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**SECTION 1.0
INTRODUCTION**

VISION

MISSION

CORE VALUES

STRATEGIC OBJECTIVES

1.0 Introduction

The following is a report on the operations of the Caribbean New Media Group for 2011. This is in accordance with Section 66D of the Constitution of the Republic of Trinidad and Tobago, which states that an Annual Administrative Report, on the exercise and function of the organization in the previous year, describing procedures followed, criteria and policies adopted, is to be submitted to the President before July 1st of each year and to be laid in Parliament for examination and review by the Joint Select Committee.

The Caribbean New Media Group (CNMG) was formally launched in mid-2007 and is a State-run media company charged with the responsibility of providing broadcast, production and transmission services for audiences within Trinidad and Tobago and the wider Caribbean. CNMG currently owns and operates a broadcast media facility comprising three radio stations on the FM frequency - Sweet 100.1, Next 99.1 and Talk City 91.1, as well as CTV, its flagship television station. The broadcast facilities are reputed to be among the most technologically advanced of its kind in the Caribbean region.

Vision

To be the preferred broadcaster in the Caribbean

Mission

To inform, educate and entertain audiences with credible, balanced and innovative programming through good governance, dynamic leadership, advanced technology and empowered and knowledgeable staff

Core Values

EXCELLENCE

The highest standards will be set and pursued in all areas of our operations.

MUTUAL RESPECT

At all times we will demonstrate respect for the views of our advertisers, viewers, listeners, peers, subordinates and superiors.

INNOVATION

New ideas, creativity and innovation will be encouraged, recognized and nurtured throughout the organization.

HONESTY and INTEGRITY

Absolute honesty will govern our relationships with all our stakeholders.

CUSTOMER ORIENTATION

Responsiveness to the needs and satisfaction of our internal and external customers will be our top priority.

PROFESSIONALISM

All our behaviors will be conducted in a professional manner including manner of dress, conduct, regard for deadlines, planning skills.

TEAMWORK

Building teamwork and a culture of cooperation will be encouraged at all levels throughout the organization.

SAFETY

We will strive at all times to adhere to the highest safety standards.

Strategic Objectives

- To leverage CNMG's status as a State enterprise to attract more advertising and sponsorship revenue from the Government sector.
- To implement a marketing thrust geared toward improved brand awareness and increased competitiveness of the respective products.
- To rebuild the credibility of the C Television and C News brand from the perception that the products are compromised by Government influence.
- To review of expenditure to bring the cost of sales in line with the revenue expectations.
- To review of various aspects of the Human Resource portfolio and development of an action plan for the attention of the Board of Directors.
- To implement policy and procedures to recover outstanding aged receivables and contain the collection period to 90 days.
- To finalize the transfer of assets from NBN to CNMG.
- To commercialize transmitter sites at Cumberland Hill and Hospedales.
- Management of talent and organization of work effort to make the company more efficient, skilled, competent and responsive to change.
- To develop strategies to diversify the revenue base.

