

CinemaONE Limited

Consolidated Financial Statements

30 September 2023

(Expressed in Trinidad and Tobago dollars)

CinemaONE Limited

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CinemaONE Limited

Statement of Management's Responsibilities


Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of CinemaONE Limited and its subsidiary (the Group) which comprise the consolidated statement of financial position as at 30 September 2023 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of Group operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.


21 December 2023

Chairman


21 December 2023

Director



Independent auditor's report

To the Shareholders of CinemaONE Limited

Report on the audit of the consolidated financial statements

our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of CinemaONE Limited (the Company) and its subsidiary (together 'the Group') as at 30 September 2023, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 30 September 2023;
 - the consolidated statement of profit or loss and other comprehensive income for the year then ended;
 - the consolidated statement of changes in equity for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.
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Basis for opinion

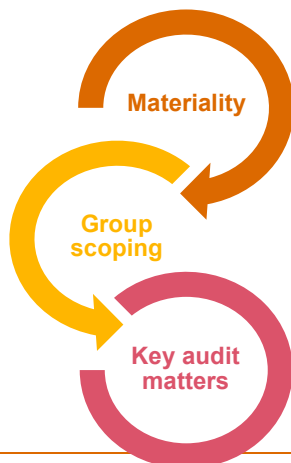
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Overview



Overall group materiality: \$252,000, which represents 5% of average loss before taxation for the past three years.

- The Group audit included:
 - full scope audit of the Company.
 - specified procedures on certain balances of the subsidiary.
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Basis of preparation – use of going concern assumption

Our audit approach

Audit scope

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group audit engagement team was the auditor for the Company as well as the subsidiary.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	\$252,000
How we determined it	5% of average loss before taxation for the past three years.
Rationale for the materiality benchmark applied	We chose loss before taxation as the benchmark because in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within a range of acceptable benchmark thresholds and used average loss before taxation for the past three years due to the historical volatility of earnings.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above \$12,600, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter

How our audit addressed the key audit matter

Basis of preparation - use of going concern assumption

Refer to Note 25 to the consolidated financial statements for disclosures relating to the use of the going concern assumption.

The Group prepares its consolidated financial statements under International Financial Reporting Standards using the going concern basis of accounting. We focused on the appropriateness of using the going concern basis given the continued losses of the Group.

The Group is still recovering from the adverse financial results experienced over the fiscal years 2020, 2021 and 2022. This was due to the Government of Trinidad and Tobago's imposed shutdowns and other restrictions over the cinema industry in response to the Covid-19 pandemic.

The Group is subject to several debt covenants pertaining to its borrowings. As such, management's going concern assessment included an assessment on whether the Group will be able to continue to meet its liabilities as they fall due and its debt covenant requirements.

The Group's cash flow projections are dependent on significant management judgement, particularly in respect of forecasted revenue levels and growth rates, and can be influenced by management bias as well as factors outside the Group's control.

Our approach to addressing the matter involved the following procedures, amongst others:

- Obtained management's going concern cash flow projections and assessed the financing facilities including repayment terms and compliance with debt covenants.
- Challenged key assumptions used in the forecast, in particular forecasted revenue levels and growth rates, debt repayments, discount rate and capital expenditure.
- Compared the key assumptions to externally derived data where available including market expectations of the outlook for the global box office.
- Assessed the historical accuracy of forecasts prepared by management by comparing actual results with historical budgeted projections.
- Tested the clerical accuracy and appropriateness of the model used to prepare the forecasts.
- Reperformed management's sensitivity analysis to assess the impact of changes in management's revenue growth rates on the future cash flow projections.
- Reperformed debt covenant calculations as at 30 September 2023.
- Considered subsequent events and any associated impact on the Group's cash flows and forecast.
- Evaluated the disclosures made within the consolidated financial statements.

Based on the procedures performed, we determined that management's use of the going concern basis of accounting was not unreasonable.

Other information

Management is responsible for the other information. The other information comprises CinemaONE Limited's Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Kerry-Ann Chevalier.

PricewaterhouseCoopers

Port of Spain
Trinidad, West Indies
21 December 2023

CinemaONE Limited

Consolidated Statement of Financial Position

(Expressed in Trinidad and Tobago dollars)

	Notes	As at 30 September	
		2023 \$	2022 \$
Assets			
<i>Non-current assets</i>			
Plant and equipment	4	74,091,499	67,798,768
Right of use assets	5	47,922,651	5,582,852
Due from parent company	6	3,697,812	3,018,624
Deferred tax asset	7	<u>4,220,844</u>	<u>3,597,695</u>
		<u>129,932,806</u>	<u>79,997,939</u>
<i>Current assets</i>			
Inventories	8	191,931	89,053
Prepayments and other receivables	9	1,617,398	2,296,364
Taxation recoverable		268,040	268,041
Cash and cash equivalents	10	<u>3,289,929</u>	<u>1,573,354</u>
		<u>5,367,298</u>	<u>4,226,812</u>
Total assets		<u>135,300,104</u>	<u>84,224,751</u>
Shareholders' equity and Liabilities			
<i>Shareholders' equity</i>			
Share capital	11	38,213,147	32,579,503
Accumulated losses		<u>(16,379,331)</u>	<u>(11,477,363)</u>
		21,833,816	21,102,140
Non-controlling interests	12	<u>4,213,665</u>	<u>--</u>
Total equity		<u>26,047,481</u>	<u>21,102,140</u>
<i>Non-current liabilities</i>			
Deferred tax liability	7	2,936,521	2,468,898
Borrowings	13	39,881,446	36,003,510
Shareholder loans	14	489,139	997,387
Accruals and other payables	15	8,760,778	8,004,563
Lease liabilities	5	<u>47,929,343</u>	<u>6,605,604</u>
		<u>99,997,227</u>	<u>54,079,962</u>
<i>Current liabilities</i>			
Borrowings	13	2,589,394	2,923,183
Shareholder loans	14	166,968	166,968
Accruals and other payables	15	4,540,316	5,547,167
Lease liabilities	5	<u>1,958,718</u>	<u>405,331</u>
		<u>9,255,396</u>	<u>9,042,649</u>
Total liabilities		<u>109,252,623</u>	<u>63,122,611</u>
Total shareholders' equity and liabilities		<u>135,300,104</u>	<u>84,224,751</u>

The notes on pages 11 to 45 are an integral part of these consolidated financial statements.

These consolidated financial statements were authorised for issue by the Board of Directors on 21 December 2023.



Director



Director

CinemaONE Limited

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September	
		2023 \$	2022 \$
Revenue	16	17,019,626	9,717,170
Cost of sales	17	<u>(6,222,273)</u>	<u>(4,083,936)</u>
Gross profit		<u>10,797,353</u>	<u>5,633,234</u>
Expenses			
Administrative expenses	17	(8,504,166)	(5,299,272)
Marketing expenses		<u>(416,056)</u>	<u>(353,088)</u>
Total expenses		<u>(8,920,222)</u>	<u>(5,652,360)</u>
Operating profit/(loss)		1,877,131	(19,126)
Finance costs		(2,931,618)	(2,053,586)
Other income	18	<u>210,658</u>	<u>209,959</u>
Net finance costs		<u>(2,720,960)</u>	<u>(1,843,627)</u>
Loss before taxation		(843,829)	(1,862,753)
Taxation credit	7	<u>155,526</u>	<u>442,157</u>
Loss for the year		(688,303)	(1,420,596)
Other comprehensive income		--	--
Total comprehensive loss for the year		<u>(688,303)</u>	<u>(1,420,596)</u>
Total comprehensive loss for the year attributable to equity holders of the Company arises from:			
Owners of the Company		(769,621)	--
Non-controlling interests		<u>81,318</u>	<u>--</u>
Total comprehensive loss for the year		<u>(688,303)</u>	<u>--</u>
Loss per share for loss attributable to the equity holders of the Company	19	\$ (0.09)	\$ (0.22)

The notes on pages 11 to 45 are an integral part of these consolidated financial statements.

