MAIN EVENT ENTERTAINMENT GROUP LIMITED

FINANCIAL STATEMENTS

31 OCTOBER 2020

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I N D E X

BDO

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Main Event Entertainment Group Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Main Event Entertainment Group Limited ("the company") set out on pages 6 to 46, which comprise the statement of financial position as at 31 October 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 October 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

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

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

Key Audit Matters (cont'd)

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Main Event Entertainment Group Limited

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

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

Report on additional matters as required by the Jamaican Companies Act

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sonia McFarlane.

BDO

Chartered Accountants

30 December 2020

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 OCTOBER 2020

	Note	2020 $'000	2019 $'000
REVENUE	6	1,046,429	1,799,445
Direct expenses		(564,529)	(1,022,726)
GROSS PROFIT		481,900	776,719
Other operating income	7	7,914	10,344
		489,814	787,063
EXPENSES:			
Administrative and general		(327,548)	(533,263)
Selling and promotion		(8,924)	(16,878)
Depreciation		(127,636)	(116,909)
Amortisation		(20,699)	-
		(484,807)	(667,050)
OPERATING PROFIT		5,007	120,013
Finance costs	8	(23,472)	(19,304)
(LOSS)/PROFIT BEFORE TAXATION		(18,465)	100,709
Taxation	11	238	(3,373)
NET (LOSS)/PROFIT, BEING TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(18,227)	97,336
EARNINGS PER STOCK UNIT	12	($0.06)	$0.33

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

31 OCTOBER 2020

	Note	2020 $'000	2019 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	578,407	646,646
Deferred tax asset	14	2,746	2,508
Right-of-use assets	20	54,808	-
		635,961	649,154
CURRENT ASSETS:			
Receivables	15	69,111	267,943
Due from related parties	16	15,640	44,192
Taxation recoverable		1,158	990
Cash and bank balances	17	132,250	67,409
		218,159	380,534
		854,120	1,029,688
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	18	103,652	103,652
Retained earnings		429,958	475,186
		533,610	578,838
NON-CURRENT LIABILITIES:			
Related party loans	16	20,245	33,115
Long term loans	19	106,358	137,808
Lease liabilities	20	49,358	17,916
		175,961	188,839
CURRENT LIABILITIES:			
Payables	21	73,613	167,481
Due to related parties	16	6,931	8,925
Bank overdraft	17	127	44,658
Current portion of long term loans	19	38,760	34,588
Current portion of lease liabilities	20	25,118	6,359
		144,549	262,011
		854,120	1,029,688

Approved for issue by the Board of Directors on 30 December 2020 and signed on its behalf by:

Dr. Ian Blair - Chairman, Finance Committee

Solomon Sharpe - Chief Executive Officer

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 OCTOBER 2020

	Note	Share Capital $'000	Retained Earnings $'000	Total $'000
BALANCE AT 31 OCTOBER 2018 (Previously stated)		103,652	437,337	540,989
Effects of change in accounting Policy – IFRS 9 Financial Instruments		-	(41,487)	(41,487)
BALANCE AT 31 OCTOBER 2018 (Restated)		103,652	395,850	499,502
TOTAL COMPREHENSIVE INCOME				
Net profit		-	97,336	97,336
TRANSACTION WITH OWNERS				
Dividend paid	23	-	(18,000)	(18,000)
BALANCE AT 31 OCTOBER 2019		103,652	475,186	578,838
TOTAL COMPREHENSIVE LOSS				
Net loss		-	(18,227)	(18,227)
TRANSACTION WITH OWNERS				
Dividend paid	23	-	(27,001)	(27,001)
BALANCE AT 31 OCTOBER 2020		103,652	429,958	533,610

MAIN EVENT ENTERTAINMENT GROUP LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 31 OCTOBER 2020