SECTION 2.0
ORGANISATIONAL STRUCTURE

CORPORATE STRUCTURE

ORGANIZATION CHART

SERVICES AND PRODUCTS

LEVELS OF AUTHORITY

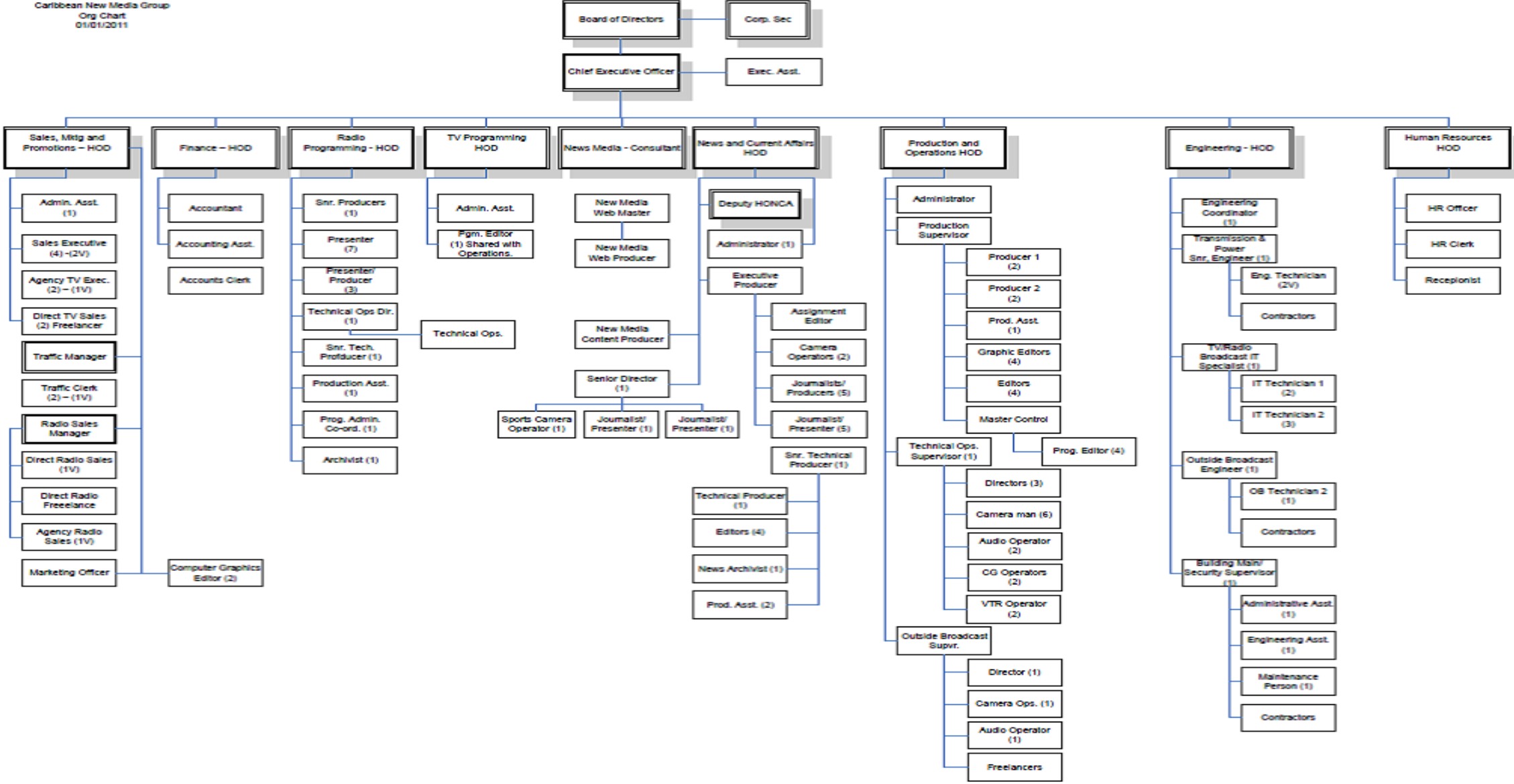
2.0 ORGANIZATIONAL STRUCTURE

Corporate Structure

The Caribbean New Media Group comprises eight (8) departments.

Department	Function
Board of Directors	Sets policy to guide the organization
Chief Executive Office	Manages the organization, reporting to the Board of Directors and Line Ministry
Corporate Secretary	Supports the Board of Directors
Engineering/IT	Maintenance of all internal systems for live transmission and external transmitter sites Manages the IT component of broadcast systems and computerization needs of the organization
Human Resources	Supports the staffing requirements of the organization; administers incentive and training initiatives and manages industrial relations areas
Finance	Management of budgets/expenditure of the organization; prepares all required financial reports as required by Board of Directors and Line Ministry
News	Production of the news content for circulation via new media, radio and television avenues
Production & Operations	Provides technical skills for the operations of all studios and outside broadcast programmes and earning revenue through the provision of commercial production services
Radio Programming	Development of content and implementation of same for the three radio brands
TV Programming	Development of content and implementation of same for the CTV
Sales	Selling of airtime , programming content , production services and new media portals

ADMINISTRATIVE REPORT | 2011



Services and Products

Sale of airtime on the three radio frequencies, television station and new media portals;

- Sweet 100.1 FM
- Next 91.1 FM
- Talk City 91.1 FM
- CTV Chanel's 9 &13

CNMG Commercial Production

CNMG possesses one of the most state of the art and equipped video and audio production facilities in the Western Hemisphere and provides the following services:

- Live Outside Broadcast capability (Radio and TV)
- Full Production from OB Unit
- Technical services by skilled production team
- TV and radio commercial production services
- Video and radio commercial production services
- Rental of Caribbean's largest indoor studio
- Full graphics production, animated pop up logos services.