CinemaONE Limited

Consolidated Statement of Changes in Equity

(Expressed in Trinidad and Tobago dollars)

	Note	Share capital \$	Accumulated losses \$	Non-controlling interests \$	Shareholders' equity \$
Year ended 30 September 2023					
Balance at 1 October 2022		32,579,503	(11,477,363)	--	21,102,140
Total comprehensive loss for the year		--	(769,621)	81,318	(688,303)
Recognition of non-controlling interests	12	--	(4,132,347)	4,132,347	--
Transactions with owners in their capacity as owners:					
New share issue	11	6,015,480	--	--	6,015,480
New share issue expense	11	(381,836)	--	--	(381,836)
Balance at 30 September 2023		<u>38,213,147</u>	<u>(16,379,331)</u>	<u>4,213,665</u>	<u>26,047,481</u>
Year ended 30 September 2022					
Balance at 1 October 2021		32,579,503	(10,056,767)	--	22,522,736
Total comprehensive loss for the year		--	(1,420,596)	--	(1,420,596)
Balance at 30 September 2022		<u>32,579,503</u>	<u>(11,477,363)</u>	<u>--</u>	<u>21,102,140</u>

The notes on pages 11 to 45 are an integral part of these consolidated financial statements.

CinemaONE Limited

Consolidated Statement of Cash Flows

(Expressed in Trinidad and Tobago dollars)

	Notes	Year ended 30 September	
		2023 \$	2022 \$
Cash flows from operating activities			
Loss before taxation		(843,829)	(1,862,753)
Adjustments for:			
Depreciation	4,5	4,714,161	3,168,381
Interest expense		<u>2,931,618</u>	<u>2,053,586</u>
		6,801,950	3,359,214
Changes in:			
(Increase)/decrease in inventories		(102,878)	9,359
Decrease/(increase) in prepayments and other receivables		678,966	(677,225)
Increase in due from parent company		(679,188)	(117,726)
(Decrease)/increase in accruals and other payables		(250,636)	4,505,593
Decrease in deferred revenue		<u>--</u>	<u>(9,120)</u>
Cash generated from operating activities		6,448,214	7,070,095
Taxation paid		<u>--</u>	<u>(11,222)</u>
Net cash generated from operating activities		<u>6,448,214</u>	<u>7,058,873</u>
Cash flows from investing activities			
Purchase of plant and equipment	4	<u>(9,903,411)</u>	<u>(6,144,912)</u>
Cash flows from financing activities			
Repayment of loans and borrowings		(3,700,150)	(136,494)
Proceeds from loans and borrowings		6,681,036	486,607
Proceeds from new share issue	11	6,015,480	--
Expenses from new share issue	11	(381,836)	--
Principal lease payments	5	(1,202,902)	(527,532)
Interest paid		<u>(2,239,856)</u>	<u>(1,248,964)</u>
Net cash generated from/(used in) financing activities		<u>5,171,772</u>	<u>(1,426,383)</u>
Increase/(decrease) in cash and cash equivalents for the year		1,716,575	(512,422)
Cash and cash equivalents at beginning of year		<u>1,573,354</u>	<u>2,085,776</u>
Cash and cash equivalents at end of year	10	<u>3,289,929</u>	<u>1,573,354</u>

The notes on pages 11 to 45 are an integral part of these consolidated financial statements.

CinemaONE Limited

Notes to the Consolidated Financial Statements

30 September 2023

(Expressed in Trinidad and Tobago dollars)

1 General information

CinemaONE Limited (“CinemaONE” or “the Company”), was incorporated in the Republic of Trinidad and Tobago on December 11, 2009. The registered office of the Company is situated at One Woodbrook Place, 189 Tragarete Road, Port of Spain. CinemaONE is a subsidiary of Giant Screen Entertainment Holdings Limited (“GSEHL”), the Parent Company, GSEHL is registered in Trinidad and Tobago.

The Group consists of CinemaONE together with its subsidiary, CINECentral Limited (“the Group”). CINECentral Limited was incorporated in the Republic of Trinidad and Tobago on 30 August 2022. The registered office of CINECentral Limited is situated at Unit A, Price Plaza Shopping Center North, Narsaloo Ramaya Road, Chaguanas. The Group has a 49% ownership in CINECentral Limited.

The Group offers differentiated and innovative digital cinema entertainment in multiple movie formats at three locations in Trinidad and Tobago: One Woodbrook Place, Port of Spain, Gulf City Mall, San Fernando and Price Plaza Shopping Center North, Chaguanas.

The Group’s ordinary shares have since November 2018 been publicly traded on the Small and Medium Enterprise (SME) tier of the Trinidad and Tobago Stock Exchange under the symbol “CINE1”.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of new and amended standards as set out in Note 2 (w).

a. *Basis of preparation*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

See Note 25 Use of the going concern assumption, for further details.

b. *Basis of measurement*

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

c. *Functional and presentation currency*

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Trinidad and Tobago dollars which is the Group’s functional and presentation currency.

Transactions in foreign currencies are translated to the functional currency of the Group 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.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss and other comprehensive income, within net finance costs.

Foreign currency differences arising on retranslation are recognised in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

d. *Use of estimates and judgements*

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgements made in applying policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the Note 2 (x) Critical Accounting Estimates and Judgments in applying policies.

The Group has applied the accounting policies as set out below to the consolidated financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

e. *Plant and equipment*

(i) *Recognition*

Items of 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, project and construction management and 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 capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

The Group has no dismantlement costs regarding the operation of its fixed assets.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

e. *Plant and equipment (continued)*

(ii) *Depreciation*

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 for the following items using the reducing balance basis over the estimated useful lives of each item of plant and equipment at the following rates:

Computers	- 33.3%
Concession equipment	- 25%
Theatre equipment	- 25%
Furniture and fixtures	- 15%

Depreciation is calculated for the following items using the straight-line basis for the remaining life of the lease agreement:

Leasehold improvements	- Life of lease – 15-40 years (2022: 15-23 years)
Theatre systems	- Life of the agreement – 15-17 years (2022: 15 years)

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

(iii) *Disposals*

The gain or loss on disposal of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment and is recognised net within other income/other expenses in the consolidated statement of profit or loss and other comprehensive income.

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. *Financial instruments*

(i) *Classification*

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(ii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

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

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

g. *Financial instruments (continued)*

(iii) *Measurement (continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The following is the measurement category into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

(iv) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3 (a) (ii) for further details.

h. *Trade and other receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less loss allowance. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3 (a) (ii).

i. *Cash and cash equivalents*

Cash comprises cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

j. *Impairment of non-financial assets*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indicator of impairment. If such an indicator 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 consolidated statement of profit or loss and other 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.

k. *Borrowings*

Borrowings are recognised initially at fair value less attributable transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss within net finance costs.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale, is capitalised.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

i. Trade and other payables

Trade and other payables are recognised initially at fair value and are subsequently measured at amortised cost. These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

m. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

n. Leases

Measurement

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

Payment allocation

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In accordance with the IFRS 16 standard, the Group has separated the lease components from non-lease components for each of the lease contracts. In general, activities that do not transfer a good or service to the lessee are not components in the respective lease contracts.

The variable lease payments for all of the Group's leases are not based on an index or rate. Instead, they are linked to a percentage of the Group's sales, meaning that these payments are derived from the lessee's performance from the underlying asset and therefore not considered to be components of the lease.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

n. Leases

Payment allocation (continued)

The Group's lease agreements for the Gemstone and 4DX theatre spaces at One Woodbrook Place and CINECentral theatre space at Price Plaza include common area maintenance (CAM) costs, under which the Group is charged for its proportionate share of CAM within the multi-unit real estate development of One Woodbrook Place and Price Plaza respectively. Such CAM costs are inclusive of security and real estate cleaning; hence the variability does not arise from an index and therefore charges are expensed to the consolidated statement of profit or loss and other comprehensive income in the period to which they relate due to both their variability in nature and because they represent a non-lease component that transfers a good or service other than the right of use to the demised premises.