	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss)/profit	(18,227)	97,336
Items not affecting cash resources:		
Depreciation	127,636	116,909
Interest expense	23,472	19,304
Interest income	(3,469)	(650)
Exchange loss/(gain) on foreign balances	3,350	3,126
Taxation expense	(238)	3,373
Right-of-use assets amortisation	20,699	-
	153,223	239,398
Changes in operating assets and liabilities:		
Receivables	198,832	6,888
Taxation recoverable	(168)	-
Related party balances	13,688	(76,455)
Payables	(91,153)	30,251
	274,422	200,082
Taxation paid	-	(282)
Cash provided by operating activities	274,422	199,800
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(59,397)	(248,117)
Interest received	3,469	650
Cash used in investing activities	(55,928)	(247,467)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan received	-	70,978
Finance lease	-	5,721
Loan repayments	(27,278)	(25,215)
Lease repayments	(6,702)	(6,359)
Lease liabilities payment	(18,603)	-
Interest paid	(23,472)	(19,304)
Dividend payment	(27,001)	(18,000)
Cash (used in)/provided by financing activities	(103,056)	7,821
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	115,438	(39,846)
Exchange gain on foreign cash balances	(6,066)	(2,455)
Cash and cash equivalents at beginning of year	22,751	65,052
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 17)	132,123	22,751

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

(a) Main Event Entertainment Group Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 70-72 Lady Musgrave Road, Kingston 10.

(b) The principal activities of the company are to carry on the business of entertainment promoter, agent and manager.

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

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

2. **REPORTING CURRENCY:**

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

3. **SIGNIFICANT ACCOUNTING POLICIES:**

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

(a) **Basis of preparation**

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

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

Impact of the COVID-19 Pandemic

As a result of Government imposed restrictions on social gatherings and other activities designed to prevent the spread of COVID-19 the company's ability to carry out its principal activities were negatively impacted.

As a result, the company's revenues and expenses for the financial year ended 31 October 2020 are significantly lower than the revenues and expenses for the year ended 31 October 2019. In addition, the company has experienced lower revenues and expenses in the period subsequent to the year end.

Going Concern

Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future. Financial statements and, in particular, all general-purpose financial statements, are therefore prepared on a going concern basis, unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. When the use of the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the pandemic on the operations and measures taken by the government to contain the pandemic have negatively affected the company's results in the reporting period. The currently known impacts of COVID-19 on the company are:

- A 42% decline in revenues for the 2020 financial year to $1.046 billion compared with the financial year in 2019 of $1.799 billion.
- A net loss of $18 million compared with profit in the financial year 2019 of $97 million.

In response to the COVID-19 pandemic, the company has taken and continues to take significant measures to preserve cash and control costs including the following:

- Suspension of non-essential operating expenditure, including marketing & promotional and travel and entertainment expenses; and where possible, reducing essential operating expenditures to minimum levels necessary while the ban on the entertainment sector remains in place.
- Termination or deferment of all non-essential capital expenditure.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

Impact of the COVID-19 Pandemic (cont'd)

In response to the COVID-19 pandemic, the company has taken and continues to take significant measures to preserve cash and control costs including the following (cont'd):

- Implementation of measures to reduce staff costs, including the curtailment of working hours as well as the number of days being worked for accounting and administrative staff and undertaking voluntary redundancy exercises.
- Working with the company's vendors and other business partners to manage, defer, and/or reduce related expenses and existing liabilities.
- The company sought and was granted rent concessions from some of its landlords during the period of disruption caused by the pandemic.
- The company has also sought opportunities for generating additional income from other sources, primarily through the expansion of our digital marketing and signage services.
- The company took advantage of moratorium offered by its lenders.

The company has also prepared a detailed budget and cash flow forecasts which entail plans for growth and amendment in the current business model.

The company's ability to generate sufficient cash to support its operations will depend on, among other things, the timing of a full resumption of operations. While the company has a history of generating sufficient cash flows, there is no guarantee that such cash flows will be generated in the future given the current COVID-19 restrictions and the fact that there is currently no timeline for the further easing of these restrictions. The company however believes that the measures implemented, as discussed above, should facilitate orderly conducting of operations for the foreseeable future, and therefore, that the going concern basis of preparation of the financial statements, is appropriate.

