of the IMAX theatre. Interest is charged at a fixed rate of 9% per annum and is repayable in twelve (12) monthly installments for the first year. There is a moratorium on the payment of principal for the first twelve (12) months after which, principal and interest will be repayable in twenty-four (4) quarterly payments of \$464,951 each, commencing July 2013. The security for this loan is noted below .	7,175,404	8,273,166
(ii) Loan from Republic Bank Limited (RBL) for \$316,385, to finance the purchase of a motor vehicle. Interest is charged at a fixed rate of 13.4% per annum and is repayable in sixty (60) monthly installments of \$7,264 of principal and interest, commencing September 2010. The loan is secured by a mortgage bill of sale and the assignment of the insurance for the vehicle.	<u>81,154</u>	<u>152,183</u>
	7,256,558	8,425,349
Less current portion	<u>(1,458,631)</u>	<u>(1,722,268)</u>
Net long term debt	\$ <u>5,797,927</u>	<u>6,703,081</u>

The loan from First Citizens is secured by the following:

- i) A first priority debenture over the fixed and floating assets of the Company, stamped to cover \$8,550,000;
- ii) A restriction on the payment of dividends by the Company after the moratorium period of the loan, such that the dividends are to be paid only with the written consent of First Citizens;
- iii) A deed of assignment of the insurance policies over the IMAX theatre and all contents.
- iv) A mortgage over the premises located at One Woodbrook Place;
- v) A deed of charge over all issued and outstanding ordinary shares of the Company;
- vi) A deed of assignment of the Trademark License and the Maintenance Agreement related to the purchase and maintenance of the local IMAX digital theatre system and the use of IMAX trademarks;
- vii) A deed of charge over the Debt Service Reserve account to be established in accordance with the loan agreement;
- viii) Personal indemnities and guarantees by the directors of the Company;
- ix) A first priority charge over one of the Company's bank accounts held at RBL.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

	2014	2013
6. Convertible Redeemable Preference Shares		
<i>Authorized</i> - Class A preference shares at \$2.10	4,047,624	4,047,624
<i>Issued</i> – 4,039,239 (4,039,239 : 2012)		
Class A preference shares at \$2.10	\$ 8,482,402	8,482,402
	\$ 8,482,402	8,482,402

All issued shares are fully paid. The convertible redeemable preference shares do not carry the right to vote are mandatorily redeemable at par on September 30, 2015. The holders of the Class A redeemable preference shares have the option to convert the preference shares to ordinary shares on any dividend payment date after three (3) years from the date of issuance.

The holders of the Class A convertible redeemable preference shares are entitled to receive an annual dividend of 12% of the par amount on a quarterly basis, on each year until and including on maturity, as and when declared by the Board of Directors.

	2014	2013
7. Accounts payable		
Accounts payable	\$ 73,007	196,117
Accruals	329,578	924,569
Interest payable	54,305	312,977
Other accounts payable	155,311	41,917
VAT payable	9,192	-
	\$ 621,393	1,475,580
8. Deferred sponsorship income		
Opening balance	\$ 554,435	554,435
Receipts for the year	3,190,040	3,190,040
Receivables at the year end	108,859	562,500
Amortization for the year	(3,547,084)	(3,752,540)
Closing balance	\$ 306,250	554,435

The deferred income relates to sponsorship income that is being amortised over the period of the respective sponsorship agreements.

GIANT SCREEN ENTERTAINMENT LIMITED

Notes to Financial Statements

September 30, 2014

	2014	2013
9. Staff costs		
Salaries	\$ 1,615,921	2,033,988
National Insurance	132,723	124,034
Contract labour	8,475	-
Staff welfare	780	-
Uniforms	479	-
	<u>\$ 1,758,378</u>	<u>2,158,022</u>

10. Related parties

Key management personnel

Key management personnel receive compensation in the form of short-term, employee benefits and post-employment benefits.

Key management personnel received compensation of \$600,000 (\$594,000: 2013) for the year. Total remuneration is included in salaries and wages.

11. Operating leases

	2014	2013
Non cancellable operating lease rentals are payable as follows:		
Less than one year	\$ 247,896	247,896
Between one and five years	<u>991,584</u>	<u>991,584</u>
	<u>\$ 1,239,480</u>	<u>1,239,480</u>

During the year, \$247,896 (2013: \$247,896) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

12. Dividend Accrued

A dividend of 12% per share was accrued for the Convertible Redeemable Class A Preference Shares for the year ended September 30, 2014.

GIANT SCREEN ENTERTAINMENT LIMITED**Schedule 1**

Schedule of Administrative Expenses

Year ended September 30, 2014

	2014	2013
Audit fees	\$ 30,000	99,682
Bank charges	109,595	66,937
Cellular costs	7,609	-
Cleaning	183,105	221,764
Conferences	7,008	-
Entertainment	-	1,585
Freight and brokerage	24,384	20,547
Gas and oil	41,962	45,635
Insurance	82,400	142,552
Legal fees	70,251	30,578
Licences	1,020	4,625
Meals and refreshments	39,696	52,022
Miscellaneous	15,376	27,979
Motor vehicle expenses	12,066	7,651
Office expenses	42,879	21,952
Operating supplies	36,592	30,231
Penalty and interest	-	24,600
Postage and courier	41,634	45,456
Printing	-	2,925
Professional fees	255,317	289,398
Repairs and maintenance	324,312	348,704
Seminars	27,650	6,500
Stationery	14,359	13,073
Subscriptions	5,220	3,286
Telephone	105,410	148,092
Travel	51,789	50,466
	\$ <u>1,529,634</u>	<u>1,706,240</u>