The IFRS 16 standard defines initial direct costs as incremental costs that would not have been incurred if a lease had not been obtained. The Group has included all initial direct costs, such as legal fees and stamp duty fees directly attributable to lease execution, in the initial measurement of the right-of-use asset.

The Group has considered the lease term for each of its lease contracts to be:

- the non-cancellable period of the lease, together with
- optional renewable periods if the tenant is reasonably certain to extend; and
- periods after an optional termination date if the tenant is reasonably certain not to terminate early.

In considering the determination of its respective lease terms, the Group has considered all relevant facts and circumstances that create an economic incentive to exercise options to renew.

As a practical expediency given variations in dates such as:

- the date on which respective landlords have made underlying assets fully available for use, albeit to initiate a rent-free, significant tenant outfitting period
- the execution dates of leases (which in the case of One Woodbrook Place, were subsequent to the opening date of the respective theatres)
- the Opening Date from when rent payments would commence.

The Group has determined the commencement date of each lease to uniformly be the opening date of each of its respective cinema sites, which is also when payment obligations commence for the lessees.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

n. Leases

Payment allocation (continued)

In accordance with the IFRS 16 standard, the tenant discounts its future lease payments using the interest rate implicit in the leases if this can be readily determined. Otherwise, the tenant uses its incremental borrowing rate. Due to the lack of information that is required to assess the implicit interest rate in its leases such as the fair value of the underlying assets and any initial direct costs incurred by the landlord, CinemaONE Limited has judged that the Group is unable to determine the interest rate implicit in its leases. Therefore, the Group has used its incremental borrowing rates at the time of execution of its various leases. Such borrowing rates range from 6.95% to 9% for its leasehold properties at One Woodbrook Place, a borrowing rate of 8.44% for the Company's Gulf City Mall leasehold property and borrowing rate of 8% for the Price Plaza Shopping Center leasehold property.

The incremental borrowing rates can be defined as the rate of interest that the Group would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

o. Share capital

Ordinary shares

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

p. Revenue recognition

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

- *Film revenue*

Revenue is generated from sales of box office tickets purchased at the theatre for the exhibition of movies from film studios. Revenue is recognised on sale of box office tickets.

The performance obligation is satisfied by showing the movie to customers when they obtain control via the purchase of a ticket.

- *Food and beverage revenue*

Revenue is also received from the delivery of food and beverages, including alcoholic beverages for consumption on site. Revenue is recognised on sale of food and beverage items.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

p. *Revenue recognition (continued)*

- *Sponsorship and advertising revenue*

Sponsorship revenue is allocated by business categories including but not exclusive to Title sponsor, Educational Sponsor and Financial sponsor categories. Sponsorship revenue is recognised as the service is rendered. The performance obligation is satisfied by fulfilling the contractual obligations to the sponsor.

Advertising revenue is recognised for the sale and exhibition of on-screen and in-lobby advertising and promotional campaigns to third parties.

- *Gift certificates revenue*

Gift certificates are purchased to be used as box office tickets and/or food and beverages. Revenue is recognised on the redemption of the gift certificates.

No significant element of financing is deemed present as the majority of the Group's revenue is generated without credit terms which is consistent with market practice. Only sponsorship, advertising and event sales are made with credit terms up to 30 days.

q. *Taxation*

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss 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 substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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 substantively 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.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

r. *Employee benefits*

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position. The Group has no pension plan and there are no other employee benefits provided.

s. *Dividend policy*

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

t. *Earnings/(loss) per share*

Basic earnings/(loss) per share is calculated by dividing: the profit/(loss) attributable to owners of the Group by the weighted average number of ordinary shares outstanding during the financial year.

u. *Comparative information*

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year.

v. *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

v. Consolidation (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

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

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

v. Consolidation (continued)

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

w. Operating segments

Operating segments, relate to the individual companies of CinemaONE and CINECentral. These segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, has been identified as the Group Executive Chairman and Chief Financial Officer and the Group Chief Executive Officer.

x. New, revised and amended standards and interpretations adopted

The following standards and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 October 2022.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact to the Group.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

x. *New, revised and amended standards and interpretations adopted*

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the 30 September 2023 reporting period and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

y. *Critical accounting estimates and judgements in applying policies*

The development of estimates and the exercise of judgement in applying accounting policies may have a material impact on the Group's reported assets, liabilities, revenues and expenses. The items which may have the most effect on these consolidated financial statements are set out below:

Consolidation of Subsidiary

The Group elected on 9 September 2022 to pursue an expansion opportunity for a multiplex cinema in Price Plaza Shopping Center North via a newly formed special purpose vehicle or structured entity named CINECentral Limited.

In establishing CINECentral Limited, the Group adhered to the definition outlined in IFRS 12 Appendix A, in which CINECentral is set out as a Special Purpose Vehicle (SPV) or structured entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity and the relevant activities are directed by means of contractual arrangements.

The Group has determined that in accordance with IFRS 10, the Group has adhered to the principle that control exists, and consolidation is required, only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. CINECentral has therefore been consolidated and its financials are highlighted in Note 12.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Current and deferred income tax balances are disclosed in the consolidated statement of financial position. Details of the expense for the year are shown in Note 7.

Deferred tax asset

The deferred tax assets of \$4,220,844 (2022: \$3,597,695) includes an amount of \$3,961,904 (2022: \$3,412,451) which relates to carried-forward tax losses of the Group. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the Group. The Group is expected to generate taxable income from 2024 onwards. The losses can be carried forward indefinitely and have no expiry date.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

2 Significant accounting policies (continued)

y. *Critical accounting estimates and judgements in applying policies (continued)*

Impairment

The Group tests, when there are impairment indicators, whether any non-financial assets/cash generating units have suffered impairment. For the purposes of the impairment test, the cash-generating unit was determined to be at the individual company level. The recoverable amount of the cash-generating unit has been determined based on value in use calculations. These calculations require the use of estimates. The significant assumptions and sensitivity analysis are disclosed in Note 25.

Leases

The Group has elected to include the optional renewable periods in the lease terms, as the group is reasonably certain to extend the respective lease terms, given the significant economic value of the Group's leasehold improvements.

3 Financial risk management

a. *Financial risk management objectives*

The Group's activities expose it to a variety of financial risks: market risk, credit risk, and liquidity risk. Risk management is carried out in line with policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as market risk, credit risk, and the investment of excess liquidity.

(i) *Market risk*

This comprises foreign exchange risk, cash flow and fair value interest rate risk and price risk.

(a) *Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities. The Group currently holds a USD Loan and a USD Monthly Income Fund with Guardian Group Trust Limited. If the currency had weakened/strengthened by 1% against the US dollar with all other variables held constant, the loss for the year would have been \$86,890 (2022: \$288,357).

The Group actively manages this risk by matching receipts and payments in the sale currency and monitoring movements in exchange rates. The Group has also negotiated TT dollar partial settlements with lenders such as Guardian Group Trust Limited and key operational and construction vendors. The Group seeks to purchase US dollars, when made available, from its bankers. Such policies to manage foreign currency are the same as for prior year.

(b) *Price risk*

The Group's exposure to securities price risk arising from investments is nil.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

3 Financial risk management

a. Financial risk management objectives

(i) Market risk

(c) Interest rate risk

The Group had no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Interest rate risk arises on interest-bearing financial instruments recognised in the consolidated statement of financial position.

The Group's exposure to changes in market interest rates relates primarily to the long-term debt obligation, with the interest rate being TT Dollar prime minus 1.90% with a floor between 7% and 9%. The exposure to interest rate risk on cash held on deposit is not significant. Non-interest bearing borrowings were on 2% of borrowings in 2023 (2022: 2%) and the balance of borrowings were secured at fixed rates.