Pricing

Pricing is predicated on two principles – the maximization of existing revenues and potential revenues and the implementation of competitive pricing. The competitors' prices have been used as a benchmark for the CNMG product pricing structure. The CNMG price is below the

brand competitors. The price is derived by the collection of competitor pricing information. The methods utilized are as follow:

- Volume discounts- offered to clients booking within contracted periods utilized for “B” and “C” accounts;
- Cumulative Volume discount- a discount that increases as the cumulative quantity increases utilized for “Key or A” accounts;
- Promotional discount- the short term rate sale to stimulate new business.

Levels of Authority

The Management team at the Caribbean New Media Group is headed by the Chief Executive Officer, who reports to the Board of Directors. As a State enterprise, CNMG currently falls under the purview of the Ministry of Communications.

- The Board of Directors meets at least once per month with the Chief Executive Officer.
- Meetings of the Audit Committee are scheduled quarterly.
- External Audit functions are administered by Maharaj Mohammed & Company.
- Executive Management meets at least once per week.

Financial Authority limits are set for each layer of management as detailed hereunder:

- CEO and Finance Manager limit of \$250,000.
- Accountant limit of \$100,000.
- All cheques must have any 2 signatories.

In terms of expenditure exceeding \$250,000.00, the Tender’s Committee reviews and recommends and then send to the Board of Directors for approval.

SECTION 3.0
PERFORMANCE
ACHIEVEMENTS

3.0 PERFORMANCE ACHIEVEMENTS

Performance Achievements

1. The 2011 YTD sales closed at \$32,020.00 which was comparative to the 2010 achievement. However the 2010 revenues included \$3,195,000.00 earned directly from the General and Local Government Elections of that year. If the election sums were removed, the 2011 revenues reflect 3% growth.
2. CNMG recorded a profit for the first time in its history for coverage of Carnival, earning \$1,950,765.08, with a profit of \$1,415,855.38.
3. Focused approach to marketing the company's state of the art production facilities yielded \$2,656,175.00 which was 8% more than the budgeted sum.
4. CTV continued to innovate its programming with the introduction of a daily interactive game show in December, which boosted new media revenues, earning \$40,000 in a three week period. Bid Low and Win Big have proven to be highly popular and is projected to remain a staple on the programme schedule for the foreseeable future.
5. Sweet 100.1FM's continued success with its Christmas programming was the highlight of radio's activities. In December, the station earned \$1,070,458.00 which represented a landmark for the State media. This resulted from a combination of a quality product with audience appeal and aggressive sales and marketing. Sweet 100.1FM is now appreciated nationally as Trinidad and Tobago's adult contemporary Christmas radio station. The station's fourth quarter earnings has consistently shown growth over the last three years, earning in 2011 the sum of \$2,150,607.00, in 2010 the sum of \$1,244,000.00 and in 2009 the sum of \$1,046,370.00.
6. Sweet 100.1FM staged two successful free public concerts, The Gathering VI and Carols at Sunset which attracted large, supportive crowds. The Gathering VI a charity collection and distribution of hampers initiative which garnered (196) hampers and (47) bags of

toys. The distribution was made to needy individuals, families and charitable organizations in both Trinidad and Tobago.

7. A First Up Individual of the Year was also initiated by the morning television show. There were several nominees by members of the public. The short listing of ten (10) finalists and naming of the winner was done on the basis of viewer responses. First Citizen's Bank partnered with CNMG on this project. This exercise is planned to be undertaken annually as an integral aspect of CNMG's corporate outreach.
8. Repairs were completed to antennas at Cumberland Hill on the Northern Range and at French Fort Tobago, receiving microwave antenna. Transmission cables are being imported to activate the Tobago transmitters of Next 99.1FM and Sweet 100.1FM which on completion would significantly improve the reach of both stations in Tobago.
9. The Board of Directors approved the implementation of a Compulsory Retirement Age Policy. The compulsory retirement age shall be the date the employee attains age 60.
10. Work commenced on the implementation of a Performance Management System and Job Evaluation and Compensation Administration Plan with a completion date of June 2012.
11. 2011 was the first year in the life of CNMG that revenues were consistently earned from new media growing from \$277,986.00 in 2010 to \$1,505,596.00 in 2011. This was achieved through an earnest thrust to monetize this facility.

SECTION 4.0

FINANCIAL OPERATIONS

BUDGET FORMULATION

CNMG FINANCIAL STATEMENTS 2011

4.0 FINANCIAL OPERATIONS

Budget Formulation

The Caribbean New Media Group is funded via the sale of its airtime and advertising on its four frequencies. The Company also receives an annual subvention from its line ministry.