However, the circumstances surrounding the pandemic represents a material uncertainty that may cast a doubt on the company's ability to continue as a going concern and therefore whether the company will realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

New standards, interpretations and amendments effective in the current year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, amendments and clarifications and has put into effect the following, which is immediately relevant to its operations:

IFRS 16, 'Leases'*(*effective for annual reporting periods beginning on or after 1 January 2019). The standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on balance sheet, recognizing new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The adoption of IFRS 16 from the 1 November resulted in changes in accounting policies and adjustments to amounts recognized in the 2019 financial statements. In accordance with the transitional provisions in IFRS 16, comparative figures have not been restated. Details of the new accounting policies are outlined in Note 3 (i) and the impact on the financial statements on the adoption of the new standard is disclosed in Note 22.

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

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

Revised Conceptual Framework for Reporting (effective for accounting periods beginning on or after 1 January 2020). The revised Conceptual Framework will be used in standard-setting decisions with immediate effect; however, no change will be made to any of the current accounting standards. Entities that apply the Conceptual Framework in determining accounting policies will need to consider whether their accounting policies are still applicable under the revised Framework. The company is currently assessing the impact of this revision.

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity'.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments are not expected to have any impact on the financial statements of the company.

Amendments to IAS 1, 'Presentation of financial statements' (effective for accounting periods beginning on or after 1 January 2020). This narrow-scope amendment to IAS 1 on classification of liabilities clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectation of the company or event after the reporting date (for example, the receipt of a waiver or a breach of covenant). This amendment is not expected to have any impact on the financial statements of the company.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

Amendment to IFRS 16, 'Leases' - COVID-19 related rent recession (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) In which the event or condition that triggers the reduced payment occurs. The company will assess the impact of future adoption of this amendment on its financial statements.

(b) **Foreign currency translation**

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

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

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

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

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Annual rates are as follows:

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

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

(d) **Impairment of non-current assets**

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(e) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

Financial assets

Classification and measurement

The company classifies its financial assets at amortised cost based on the model used for managing the financial assets and the assets' contractual terms.

Amortised cost

These are assets that are held for collection of contractual cash flows, the contractual cash flows represent solely payments of principal and interest, are measured at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in the income statement using the effective interest rate. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a line item in the income statement.

The company's financial assets measured at amortised cost comprise trade receivables, due from related party and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets classified amortised cost.

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

Impairment (cont'd)

Application of the Simplified Approach

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

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward looking information.

Derecognition

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

Financial liabilities

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

(f) **Borrowings**

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

(g) **Current and deferred income taxes**

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

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

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

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

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

(h) **Revenue recognition**

Revenue comprises the fair value of consideration received or receivable for the services rendered in the ordinary course of the company's activities. Revenue is shown net of discount allowance. The company recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the company and when the specific criteria have been met for each of the company's activities as described below.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(h) **Revenue recognition (cont'd)**

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

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

Interest income is recognised in the income statement for all interest-bearing instruments on an accrual basis unless collectability is doubtful.

(i) **Leases**

Policy applicable after 1 November 2019

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

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

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

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

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

Policy applicable after 1 November 2019 (cont'd)

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

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

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

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

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

Policy applicable up to 31 October 2019

Leases of property where the entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance charges are expensed in the statement of profit or loss over the lease period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged as an expense in the statement of profit or loss on the straight- line basis over the period of the lease.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(j) **Related party identification**

A party is related to the company if:

(i) directly or indirectly the party:

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

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

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

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

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

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

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

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

(k) **Dividend distribution**

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

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

(l) **Share capital**

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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

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

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

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

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

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

(i) **Depreciable assets**

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

(ii) **Income taxes**

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

Management also makes estimates of the likely estimated future cash flows from impaired accounts receivable, as well as the timing of such cash flows. Expected credit losses (ECL) is applied to determine impairment of financial assets. When measuring ECL, the company considers the maximum contractual period over which the company is exposed to credit risk. All contractual terms are considered when determining the expected life. The expected life is estimated based on the period over which the company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

5. **FINANCIAL RISK MANAGEMENT:**

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

- Credit risk
- Market risk
- Liquidity risk

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

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

(a) **Principal financial instruments**

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

- Trade receivables
- Cash and bank balances
- Trade payables
- Related party balances
- Long term loans
- Lease liabilities
- Bank overdraft