The exposure of the Group's borrowings to interest rate changes are as follows:

	2023	2022
	\$	\$
Less than one year	2,590,214	3,090,151
Between 1 - 5 years	<u>14,359,710</u>	<u>9,396,700</u>
	<u><u>16,949,924</u></u>	<u><u>12,486,851</u></u>

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The main financial risks of the Group relate to the availability of funds to meet business needs and the risk of default by counterparties to financial transactions. The Group monitors the financial risks that arise in relation to underlying business needs and operates within clear policies and stringent parameters. The Group's principal financial liabilities comprise bank loans (Note 13). There have been no changes to the way the Group manages this exposure compared to the prior year.

(ii) Credit risk management

Credit risk arises from deposits into bank as well as credit exposures for receivables related to sponsorship arrangements and special events. The Group has policies in place to ensure that the delivery of sponsorship services and events are made to customers with an appropriate credit history. Credit exposures arise from the delivery of services to customers, including outstanding receivables. Deposits are only made to reputable commercial banks.

The due from parent company balance arises mainly from administrative services provided by the Group.

In assessing credit losses associated with receivables, such as sponsorship arrangements and special events, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The credit quality of customers, their financial position, past experience and other factors are taken into consideration in assessing credit risk and are regularly monitored through the use of credit terms. Management does not expect any losses from non-performance by counterparties.

There have been no changes to the way the Group manages this exposure compared to the prior year.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. Financial risk management objectives (continued)

(ii) Credit risk management (continued)

Maximum exposure to credit risk

The accounting policies for financial instruments have been applied to the line items below:

	2023	2022
	\$	\$
Other receivables (Note 9)	123,300	240,336
Due from parent company (Note 6)	3,697,812	3,018,624
Cash at bank and on hand (Note 10)	<u>3,289,929</u>	<u>1,573,354</u>
	<u>7,111,041</u>	<u>4,832,314</u>

Collateral is not held for any balances exposed to credit risk, with the exception of a guarantee held for the due from parent company balance, which can be found in Note 6.

The simplified approach

The Group applies the IFRS 9 simplified approach to measuring expected credit losses for Trade and other receivables. The simplified approach eliminates the need to calculate 12-month Expected Credit Loss and to assess when a significant increase in credit risk has occurred. Accordingly, a lifetime expected loss allowance is used from day 1. To measure the lifetime loss allowance, the Group first considers whether any individual customer accounts require specific provisions. Loss rates are then assigned to these accounts based on an internal risk rating system considering various qualitative and quantitative factors.

The general approach

The Group applies the IFRS 9 general approach to measuring expected credit losses for intercompany loans to its parent company. The Group considers such parent company loans as low credit risks given past performance but still maintains offsetting payable balances as credit enhancements to assist in managing expected credit loss.

Incorporation of forward-looking information

Historical loss rates for trade and other receivables are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group uses indicators such as, concentration risk and macroeconomic fundamentals of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in consolidated statement of profit or loss and other comprehensive income.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. Financial risk management objectives (continued)

(ii) Credit risk management (continued)

Summary of ECL calculations

a) The simplified approach (trade and other receivables)

A summary of the assumptions underpinning the Group's expected credit loss model under the simplified approach is further analysed below showing:

- Specific provisions using the Group's internal grading system

Trade and other receivables assessed for specific provisions are identified based on certain default triggers (e.g., customers with significant cash flow issues, business model issues and other relevant factors). Once the population for specific provisions is identified, it is segregated from the rest of the portfolio and an ECL is calculated based on an individual rating assignment.

The following is a summary of the ECL on trade and other receivables from specific provisions:

Aging Bucket	Average ECL rate %	Estimated EAD \$	Expected credit loss \$
3 - 12 months due	--	123,300	--

There were no expected credit losses for the period given that the Group did not generate sponsorship income for the financial year. In excess of 99% of the Group's revenue for the financial year was directly attributed to ticket, food and beverage and related purchases which are not offered by the Group on credit terms. For any receivables held by the Group there are offsetting, larger payable balances which are considered credit enhancements.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

a. Financial risk management objectives (continued)

(iii) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term funds and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

The Group's liquidity risk management process is measured and monitored by senior management. This process includes monitoring current cash flows on a frequent basis, assessing the expected cash inflows as well as ensuring that the Group has adequate committed lines of credit to meet its obligations. In order to mitigate the effects of the Covid-19 global pandemic and to manage liquidity, the Group deferred payments and entered into extended payment agreements with key vendors and lenders. The Group continues to seek the conversion of Covid-19 related short term payables into long term obligations through direct negotiation with strategic vendors and / or by accessing facilities such as the Government of the Republic of Trinidad and Tobago's Covid-19 SME Relief Loan program. In December of 2022, the Group entered into Phase II of this liquidity support program (See Note 13).

Despite a rebound in the Group's revenue following the removal of government imposed Covid-19 restrictions in Q3 of fiscal 2022, the Group has continued to prudently manage costs and maintain many Covid-19 induced operating cost reductions in order to minimise financial risk.

The table below analyses the Group's financial liabilities based on the remaining period at the financial position date to the contractual maturity date.

Financial liabilities

	Carrying amount	Contractual cash flow	Less than 1 year	Between 2 to 5 years	Over 5 years
	\$	\$	\$	\$	\$
At 30 September 2023					
Borrowings	42,470,840	75,780,271	4,280,100	10,564,230	60,935,941
Leases	49,888,061	57,401,322	267,782	16,161,046	40,972,494
Shareholder loans	656,107	891,510	166,968	724,542	--
Accruals and other payables (excluding statutory liabilities)	12,848,306	12,848,306	4,316,648	8,531,658	--
Total	105,863,314	146,921,409	9,031,498	35,981,476	101,908,435
At 30 September 2022					
Borrowings	47,260,081	82,801,021	4,522,500	8,561,861	69,716,660
Leases	7,010,935	17,535,942	405,331	2,051,967	15,078,644
Shareholder loans	1,164,355	1,271,718	166,968	1,060,405	44,345
Accruals and other payables (excluding statutory liabilities)	12,949,929	12,949,929	5,219,178	7,730,751	--
Total	68,385,300	114,558,610	10,313,977	19,404,984	84,839,649

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

3 Financial risk management (continued)

b. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. There were no changes compared to the financial year ended 30 September 2023.

There are no particular strategies to determine the optimal capital structure. There are externally imposed capital maintenance requirements to which the Group is subjected to, and with which it was in compliance for the year ended 30 September 2023 and 30 September 2022.

The gearing ratios as at 30 September 2023 and 30 September 2022 were as follows:

	2023 \$	2022 \$
Borrowings (Note 13)	42,470,840	38,926,693
Lease liabilities (Note 5)	49,888,061	7,010,935
Shareholder loans (Note 14)	656,107	1,164,355
Less: cash on hand and at bank (Note 10)	<u>(3,289,929)</u>	<u>(1,573,354)</u>
Net debt (Note 20)	89,725,079	45,528,629
Total equity	<u>26,047,481</u>	<u>21,102,140</u>
Total capital	<u>115,772,560</u>	<u>66,630,769</u>
Gearing ratio	<u>78%</u>	<u>68%</u>

The Group's gearing ratio remained high as it secured incremental debt to fund its expansion into Price Plaza via a newly formed subsidiary, CINECentral Limited.

c. Fair value estimation

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. The standard requires disclosure of fair value measurement by level using the following fair value measurement hierarchy:

- (i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (iii) Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Due to the short-term nature of prepayments and other receivables and accruals and other payables, their carrying amounts are considered to be the same as their fair values. Estimates and judgements 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.