CNMG's Finance Department is charged with the responsibility of effectively managing the organization's financial and accounting operations.

- During the last quarter of the calendar year, budgets are prepared by the Finance Department with inputs from all other departments.
- Departmental inputs are in accordance with the business plans, goals and objectives for the year ahead. Before plans are submitted to the Board of Directors, further discussions are held between the Finance Manager and Departmental Managers and as necessary, adjustments are made.
- The final budget is then prepared and presented to the Board of Directors for approval. CNMG meets with the line ministry to provide justification and as necessary, adjustments are made.

Once completed, the Line Ministry will submit to the Ministry of Finance.

Financial Statements

The 2011 Financial Statements for CNMG can be viewed on pages 17-35.

CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2011

**Maharaj
Mohammed
& Co.**

Chartered Accountants



CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011

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Chartered Accountants
34 St. Vincent Street,
San Fernando,
Trinidad, W.I.
Tel: (868) 652 5245
Fax: (868) 653 6053
Email: info@maharajmohammed.com



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CARIBBEAN NEW MEDIA GROUP LIMITED

Report on the Financial Statements

We have audited the financial statements of Caribbean New Media Group Limited which comprises the statement of financial position as at 31st December 2011, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as stated on pages 4 to 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Partners: Rudranand Maharaj F.C.C.A. C.A. Zakheem Mohammed B.Sc. (Hons) F.C.C.A. C.A. Consultant: George Dieffenhaller, B. Com., F.C.A., C.A.

Included in the Balance Sheet is Inventory in the amount of \$1,650,905. No inventory count was conducted at year end, under the supervision of the external auditor, in accordance with International Accounting Standards (ISA) 501. Our appointment, as external auditors, took place subsequent to year end and we were unable to perform audit tests to verify the inventory balance so stated. Further, no alternative procedures would provide adequate assurance or satisfactory documentary evidence or explanations on the balance so stated.

Opinion

Except for the matter stated in the preceding paragraph, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2011 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Maharaj Mohammed + Co.

Maharaj Mohammed & Co.
Chartered Accountants
Trinidad & Tobago

1st February 2013

CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2011

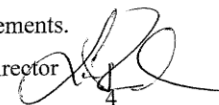
	Notes	2011 \$	2010 \$
<u>ASSETS</u>			
Current assets			
Cash and bank balances	3	16,182,046	14,850,769
Accounts receivable and prepayments	4	6,152,819	6,271,491
Amounts due from related parties	5	3,284,955	1,151,667
Inventories	6	1,650,905	2,521,091
Taxation recoverable		<u>272,178</u>	<u>254,932</u>
Total current assets		<u>27,542,903</u>	<u>25,049,950</u>
Non-current assets			
Property, plant and equipment	7	86,362,591	92,161,660
Deferred tax asset	11	<u>23,564,669</u>	<u>19,404,338</u>
Total non-current assets		<u>109,927,260</u>	<u>111,565,998</u>
Total Assets		<u>137,470,163</u>	<u>136,615,948</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	8	10	10
Retained earnings		<u>13,133,191</u>	<u>9,708,856</u>
Total shareholders' equity		<u>13,133,201</u>	<u>9,708,866</u>
Current liabilities			
Accounts payable and accruals	10	5,563,033	4,994,416
Taxation payable		<u>26,475</u>	<u>34,038</u>
Total current liabilities		<u>5,589,508</u>	<u>5,028,454</u>
Non-current liabilities			
Deferred capital grant	9	90,862,591	96,661,660
Deferred income	9	16,840,995	14,909,096
Deferred tax liability	11	<u>11,043,868</u>	<u>10,307,872</u>
Total non-current liabilities		<u>118,747,454</u>	<u>121,878,628</u>
Total Liabilities		<u>124,336,962</u>	<u>126,907,082</u>
Total Liabilities and Shareholders' Equity		<u>137,470,163</u>	<u>136,615,948</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