(b) **Financial instruments by category**

Financial assets

	Amortised Cost	
	2020 $'000	2019 $'000
Cash and bank balances	132,250	67,409
Trade receivables	38,902	221,769
Due from related parties	15,640	44,192
Total financial assets	186,792	333,370

Financial liabilities

	Amortised Cost	
	2020 $'000	2019 $'000
Trade payables	39,103	103,696
Due to related parties	6,931	6,498
Related party loan	20,245	33,115
Long term loans	145,118	172,396
Lease liabilities	74,476	24,275
Bank overdraft	127	44,658
Total financial liabilities	286,000	384,638

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(c) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and cash equivalents, receivables, payables, long term loans and related party balances.

Due to their short-term nature, the carrying value of cash and cash equivalents, receivables and payables approximates their fair value.

(d) **Financial risk factors**

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

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

(i) **Market risk**

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

Currency risk

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

The company operates internationally and is exposed to foreign exchange risks arising primarily with respect to the United States Dollars. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings and holding net foreign currency assets. The company's statement of financial position at 31 December includes aggregates net foreign assets/(liabilities) as follows:

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NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Currency risk (cont'd)

	2020 $'000	2019 $'000
Cash at bank	18,312	52,858
Trade receivables	4,257	8,094
Trade payables	(12,674)	(32,494)
Long term loans	(123,094)	(143,615)
Related company	(19,307)	(33,115)
Net liabilities	(132,506)	(148,272)

Foreign currency sensitivity

The following table indicates the sensitivity of (loss)/profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated balances as indicated above, and adjusts their translation at the year-end for 6% (2019 – 6%) depreciation and a 2% (2019 – 4%) appreciation of the Jamaican dollar against the US dollar. The changes below would have no impact on other components of equity.

	% Change in Currency rate 2020	Effect on Loss before Tax 31 October 2020 $'000	% Change in Currency rate 2019	Effect on Profit before Tax 31 October 2019 $'000
Currency:				
USD	-6	7,950	-6	(8,896)
USD	+2	(2,650)	+4	5,931

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is currently not exposed to price risk.

Cash flow and fair value interest rate risk

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

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

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

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

(ii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, due from related company and cash and bank balances.

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables, due from related company and cash and cash equivalents in the statement of financial position.

Trade receivables

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

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

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

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Trade receivables (cont'd)

The following table provides information about the ECLs for trade receivables as at 31 October 2020.

Aging	Gross Carrying Amount $'000	Expected Loss Rate %	ECL Allowance $'000
Trade receivables:			
0-30 days	32,947	6.2	8,809
31-60 days	2,445	4.6	656
61-90 days	4,510	8.5	1,206
90 and over	13,201	25.0	3,530
	53,103		14,201

The following table provides information about the ECLs for trade receivables as at 31 October 2019.

Aging	Gross Carrying Amount $'000	Expected Loss Rate %	ECL Allowance $'000
Trade receivables:			
0-30 days	168,639	4.166	7,026
31-60 days	21,546	4.17	898
61-90 days	18,694	19.99	3,736
90 and over	84,532	70.958	59,982
	293,411		71,642

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

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

	2020 $'000	2019 $'000
At 1 November	71,642	13,538
Restated through opening retained earnings	-	41,487
Opening provision for impairment of trade receivables	71,642	55,025
		-
Movement on ECL	(57,441)	-
Impairment loss during the year	-	16,617
At 31 October	14,201	71,642

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

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Concentration of risk - trade receivables

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

	2020 $'000	2019 $'000
M Style Rental & Décor	9,242	60,136
Entertainment promotions	36,559	179,559
Digital signage	4,644	16,601
Audio and film	2,658	37,115
	53,103	293,411
Less: Provision for credit losses	(14,201)	(71,642)
	38,902	221,769