All of the Group's financial assets and liabilities are carried at amortised cost.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

4 Plant and equipment

	Leasehold improvements \$	Theatre equipment \$	Computers \$	Concession equipment \$	Furniture and fixtures \$	Work in progress \$	Total \$
Year ended 30 September 2023							
Cost							
Balance at 1 October 2022	45,314,891	21,682,678	220,801	1,394,689	121,288	27,108,595	95,842,942
Additions	7,356,475	1,814,259	124,527	163,957	289,659	154,534	9,903,411
Transfers	14,858,511	3,522,804	48,353	301,676	508,047	(19,239,391)	--
Transfer from prepayments	--	--	--	122,402	--	384,524	506,926
Balance at 30 September 2023	<u>67,529,877</u>	<u>27,019,741</u>	<u>393,681</u>	<u>1,982,724</u>	<u>918,994</u>	<u>8,408,262</u>	<u>106,253,279</u>
Accumulated depreciation							
Balance at 1 October 2022	(15,684,455)	(10,881,202)	(203,608)	(1,195,048)	(79,861)	--	(28,044,174)
Charge for the year	(2,539,002)	(1,409,544)	(18,445)	(92,545)	(58,070)	--	(4,117,606)
Balance at 30 September 2023	<u>(18,223,457)</u>	<u>(12,290,746)</u>	<u>(222,053)</u>	<u>(1,287,593)</u>	<u>(137,931)</u>	<u>--</u>	<u>(32,161,780)</u>
Year ended 30 September 2022							
Cost							
Balance at 1 October 2021	45,314,891	21,679,402	220,801	1,394,689	121,288	20,182,875	88,913,946
Additions	--	3,276	--	--	--	6,141,636	6,144,912
Transfer from prepayments	--	--	--	--	--	784,084	784,084
Balance at 30 September 2022	<u>45,314,891</u>	<u>21,682,678</u>	<u>220,801</u>	<u>1,394,689</u>	<u>121,288</u>	<u>27,108,595</u>	<u>95,842,942</u>
Accumulated depreciation							
Balance at 1 October 2021	(13,359,045)	(10,538,154)	(195,024)	(1,128,501)	(72,551)	--	(25,293,275)
Charge for the year	(2,325,410)	(343,048)	(8,584)	(66,547)	(7,310)	--	(2,750,899)
Balance at 30 September 2022	<u>(15,684,455)</u>	<u>(10,881,202)</u>	<u>(203,608)</u>	<u>(1,195,048)</u>	<u>(79,861)</u>	<u>--</u>	<u>(28,044,174)</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

4 Plant and equipment (continued)

	Leasehold improvements \$	Theatre equipment \$	Computers \$	Concession equipment \$	Furniture and fixtures \$	Work in progress \$	Total \$
Net book amount							
Balance at 30 September 2023	<u>49,306,420</u>	<u>14,728,995</u>	<u>171,628</u>	<u>695,131</u>	<u>781,063</u>	<u>8,408,262</u>	<u>74,091,499</u>
Balance at 30 September 2022	<u>29,630,436</u>	<u>10,801,476</u>	<u>17,193</u>	<u>199,641</u>	<u>41,427</u>	<u>27,108,595</u>	<u>67,798,768</u>
Balance at 30 September 2021	<u>31,955,846</u>	<u>11,141,248</u>	<u>25,777</u>	<u>266,188</u>	<u>48,737</u>	<u>20,182,875</u>	<u>63,620,671</u>

Work-in-progress as at 30 September 2022 and 2023 represents capital expenditure for the completion of construction activity associated with construction of new movie theatre multiplex sites in both Gulf City Mall, San Fernando and Price Plaza Shopping Center North, Chaguanas.

Interest on borrowings in the amount of \$2,520,665 (2022: \$2,249,227) was capitalised during the year.

Prepayments of \$506,926 from prior years were transferred to work in progress and \$0 (2022: \$506,926) remains classified under prepayments to reflect deposits on items that have not yet been received nor installed.

See Note 13 for the assets pledged as security for borrowings.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

5	Leases	2023	2022
		\$	\$
	Right of use assets		
	Buildings	<u>47,922,651</u>	<u>5,582,852</u>
	Lease liabilities		
	Current	1,958,718	405,331
	Non-current	<u>47,929,343</u>	<u>6,605,604</u>
	Total lease liabilities	<u>49,888,061</u>	<u>7,010,935</u>

- (i) The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

Depreciation	596,555	417,483
Expense (included in finance costs)	1,143,674	529,065
Covid-19 related rent concessions	--	(376,815)
Total cashflow for leases	(1,202,902)	(527,532)

6 Related party transactions

- (i) *Due from parent company*

Giant Screen Entertainment Holdings Limited	<u>3,697,812</u>	<u>3,018,624</u>
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This balance relates to transactions paid by the Group for satisfaction of parent company obligations. Such obligations include financing, legal and other professional service fees, foreign travel and general business expenses. The receivable was converted to a loan with effect from 2 January 2020. This loan bears interest at 4% per annum and the balance increased during financial year 2022 due to accrued interest income. The principal repayment is due at maturity on 2 January 2025. See Note 14 for details on offsetting transaction.

- (ii) *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 \$909,347 (2022: \$773,118) for the year.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

7 Taxation

(i) *Composition of deferred tax asset and liability*

The analysis of deferred tax asset and (liability) is as follows:

	Accumulated tax losses \$	IFRS 16 \$	Total \$
Deferred tax asset			
At 1 October 2022	3,412,451	185,244	3,597,695
Credit to profit or loss	<u>549,453</u>	<u>73,696</u>	<u>623,149</u>
At 30 September 2023	<u>3,961,904</u>	<u>258,940</u>	<u>4,220,844</u>
At 1 October 2021	2,952,258	207,883	3,160,141
Credit to profit or loss	<u>460,193</u>	<u>(22,639)</u>	<u>437,554</u>
At 30 September 2022	<u>3,412,451</u>	<u>185,244</u>	<u>3,597,695</u>
Accelerated tax depreciation \$			
Deferred tax liability			
At 1 October 2022	(2,468,898)		
Charge to profit or loss	<u>(467,623)</u>		
At 30 September 2023	<u>(2,936,521)</u>		
At 1 October 2021	(2,310,757)		
Charge to profit or loss	<u>(158,141)</u>		
At 30 September 2022	<u>(2,468,898)</u>		

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2022: 15%).

	2023 \$	2022 \$
(ii) <i>Taxation</i>		
Deferred tax credit	(155,526)	(279,413)
Prior year over provision - business levy	<u>--</u>	<u>(162,744)</u>
	<u>(155,526)</u>	<u>(442,157)</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

7 Taxation (continued)

(iii) Reconciliation of effective tax rate	2023 \$	2022 \$
Loss before taxation	<u>(843,829)</u>	<u>(1,862,753)</u>
Tax at the statutory tax rate – 15% (2022: 15%)	(126,574)	(279,413)
Effect of expenses not allowed	(28,952)	--
Prior year over provision – business levy	<u>--</u>	<u>(162,744)</u>
	<u>(155,526)</u>	<u>(442,157)</u>

For the year ended 30 September 2023, the Group was not liable to corporation tax as a result of accumulated tax losses of \$26,388,929 (2022: \$22,580,997).

As a result of the Group being listed on the Small and Medium Enterprise Exchange of the Trinidad and Tobago Stock Market in 2018, section 3 (2) of the Corporation Tax Act provides for companies listed to be assessed with a corporation tax rate of 15% instead of 10% as per amendment of the Corporation Tax Act, Chap 75:02 dated 24 December 2020. Also, it benefits from a zero percent on Business Levy and Green Fund Levy for the first five years from listing.

8 Inventories

Food and beverage	<u>191,931</u>	<u>89,053</u>
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The cost of inventories recognised as an expense and included in cost of sales amounted to \$2,278,264 (2022: \$1,209,127). Refer to Note 17.