:Director



:Director



CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011	2010
		\$	\$
Revenue			
Airtime and production		28,034,418	31,270,825
Transmitter rental		358,300	724,326
Interactive media		<u>1,501,596</u>	<u>277,986</u>
		29,894,314	32,273,137
Cost of Sales		<u>(16,446,736)</u>	<u>(16,951,881)</u>
Gross Profit		13,447,578	15,321,256
Other income		95,461	435,064
Recurrent operating grant		8,227,732	5,620,852
Capital grants released		<u>6,106,438</u>	<u>6,824,142</u>
		27,877,209	28,201,314
Expenses			
Administrative and other		21,549,096	21,425,477
Depreciation		6,106,438	6,824,142
Interest and bank charges		<u>10,878</u>	<u>9,944</u>
		<u>27,666,412</u>	<u>28,259,563</u>
Income/(loss) before taxation		210,797	(58,249)
Taxation	13	<u>3,213,538</u>	<u>9,154,715</u>
Net income for the year		<u>3,424,335</u>	<u>9,096,466</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2011

	Stated Capital \$	Retained Earnings \$	Shareholders' Equity \$
Balance at 1 st January 2010	10	612,390	612,400
Income for the year	-	<u>9,096,466</u>	<u>9,096,466</u>
Balance at 31 st December 2010	<u>10</u>	<u>9,708,856</u>	<u>9,708,866</u>
Balance at 1 st January 2011	10	9,708,856	9,708,866
Income for the year	-	<u>3,424,335</u>	<u>3,424,335</u>
Balance at 31 st December 2011	<u>10</u>	<u>13,133,191</u>	<u>13,133,201</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

CARIBBEAN NEW MEDIA GROUP LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31ST DECEMBER 2011

	Note	2011	2010
Operating Activities		\$	\$
Operating income/(loss) before taxation		210,797	(58,249)
Adjustments for:			
Depreciation of property, plant and equipment		6,106,438	6,824,142
Gain on disposal of property, plant and equipment		<u>(3,036)</u>	<u>-</u>
		6,314,199	6,765,893
Movements in working capital			
Decrease in accounts receivable and prepayments		118,672	552,909
Increase in amounts due by related parties		(2,133,288)	(1,151,667)
Decrease/(increase) in inventories		870,186	(226,429)
Increase/(decrease) in accounts payable and accruals		<u>568,617</u>	<u>(1,445,970)</u>
Cash generated from operating activities		5,738,386	4,494,736
Taxation paid		<u>(235,606)</u>	<u>(482,499)</u>
Net cash generated from operating activities		<u>5,502,780</u>	<u>4,012,237</u>
Investing Activities			
Purchase of property, plant and equipment		(322,594)	(361,008)
Proceeds from disposal of property, plant and equipment		<u>18,261</u>	<u>(361,008)</u>
Cash used in investing activities		<u>(304,333)</u>	<u>(361,008)</u>
Financing Activities			
Net movement on deferred grants		(3,867,170)	1,555,006
Cash (utilized in)/provided by financing activities		<u>(3,867,170)</u>	<u>1,555,006</u>
Net increase in cash and cash equivalents		<u>1,331,277</u>	<u>5,206,235</u>
Cash and cash equivalents			
- at the beginning of the year		14,850,769	9,644,534
- at the end of the year	3	<u>16,182,046</u>	<u>14,850,769</u>
		<u>1,331,277</u>	<u>5,206,235</u>

The accompanying notes on pages 8 to 15 form an integral part of these financial statements.

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011

1. Incorporation and principal activities

Caribbean New Media Group (CNMG) was incorporated in the Republic of Trinidad and Tobago on 11th January 2005 and its registered office is situated at No. 11A Maraval Road, Port-of-Spain. Its principal activities are the provision of media services via television and radio broadcasting.

The shareholders of the company are the Ministry of Finance as Corporation Sole, with one share held by a nominee, on behalf of the Ministry of Finance as Corporation Sole.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements are expressed in Trinidad and Tobago dollars and have been prepared under the historical cost convention in conformity with International Financial Reporting Standards.

(b) Use of estimates

The preparation of financial statements, in conformity with International Financial Reporting Standards, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Foreign currency

Transactions in foreign currencies are translated into Trinidad and Tobago dollars at the exchange rates prevailing at the dates of the transactions. Current assets and liabilities denominated in foreign currencies are translated at the exchange rates prevailing at the balance sheet date. Profits and losses arising are dealt with in the statement of income.

(d) Revenue

Revenue is recognized, on the accrual basis, from the provision of television or radio broadcasting services, individually or on a fixed contract basis.

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and overdrafts that are readily convertible to known amounts of cash which are subject to insignificant risk of change in value.

(f) Accounts receivable

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. All collections from sales are expected in one year or less and are classified as current assets.