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

(iii) **Liquidity risk**

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk management process

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

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

Cash flows of financial liabilities

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

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
At 31 October 2020				
Trade payables	39,103	-	-	39,103
Related party	-	21,933	-	21,933
Bank overdraft	127	-	-	127
Lease liabilities	5,772	14,393	3,335	23,500
Long term loans	49,439	46,883	100,553	196,875
Total financial liabilities (contractual maturity dates)	94,441	83,209	103,888	281,538

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

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

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

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

Cash flows of financial liabilities (cont'd)

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
At 31 October 2019				
Trade payables	103,696	-	-	103,696
Related party	6,498	11,038	22,077	39,613
Bank overdraft	44,658	-	-	44,658
Lease liabilities	7,890	15,780	6,951	30,621
Long term loans	19,418	38,836	174,634	232,888
Total financial liabilities (contractual maturity dates)	182,160	65,654	203,662	451,476

(e) **Capital management**

The company's objectives when managing capital are:

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

MAIN EVENT ENTERTAINMENT GROUP LIMITED

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6. REVENUE:

	2020 $'000	2019 $'000
Audio and film	147,313	268,243
Digital signage	84,907	100,925
Entertainment promotions	697,718	1,252,777
M Style Rental & Décor	112,291	160,700
M Academy	4,200	16,800
	1,046,429	1,799,445

7. OTHER OPERATING INCOME:

	2020 $'000	2019 $'000
Interest income	3,469	650
Other income	4,445	9,694
	7,914	10,344

8. FINANCE COSTS:

	2020 $'000	2019 $'000
Loan interest	13,841	18,617
Other finance charges	9,631	687
	23,472	19,304

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. **EXPENSES BY NATURE:**

Total direct and administration expenses:

	2020 $'000	2019 $'000
Signature events expenses	432,059	776,117
Audio and filming costs	24,422	51,226
Digital signage costs	26,793	49,294
M Academy	4,195	15,210
M Style costs	61,298	104,932
Freight expenses	15,763	25,948
Donation and subscription	10,566	7,560
Sponsorship	21,184	5,302
Directors' remuneration	17,709	26,668
Staff costs (note 10)	206,252	258,142
Advertising and entertainment	8,924	16,878
Rent	4,682	30,081
Utilities	21,528	23,462
Audit fees	2,200	2,100
Repairs and maintenance	9,759	13,550
Gasoline	15,626	37,227
Motor vehicle expenses	14,964	33,629
Printing, stationery and office expenses	8,908	17,225
Security	17,128	17,770
Research and development	380	4,423
Depreciation	127,636	116,909
Amortisation	20,699	-
Bad debts	19,606	4,380
(Decrease)/increase expected credit losses	(57,441)	16,617
Loss on foreign exchange translation	3,676	6,565
Other operating expenses	90	10,048
Legal and professional fees	4,494	11,103
Insurance	6,236	7,410
	1,049,336	1,689,776

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 OCTOBER 2020

10. **STAFF COSTS:**

	2020 $'000	2019 $'000
Wages and salaries	189,627	247,696
Staff welfare and Insurance	13,985	10,446
Redundancy	2,640	-
	206,252	258,142

11. **TAXATION EXPENSE:**

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

	2020 $'000	2019 $'000
Deferred tax (note 14)	(238)	3,373
	(238)	3,373

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

	2020 $'000	2019 $'000
(Loss)/profit before taxation	(18,465)	100,709
Tax calculated at applicable tax rates	(4,616)	25,177
Adjusted for the effects of:		
Expenses not deductible for tax	39,136	29,878
Remission of taxes	(3,145)	(22,698)
Net effect of other charges and allowances	(31,613)	(28,984)
	(238)	3,373

MAIN EVENT ENTERTAINMENT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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11. **TAXATION EXPENSE (CONT'D):**

(c) Remission of income tax:

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

Year 1 to 5 100%
Year 5 to 10 50%

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

12. **EARNINGS PER STOCK UNIT:**

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

	2020	2019
Net (loss)/profit attributable to stockholders ($'000)	(18,227)	97,336
Weighted average of ordinary stock units ('000)	300,005	300,005
Basic earnings per stock unit ($ per share)	(0.06)	0.33