9 Prepayments and other receivables

Prepayments	802,154	875,581
Value Added Tax recoverable	691,944	1,180,446
Other receivables	<u>123,300</u>	<u>240,337</u>
	<u>1,617,398</u>	<u>2,296,364</u>

As at 30 September 2023, there was no impairment of other receivable balances (2022: \$0).

Given the nature of operations, goods and services are paid immediately (see Revenue Recognition Accounting Policy Note). Other receivables balances are related to sponsorship agreements that have not been impaired, therefore the expected lifetime credit loss is deemed to be nil.

Details about the Group's classification and the calculation of the loss allowance are provided in Note 3. Due to the short-term nature of the current prepayments and other receivables, their carrying amounts are considered to be the same as their fair value. Information about the impairment of prepayments and other receivables and the Group's exposure to credit risk, market risk and liquidity risk can be found in Note 3.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

10 Cash and cash equivalents

	2023 \$	2022 \$
Cash on hand and at bank	1,289,914	209,098
Cash on hand and at bank - restricted	791,975	--
Short-term deposit	<u>1,208,040</u>	<u>1,364,256</u>
	<u>3,289,929</u>	<u>1,573,354</u>

The short-term deposit represents USD and TTD Monthly Income Funds held at Guardian Asset Management Limited.

The restricted cash is related to a Debt Service Account held at Republic Bank Limited which equalled to one loan payment of principal and interest, and a contingency fund for construction overruns related to CINECentral.

11 Share capital

Authorised capital

Unlimited ordinary shares of no par value

Issued and fully paid capital

8,007,869 (2022: 6,406,295) ordinary shares of no par value 38,213,147 32,579,503

Analysis of ordinary shares movement is as follows:

	2023		2022	
	No. of Shares	Amount \$	No. of Shares	Amount \$
Balance at start of year	6,406,295	32,579,503	6,406,295	32,579,503
Issuance of new shares	1,601,574	6,015,480	--	--
New share issue expense	--	(381,836)	--	--
Balance at end of year	<u>8,007,869</u>	<u>38,213,147</u>	<u>6,406,295</u>	<u>32,579,503</u>

All shares rank equally with regard to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends at the Group's discretion and are entitled to one vote per share at meetings of the Group.

On 20 January 2023, the Group consummated an Additional Public Offering of 1,601,574 ordinary shares for the gross proceeds of \$6.0M which increased the Group's share capital to \$38.2M (2022: \$32.6M) The newly issued ordinary shares were purchased by existing shareholders and are similarly traded on the Small and Medium Enterprise Exchange of the Trinidad and Tobago Stock Market.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

12	Non-controlling interests	2023 \$	2022 \$
	CINECentral Limited results are as follows:		
	Summarised statement of financial position		
	Assets		
	Current assets	1,166,473	--
	Current liabilities	<u>(2,119,940)</u>	<u>--</u>
	Current net liability	<u>(953,467)</u>	<u>--</u>
	Liabilities		
	Non-current assets	46,631,515	--
	Non-current liabilities	<u>(37,415,960)</u>	<u>--</u>
	Non-current net assets	<u>9,215,555</u>	<u>--</u>
	Net assets	<u>8,262,088</u>	<u>--</u>
	51% non-controlling interests	<u>4,213,665</u>	<u>--</u>
	Summarised statement of profit or loss and other comprehensive income		
	Revenue	<u>253,251</u>	<u>--</u>
	Total comprehensive income	<u>159,447</u>	<u>--</u>
	51% profit allocated to non-controlling interests	<u>81,318</u>	<u>--</u>
	Summarised statement of cashflows		
	Cash flows from operating activities	20,200	--
	Cash flows from investing activities	(8,147,598)	--
	Cash flows from investing activities	<u>8,921,693</u>	<u>--</u>
	Net increase in cash and cash equivalents	<u>794,295</u>	<u>--</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

13	Borrowings	2023 \$	2022 \$
	Guardian Group Trust Limited - TTD	26,249,804	28,926,693
	Guardian Group Trust Limited - USD	10,000,000	10,000,000
	Republic Bank Limited	5,721,036	--
	Government of Trinidad and Tobago SME Loan for Covid-19 relief	<u>500,000</u>	<u>--</u>
	Total borrowings	42,470,840	38,926,693
	Less current portion	<u>(2,589,394)</u>	<u>(2,923,183)</u>
	Long term portion	<u>39,881,446</u>	<u>36,003,510</u>

The Guardian Group Trust Limited Loan agreement was executed on 31 October 2019 and comprises Tranche A of \$30,000,000 and Tranche B of USD1,500,000. The proceeds were used to refinance facilities at First Caribbean International Bank (Trinidad and Tobago) Limited (CIBC) and to finance construction costs of new theatre development at Gulf City Mall.

Interest: Tranche A: Each series will compound interest annually at their respective interest rate, (the overall weighted interest rate of this facility is fixed at 8.438% per annum but adjusted to reflect issue costs resulted in an effective interest rate (EIR) of 9%.

Tranche B: Fixed at 7% per annum (2022: 7%).

Repayment: Tranche A principal will be paid upon maturity of each series commencing 16 January 2023 and ending on 31 October 2035. Interest will be similarly due from 29 January 2024, after the extended Covid-19 moratorium period ends. Tranche B principal is due at maturity on 30 January 2026, and interest due commenced from 30 January 2022 after the extended Covid-19 moratorium period ended.

The security for these loans is noted below.

- (i) Debenture over the fixed and floating assets of the Company.
- (ii) Assignment of all insurance(s) over the fixed and floating assets of the Company.
- (iii) First demand mortgage over leasehold properties located at One Woodbrook Place and Gulf City Mall.
- (iv) Deed of assignment over IMAX and 4DX trademark licenses.
- (v) Deed of charge over 4,704,646 ordinary shares of CinemaONE Limited held by Giant Screen Entertainment Holdings Limited.
- (vi) Assignment of key man insurance over Brian and/or Ingrid Jahra for a minimum of TT\$6,000,000 each. Guardian Life of the Caribbean to be given first preference to provide.

Covenants:

- (i) A minimum debt service coverage ratio of 1.2x must be maintained throughout the entire tenor of the facility.
- (ii) A maximum leverage ratio of 70%. Such ratio to be calculated as the sum of all interest-bearing debt divided by total assets.

The Group was in compliance with its debt covenants as at 30 September 2023.

Guardian Group Trust Limited also amended the loan agreement to additionally allow the facilities to be used for the Group's operational expenses and working capital in support of the Covid-19 pandemic.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

13 Borrowings (continued)

The Republic Bank Limited Loan agreement was executed on 17 May 2023. The proceeds were used to finance the establishment of the Group's subsidiary, CINECentral Limited, and the construction costs of the acquisition of theatre equipment and furniture and the leasehold outfitting of the cinema facilities at Price Plaza Shopping Plaza North, Chaguanas. The tenor on the Republic Bank loan is 7 years with a one-year moratorium on principal and interest payments.

The security for the Republic Bank loan is noted below.

- (i) Debenture over the fixed and floating assets of CINECentral Limited.
- (ii) Assignment of all insurance(s) over the fixed and floating assets of CINECentral Limited.
- (iii) First demand mortgage over leasehold properties located at Price Plaza Shopping Center North, Chaguanas.
- (iv) Deed of charge over 1,000 ordinary shares of CINECentral Limited of which 510 are held by Giant Screen Entertainment Holdings Limited and 490 are held by CinemaONE Limited
- (v) Corporate Guarantee from Giant Screen Entertainment Holdings Limited

On 30 December 2022, the Group entered a Government of the Republic of Trinidad and Tobago (GORTT) loan programme for SME's arranged by First Citizens Bank Limited. In the context of the Covid-19 pandemic the GORTT SME loan program is designed to provide financial relief for businesses impacted by the Covid-19 pandemic. The loan is 100% guaranteed by GORTT and 100% of the interest is similarly paid by GORTT. The tenor is 7 years with a two-year moratorium on principal and interest payments. The Group provides no security for this loan.

14 Shareholder loans	2023 \$	2022 \$
Due to EFREENET Limited	--	406,490
Due to Jahra Ventures Limited	<u>656,107</u>	<u>757,865</u>
	656,107	1,164,355
Less current portion	<u>(166,968)</u>	<u>(166,968)</u>
Net long-term debt	<u><u>489,139</u></u>	<u><u>997,387</u></u>

The amount due to Jahra Ventures Limited in the amount of \$656,107 is repayable on a monthly basis, inclusive of interest of 4.9% and matures on 31 October 2026. The shareholder loan does not carry any security.

Amounts due to EFREENET Limited were repaid during the financial year ended 30 September 2023 by offsetting the balance against the balance due from related party, Giant Screen Entertainment Limited.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

15	Accruals and other payables	2023 \$	2022 \$
	Current portion		
	Accruals and other payables	3,070,753	4,616,541
	Interest payable	1,245,895	602,637
	Statutory payable	<u>223,668</u>	<u>327,989</u>
		<u>4,540,316</u>	<u>5,547,167</u>
	Non-current portion		
	Interest payable	8,531,658	7,730,751
	Statutory payable	<u>229,120</u>	<u>273,812</u>
		<u>8,760,778</u>	<u>8,004,563</u>

The non-current portion of the interest payable represents the interest due on the Guardian Group Trust Limited loan. See Note 13.

The non-current portion of the statutory payable relates to contributions due to the National Insurance Board within four years.

The total amount of the statutory payable as at 30 September 2023 is \$452,788 of which \$223,668 is due within twelve months.

16	Revenue		
	Movie admissions	10,328,623	5,582,466
	Food and beverage	6,932,581	3,886,895
	Sponsorship, advertising and other	<u>681,705</u>	<u>649,615</u>
	Gross revenue	17,942,909	10,118,976
	Discounts	<u>(923,283)</u>	<u>(401,806)</u>
	Net revenue	<u>17,019,626</u>	<u>9,717,170</u>

Discounts are related to complimentary tickets and food and beverage.

17	Expenses by nature		
	<i>Cost of sales</i>		
	Movies	3,138,751	2,691,795
	Food and beverage (Note 8)	2,278,264	1,209,127
	Other	<u>805,258</u>	<u>183,014</u>
		<u>6,222,273</u>	<u>4,083,936</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

17 Expenses by nature (continued)	2023 \$	2022 \$
<i>Administrative expenses</i>		
Depreciation – plant and equipment (Note 4)	4,117,606	2,750,899
Employee benefit expense (Note 21)	2,108,045	1,029,075
Rent	692,712	668,797
Depreciation – right of use asset (Note 5)	596,555	417,483
Repairs and maintenance	305,532	274,569
Audit and professional fees	235,911	165,400
Insurance	114,126	159,305
Communications costs	101,561	67,185
Miscellaneous	47,809	12,327
Cleaning	38,684	69,459
Operating supplies	35,528	6,992
Legal fees and licenses	31,501	100,471
Motor vehicle expense	31,480	11,397
Utilities	27,977	--
Office expenses	19,139	13,327
Professional fees	--	20,309
Prior year over provision of green fund levy	--	(90,908)
Rent waiver IFRS 16 Covid-19 concessions (Note 5)	--	(376,815)
	<u>8,504,166</u>	<u>5,299,272</u>
18 Other income		
Interest income	121,002	121,002
USD income fund interest income	89,656	36,482
Gain on foreign exchange	--	52,475
	<u>210,658</u>	<u>209,959</u>

The interest income is a result of interest earned on the related party loan (Note 6). The gain on foreign exchange refers to USD transactions made during the 2022 financial period which resulted in gains once translated into the local currency. The USD interest income is a result of interest received at 1.75% in the USD Monthly Income Fund held at Guardian Group Trust Limited.

19 Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. There are no dilutive shares and hence a diluted Earnings Per Share calculation is not applicable.

	2023 \$	2022 \$
Loss attributable to equity holders of the Company	(769,621)	(1,420,596)
Non-controlling interest (NCI)	<u>81,318</u>	<u>--</u>
Total comprehensive loss for the year	<u>(688,303)</u>	<u>(1,420,596)</u>
Weighted average number of ordinary shares in issue	<u>8,007,869</u>	<u>6,406,295</u>
Basic loss per share	<u>\$(0.09)</u>	<u>\$(0.22)</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

20 Net change in borrowings

(i)	Cash and cash equivalents \$	Commercial loan \$	Shareholder loans \$	Lease liabilities \$	Total \$
Balance at 1 October 2022	1,573,354	(38,926,693)	(1,164,355)	(7,010,935)	(45,528,629)
Acquisitions	--	(6,276,049)	(460,000)	(44,080,028)	(50,816,077)
Cashflows	1,716,575	2,731,902	968,248	1,202,902	6,619,627
Balance at 30 September 2023	3,289,929	(42,470,840)	(656,107)	(49,888,061)	(89,725,079)
Balance at 1 October 2021	2,085,776	(38,752,511)	(814,212)	(7,386,218)	(44,867,165)
Acquisitions	--	(174,182)	(486,607)	(152,249)	(813,038)
Cashflows	(512,422)	--	136,464	527,532	151,574
Balance at 30 September 2022	1,573,354	(38,926,693)	(1,164,355)	(7,010,935)	(45,528,629)

(ii) Net debt reconciliation

	2023 \$	2022 \$
Cash on hand and at bank (Note 10)	3,289,929	1,573,354
Shareholder loans – repayable within one year (Note 14)	(166,968)	(166,968)
Lease liabilities – repayable within one year (Note 5)	(1,958,718)	(405,331)
Shareholder loans – repayable after one year (Note 14)	(489,139)	(997,387)
Borrowings – repayable after one year (Note 13)	(39,881,446)	(36,003,510)
Borrowings – repayable within one year (Note 13)	(2,589,394)	(2,923,183)
Lease liabilities – repayable after one year (Note 5)	<u>(47,929,343)</u>	<u>(6,605,604)</u>
Net debt	<u>(89,725,079)</u>	<u>(45,528,629)</u>

21 Employee benefit expense

Salaries	1,861,058	880,927
National insurance	<u>246,987</u>	<u>148,148</u>
	<u>2,108,045</u>	<u>1,029,075</u>

22 Contingencies and commitments

The Group leases various properties expiring within 6 and 20 years plus renewal periods. The leases have varying terms and renewal rights. On renewal, the terms either automatically renew on similar terms or the leases can be renegotiated. From 1 October 2019, the Group has recognised right of use assets for these leases.

- (i) Not included in the above commitments (as well as Note 5) are contingent rental payments which are based on a percentage of the revenue earned as per the various lease agreements.
- (ii) The Group currently has no material contingencies impacting the consolidated financial statements. (2022: Nil)

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

22 Contingencies and commitments (continued)

- (iii) Significant capital expenditure contracted for at the end of the reporting period but not recognised as plant and equipment and liabilities in relation to the theatre expansion at Gulf City and Price Plaza is \$1,729,207 (2022: \$854,207).
- (iv) The Property Tax Act of 2009 (PTA) was enacted into law by the Government of the Republic of Trinidad and Tobago (GORTT), effective from 1 January 2010. There were challenges with its implementation and GORTT implemented waivers of the tax, the last of which expired on 30 September 2017. As of present date there have been no further changes to the legislation or extension of the waivers previously granted by the GORTT. The PTA has not yet been enforced primarily due to non-completion of property valuations by the statutory authority and assessments not being sent to taxpayers. While a present obligation exists, taxpayers are unable to reliably estimate the liability as the basis for fair value at this time has not been clarified.

23 Dividends

There were no dividends declared or paid by the Board of Directors of the Group during the financial year (2022: Nil).