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

	Equipment $'000	Building $'000	Leasehold Improvements $'000	Furniture & Fixtures $'000	Computer Equipment $'000	Audio & Filming $'000	Rentals & Décor $'000	Motor Vehicles $'000	Total $'000
Cost:									
31 October 2018	225,913	34,987	7,045	9,130	40,576	413,037	94,081	71,146	895,915
Additions	75,267	5,623	6,280	2,210	18,250	116,052	19,550	4,885	248,117
31 October 2019	301,180	40,610	13,325	11,340	58,826	529,089	113,631	76,031	1,144,032
Additions	10,202	-	397	761	2,802	17,320	18,523	9,392	59,397
31 October 2020	311,382	40,610	13,722	12,101	61,628	546,409	132,154	85,423	1,203,429
Depreciation:									
31 October 2018	98,600	-	2,594	3,590	28,434	203,971	9,120	34,168	380,477
Charge for the year	38,967	1,062	1,099	937	6,491	43,603	18,274	6,476	116,909
31 October 2019	137,567	1,062	3,693	4,527	34,925	247,574	27,394	40,644	497,386
Charge for the year	43,433	1,416	1,366	961	7,933	42,505	22,572	7,450	127,636
31 October 2020	181,000	2,478	5,059	5,488	42,858	290,079	49,966	48,094	625,022
Net Book Value:									
31 October 2020	130,382	38,132	8,663	6,613	18,770	256,330	82,188	37,329	578,407
31 October 2019	163,613	39,548	9,632	6,813	23,901	281,515	86,237	35,387	646,646

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NOTES TO THE FINANCIAL STATEMENTS

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14. **DEFERRED TAX:**

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

The movement in the deferred tax account is as follows:

	2020 $'000	2019 $'000
Balance at start of year	2,508	5,881
Charge for the year (note 11)	238	(3,373)
Balance at end of year	2,746	2,508

Deferred tax is due to the following temporary differences:

	2020 $'000	2019 $'000
Accelerated capital allowances	2,852	3,012
Unrealized foreign exchange	(106)	(504)
	2,746	2,508

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

	2020 $'000	2019 $'000
Accelerated capital allowances	714	(3,052)
Unrealized foreign exchange	(476)	(321)
	238	(3,373)

15. **RECEIVABLES:**

	2020 $'000	2019 $'000
Trade receivables	53,103	293,411
Less – expected credit losses	(14,201)	(71,642)
Trade receivables (net)	38,902	221,769
Prepayments	8,168	6,662
Staff loans	6,553	7,177
Freight deposit	-	23,155
Other	15,488	9,180
	69,111	267,943

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

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

	2020 $'000	2019 $'000
(i) Purchase/(sale) of goods and services -		
IPrint Digital Limited	34,362	56,653
Dream Entertainment Limited	(2,671)	(6,861)
Betting, Gaming and Lotteries Commission	-	(37,534)
Mystique Integrated Services Limited	(16,227)	(13,057)
Other related parties	21,854	18,203
(ii) Rental of property -		
Lannaman & Morris (Shipping) Limited	16,859	16,346
(iii) Director emoluments -		
Fees	1,305	4,883
Management remuneration	16,404	21,783
(iv) Interest paid on related party loan	2,124	4,797

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

	2020 $'000	2019 $'000
Due from related parties -		
Mystique Integrated Services Limited	12,791	43,118
Stimulus Entertainment Limited	492	396
Ras Promotions Incorporated Limited	678	678
Other related parties	1,156	-
Directors	523	-
	15,640	44,192

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

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

	2020 $'000	2019 $'000
Due to related parties -		
IPrint Digital Limited	4,269	6,498
Lannaman & Morris (Shipping) Limited	2,662	-
Directors	-	2,427
	6,931	8,925

(c) US$ loan from related company –

MEEG Holdings Limited	20,245	33,115

This balance represents amounts advanced by parent company, MEEG Holdings Limited. The loan is unsecured with no fixed repayment date and attracts an annual interest rate of 8.34%.

17. **CASH AND CASH EQUIVALENTS:**

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

	2020 $'000	2019 $'000
Cash and bank balances	132,250	67,409
Bank overdraft	(127)	(44,658)
	132,123	22,751

(b) The company has bank overdraft facilities totaling $30 million (2019 – $30 million) which attracts interest at 12% (2019 – 12%).