24 Segment information

The segment results for the year ended 30 September 2023, relating to continuing operations are as follows:

	CinemaONE Limited	CINECentral Limited	Total
	\$	\$	\$
Revenue	17,687,230	255,679	17,942,909
Discounts	(920,855)	(2,428)	(923,283)
	<u>16,766,375</u>	<u>253,251</u>	<u>17,019,626</u>
Operating profit before finance costs	1,717,684	159,447	1,877,131
Finance costs-net	(2,720,960)	--	(2,720,960)
	<u>(1,003,276)</u>	<u>159,447</u>	<u>(843,829)</u>
Profit/(loss) before income tax	(1,003,276)	159,447	(843,829)
Taxation	155,526	--	155,526
	<u>(847,750)</u>	<u>159,447</u>	<u>(688,303)</u>

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

24 Segment information (continued)

The segment assets and liabilities at 30 September 2023 and capital expenditure for the year then ended are as follows:

	CinemaONE Limited	CINECentral Limited	Total
	\$	\$	\$
Total assets	87,502,116	47,797,988	135,300,104
Total liabilities	69,716,723	39,535,900	109,252,623
Depreciation	4,117,606	--	4,117,606

25 Use of the going concern assumption

CinemaONE's Management has adopted the assumption that the Company is a going concern as an underlying assumption in Management's preparation of CinemaONE's 2023 Financial Statements. Management is of the view that CinemaONE has neither the intention, nor the need, to liquidate or curtail materially the scale of its operations.

For the first complete year since 2019, CinemaONE's operations in FY 2023 were not subjected to any direct impact of the Covid-19 pandemic such as government's imposition of regulations compelling the closure of entertainment venues, reduction in capacity to 50%, limitation of customers to vaccinated patrons only, restriction on alcohol consumption and other adverse conditions in the interest of public safety.

Given the total absence of Covid-19 restrictions in FY 2023 coupled with both an increase in film supply volume on par with 2019 and, most importantly, a demonstrated return of moviegoing as evidenced by an over 65% increase in admissions versus the prior year, Management ultimately concluded that there exists no substantial doubt that CinemaONE will continue as a going concern.

CinemaONE's Management has thus prepared the Company's 2023 Financial Statements on a going concern basis as CinemaONE is viewed as an entity which will continue in business for the foreseeable future. In this context, CinemaONE's Management has employed the term 'foreseeable future' as defined in IAS 1, Presentation of Financial Statements which deems the foreseeable future to be a period of 12 months from the entity's reporting date.

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

25 Use of the going concern assumption (continued)

Impairment review

During fiscal 2023 there were no Government of Trinidad and Tobago imposed Covid-19 operating constraints which had materially hampered business operations in the interest of public health and safety in the prior year. In addition, the major movie studios opted to release numerous blockbuster titles, the majority of which also enjoyed exclusive periods in movie theatres only, prior to being released to streaming platforms.

As a result of such positive developments, CinemaONE's revenue continued to rebound by a robust seventy-five (75%) percent and the Group returned to an Operating Profit position. Key indicators such as EBITDA also reached historical highs, exceeding \$6M for the first time. CinemaONE's market capitalisation of \$59.3M as of 30 September 2023, exceeded the Group's net asset value by approximately \$20M. The Group's share price also moderately appreciated during fiscal 2023 by 24% to close at \$7.40 as of 30 September 2023, despite the reduced pricing of the Group's Rights Issue which successfully closed early in quarter 2 of fiscal 2023.

Consistent with IAS 36, for the Group's FY 2023 impairment testing, Management elected to analyse the aggregate whole Group as a singular or whole cash generation unit (CGU) for its impairment testing. To determine the Value in Use of the whole company, the Group performed detailed Discounted Cash Flow Analyses (DCF). Key assumptions for the Group's Conservative Case scenario are outlined below:

Revenue and Income Statement Projections

The Group's revenue projections are derived from the two major elements of the business, namely ticket sales or movie admissions and food and beverage revenue, both of which are generated by overall attendance and the associated and historically consistent per patron sales. The Group's *Conservative Case* attendance projections are based on a relatively slow "return to normalcy" as the impact of Covid-19 wanes over a period of years versus months and the industry further experiences the lagged effects of the prolonged writers and actors' guild strikes of 2023.

- Year 1 - 2024: attendance at the Group's One Woodbrook Place (OWP) location is maintained at - 24% below 2019 while Gulf City Mall is open for the entire year, but monthly attendance is also maintained at the same monthly average from FY 2022; CINECentral opens its inaugural year at a conservative -58% below the 2019 result delivered by the previous operator given less screens in operation.
- Year 2 – 2025: attendance at the Group's One Woodbrook Place (OWP) location further recovers to a -18% variance below the historical pre-Covid-19 performance in 2019 while the Gulf City location improves by a marginal 5% above the prior year and CINECentral increases by 10% in attendance above the prior year.
- Year 3 – 2026 OWP and Gulf City are pegged at 3% growth while CINECentral increases by 10%.
- Years 4 and 5 – OWP and Gulf City attendance conservatively increase by only 1%, meaning that OWP never surpasses its peak 2019 performance of 134K in attendance even in Year 5 while CINECentral increases by 5% but achieves a maximum variance of -44% below the empirical results of 2019

CinemaONE has maintained consistency in both its per patron spend patterns by theatre format and in the Group's overall profitability margins throughout the 5 Year DCF time horizon. Also, a case could be made for a 10 Year time horizon given the Group's long-term leases and long term debt financing. A 10 Year DCF would be accretive.

CinemaONE Limited

Notes to the Consolidated Financial Statements (continued)

30 September 2023

(Expressed in Trinidad and Tobago dollars)

25 Use of the going concern assumption (continued)

Revenue and Income Statement Projections (continued)

Summary of Key Financial Assumptions

Weighted Average Cost of Capital (WACC)

	Low	High
Pre-tax Cost of Debt (Adjusted for the Actual TTD and US Rates)	8.21%	8.21%
SME Tax Rate (GORTT Revised in 2023)	15.00%	15.00%
After Tax Cost of Debt	6.98%	6.98%
Debt Ratio	67.12%	67.12%
WACC Debt Contribution	4.69%	4.69%
After-tax cost of Equity	20.04%	22.04%
Equity Ratio	32.88%	32.88%
WACC Equity Contribution	6.6%	7.2%
Total WAC	11.3%	11.9%

Terminal Value

To establish the maintainable after-tax free cash flow level of the Group during the years subsequent to the 5 Year forecast period, referred to as the "Terminal Value", particularly given the Group's long term (20 year) lease agreements and long term (15 year) loan agreements, the Group has considered the historical financials and future cash flows. More specifically, to estimate the maintainable free cash flow for the Terminal Value of the Group, the Group has assumed EBITDA will grow by 1.5% (3.4% in EBITDA growth was delivered from inception in 2012 through 2019).

Impairment analysis conclusion

The result of Management's Discounted Cash Flow financial analysis using the assumptions outlined above along with the additional financial sensitivities performed yields a DCF Equity Value or Value in Use range which exceeds both the Carrying Value of the Group's assets and the Group's Current Market Value Capitalisation. With respect to the sensitivity of the impairment assessment, the average spend per patron would have to fall by more than 35% from \$140 per patron \$93 per patron for there to be an impairment, the total attendance would need to remain suppressed at more than 25% below pre-Covid-19 averages for there to be an impairment, or the pre-tax WACC would need to rise to 16.4% for there to be an impairment.

On this basis, the Group has not impaired its assets as of 30 September 2023.

26 Subsequent events

Guardian Group Trust Limited agreed on 1 November 2023, to a deferral of the Group's Tranche A payment obligation of \$3.4M over a 3-month period ending 31 January 2024.

Republic Bank Limited agreed on 19 October 2023, to release the construction contingency and thereby reduce the restricted cash to \$291,000.