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

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

	2020 $'000	2019 $'000
At 1 November	172,396	126,315
Loans received	-	70,978
Loans repaid	(28,080)	(25,215)
Unrealised foreign exchange loss	802	318
	145,118	172,396

18. **SHARE CAPITAL:**

	2020 $'000	2019 $'000
Authorised -		
320,004,000 ordinary shares of no par value		
Stated capital -		
Issued and fully paid -		
300,005,000 ordinary shares of no par value	103,652	103,652

19. **LONG TERM LOANS:**

		2020 $'000	2019 $'000
(i)	National Commercial Bank Amortised loans	21,943	22,730
(ii)	Sagicor Bank Jamaica Limited - USD loans	123,095	143,615
(iii)	Other loans	80	6,051
Total loan balances		145,118	172,396
Current portion of loans		(38,760)	(34,588)
Long term portion of loans		106,358	137,808

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

(i) National Commercial Bank –

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

(ii) Sagicor Bank loans –

The loans were secured to facilitate capital expenditure and attract an average interest rate of 6.75-12.77% per annum. The loans are secured against a deposit "A" account and corporate guarantee in the name of MEEG Holding Limited, company's interest bearing account held at Sagicor Bank Limited.

(iii) Other loans –

This represents a credit card facility that is unsecured and is payable on demand. Interest is charged at a rate of 21.95% on the unpaid balance that exists after the due date for payment. The facility is used only to settle tax obligations.

20. **LEASES:**

The company adopted IFRS 16 as at 1 November 2019:

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

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

	2020 $'000	2019 $'000
Right-of-use assets		
Buildings	54,808	-
Property, plant and equipment		
Motor vehicles acquired under finance lease	19,766	24,221
	74,574	24,221
Lease liabilities		
Current portion	25,118	6,359
Non-current portion	49,358	17,916
	74,476	24,275

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

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

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

	2020 $'000	2019 $'000
Depreciation charge of right-of-use assets		
Buildings	20,699	-
Motor vehicles	4,456	6,252
	25,155	6,252

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

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

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

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as finance lease obligations.

21. **PAYABLES:**

	2020 $'000	2019 $'000
Trade payables	39,103	103,696
GCT payables	451	13,351
Deferred income	-	10,954
Statutory payables	2,930	9,122
Accruals and other payables	31,129	30,358
	73,613	167,481

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22. **EFFECTS OF CHANGES IN ACCOUNTING POLICIES:**

The company has adopted IFRS 16, ‘Leases’, for the financial year ended 31 October 2020 which resulted in a change in the company’s accounting policies. The standard is adopted retrospectively from 1 November 2019, however the company has chosen not to restate comparatives and therefore, the revised requirements are not reflected in the prior year financial statements. The new accounting policies are disclosed in note 3(i). Details of the impact of this standard are given below.

Effective 1 January 2019, IFRS 16 has replaced IAS 17, ‘Leases’, and IFRIC 4, Determining whether an arrangement contains a lease.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value (US$5,000). IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

Transition Method and Practical Expedients Utilised

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

(a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;

(c) Reliance on previous assessments of whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and

(d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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22. **EFFECTS OF CHANGES IN ACCOUNTING POLICIES (CONT'D):**

Transition Method and Practical Expedients Utilised (cont'd)

As a lessee, the company previously classified leases as finance based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognizes a right-of-use asset and lease liability for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the company recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Classification under IFRS 16	
	Right-of-use asset	Lease liability
Finance lease measured based on the carrying values for the lease assets and liabilities immediately before the date of initial application.	Measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 November 2019. The company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted average rate applied was 10%.

23. **DIVIDEND PAID:**

	2020 $'000	2019 $'000
In respect of 31 October 2018 ($0.09¢ per share)	27,001	-
In respect of 31 October 2017 ($0.06¢ per share)	-	18,000
	27,001	18,000

By resolution dated 20 February 2020 dividend payment of $0.09¢ per share was approved by the Board of directors.