Accounts receivable are initially recognized at the transaction price. They are subsequently measured at cost less provision for impairment. A provision for impairment of accounts receivable is established when there is objective evidence that the company will not be able to recover all amounts due according to the original terms of the receivables.

(g) Inventories

Inventories are stated at the lower of cost and net realizable value. The company maintains a general policy of two airings of all programming, following which the inventory is expensed to cost of sales. Provision for obsolescence is applied based on fixed policy instituted by management, which is consistent and reasonable for the media industry.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost/valuation and are being depreciated on the reducing balance basis, at varying rates which are sufficient to write-off the cost/valuation of the assets over their estimated useful lives as follows:

Commercial properties	2%
Machinery and equipment	5% - 25%
Furniture and fittings	10%
Office equipment	25%
Motor vehicles	10% - 25%
Computer equipment	33%

No depreciation is charged on Work-in-Progress.

(i) Accounts payable

Accounts payable are obligations on the basis of normal credit terms and do not bear interest.

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2011

(j) Deferred capital grants

Grants related to capital expenditure are recorded under deferred liabilities and are credited to the statement of comprehensive income on a reducing-balance basis over the expected lives of the respective capital assets.

(k) Deferred income

Grants related to operating expenditure are recorded under deferred liabilities and are recognized in the statement of comprehensive income over the period necessary to match them with costs they are qualified to compensate.

Grants received without any stipulation for capital or operating expenditure are applied, initially to cover capital expenditure, with the balance (if any) to cover recurrent expenditure.

(l) Government Subventions/Statement of Comprehensive Income

The Company is the recipient of Annual Subventions from the Ministry of Finance (MOF), which are disbursed quarterly. According to the MOF mandate, CNMG is to operate as a commercially viable enterprise, with a view for profit. In the event of losses, CNMG is allowed to draw upon the Income and Capital Grants, which have been capitalised in accordance with IAS 10 - Government Grants, in order to meet its relevant loss requirements.

(m) Deferred taxation

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized. Deferred tax assets and the liabilities measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on the enacted tax rate at the balance sheet date.

(n) Taxation

The company is subject to corporation tax based on the stipulated rate for the respective year of income, in addition to Green Fund Levy at the rate of 0.1% of gross revenue.

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

3. Cash and bank balances	2011	2010
	\$	\$
Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts.		
Cash on hand	10,000	10,000
Bank balances	<u>16,172,046</u>	<u>14,840,769</u>
	<u>16,182,046</u>	<u>14,850,769</u>
4. Accounts receivable and prepayments	2011	2010
	\$	\$
Trade receivables	6,289,421	6,614,025
Provision for bad debts	(1,818,139)	(1,519,920)
Prepayments and other	<u>1,681,537</u>	<u>1,177,386</u>
	<u>6,152,819</u>	<u>6,271,491</u>
5. Amounts due from related parties	2011	2010
	\$	\$
a) Amounts due from related parties	<u>3,284,955</u>	<u>1,151,667</u>
The transactions conducted with related parties were carried out on commercial terms and conditions at market rates.		
b) The company had related party transactions during the year as follows:		
Sales to related parties	<u>5,276,577</u>	<u>6,346,076</u>
6. Inventories	2011	2010
	\$	\$
Local	1,344,748	1,267,684
Foreign - television series	156,157	996,052
- movies	<u>150,000</u>	<u>257,355</u>
	<u>1,650,905</u>	<u>2,521,091</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER 2011

7. Property, plant and equipment

Cost/ Valuation	Commercial Properties	Machinery & Equipment	Furniture & Fixtures	Office Equipment	Motor Vehicles	Computer Equipment	Work-in-Progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Beginning of year	39,663,991	63,801,583	4,425,339	784,122	5,209,222	7,115,643	580,689	121,580,589
Additions	52,548	113,302	67,087	62,600	3,970	23,087	-	322,594
Disposals	-	(40,598)	-	-	-	-	-	(40,598)
End of year	39,716,539	63,874,287	4,492,426	846,722	5,213,192	7,138,730	580,689	121,862,585
Accumulated Depreciation								
Beginning of year	2,832,148	18,065,904	1,447,299	395,723	1,781,070	4,896,785	-	29,418,929
Charge for the year	785,364	3,993,322	304,513	66,423	354,720	602,096	-	6,106,438
Disposals	-	(25,373)	-	-	-	-	-	(25,373)
End of year	3,617,512	22,033,853	1,751,812	462,146	2,135,790	5,498,881	-	35,499,994
Net Book Value 2010	36,831,843	45,735,679	2,978,040	388,399	3,428,152	2,218,858	580,689	92,161,660
Net Book Value 2011	36,099,027	41,840,434	2,740,614	384,576	3,077,402	1,639,849	580,689	86,362,591

Work-in-progress represents professional fees with respect to planning and design of the Company's Administrative Building, which is scheduled to commence construction in the near future.



CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

8. Stated capital	2011	2010
	\$	\$
Authorised		
An unlimited number of ordinary shares		
Issued		
10 ordinary shares	<u>10</u>	<u>10</u>

9. Deferred Capital Grant/Deferred Income

	2010	Deferred Capital Grant	Deferred Income	Total
		\$	\$	\$
Opening balance		103,124,794	6,890,956	110,015,750
Received for the year		-	14,000,000	14,000,000
Capital allocation		361,008	(361,008)	-
Release to Statement of Income		(6,824,142)	(5,620,852)	(12,444,994)
		<hr/>	<hr/>	<hr/>
		96,661,660	14,909,096	111,570,756
	2011			
Opening balance		96,661,660	14,909,096	111,570,756
Received for the year		-	10,467,000	10,467,000
Capital allocation		307,369	(307,369)	-
Release to Statement of Income		(6,106,438)	(8,227,732)	(14,334,170)
		<hr/>	<hr/>	<hr/>
		90,862,591	16,840,995	107,703,586

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

10. Accounts payable and accruals	2011	2010
	\$	\$
Trade payables	811,955	606,121
Accruals	2,841,004	2,590,747
Value Added Tax and other	<u>1,910,074</u>	<u>1,797,548</u>
	<u>5,563,033</u>	<u>4,994,416</u>
11. Deferred taxation	2011	2010
	\$	\$
(i) Deferred Tax Asset		
Taxable losses	<u>94,258,677</u>	<u>77,617,353</u>
Deferred tax asset @ 25%	<u>23,564,669</u>	<u>19,404,338</u>
<i>Deferred tax benefit</i>	<u>4,160,331</u>	<u>19,404,338</u>
ii) Deferred Tax Liability		
Net book value per accounting records	86,362,591	92,161,660
Less: permanent differences	<u>(580,689)</u>	<u>(580,689)</u>
Adjusted net book value	85,781,902	91,580,971
Tax written down value	<u>41,606,433</u>	<u>50,349,482</u>
Temporary differences	44,175,469	41,231,489
Deferred tax liability @ 25%	<u>11,043,868</u>	<u>10,307,872</u>
<i>Deferred tax charge</i>	<u>(735,996)</u>	<u>(10,307,872)</u>
<i>Net Deferred Tax Benefit (Note 13)</i>	<u>3,424,335</u>	<u>9,096,466</u>
12. Employees	2011	2010
The number of employees at year end	<u>115</u>	<u>105</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2011

13. Taxation	2011	2010
	\$	\$
<i>Reconciliation between accounting income and taxation charge</i>		
Accounting income	210,797	(58,249)
Items disallowed/(allowable)	<u>(17,274,101)</u>	<u>(17,029,443)</u>
Allowable losses for the year	(17,063,304)	(17,087,692)
Allowable losses brought forward	<u>(77,412,038)</u>	<u>(60,324,346)</u>
Allowable losses carried forward	<u>(94,475,342)</u>	<u>(77,412,038)</u>
<i>Taxation charge for the year</i>		
Business levy - current year	(59,727)	(64,909)
- prior year	(128,768)	84,107
Green Fund levy - current year	(29,864)	(32,455)
- prior year	7,562	71,506
Deferred tax (Note 11)	<u>3,424,335</u>	<u>9,096,466</u>
	<u>3,213,538</u>	<u>9,154,715</u>

14. Comparatives

Comparative balances have been re-stated to conform with changes in accounting standards and disclosure presentation in the current year.

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST DECEMBER 2011

**Maharaj
Mohammed
& Co.**

Chartered Accountants

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

I Cost of Sales	2011	2010
	\$	\$
Purchase of programmes - local	1,039,234	815,587
Purchase of programmes - foreign	4,399,664	4,081,491
Programme material	112,787	377,866
Broadcast expenses	428,302	501,368
Rental of vehicles	460,918	525,257
Rental of equipment	125,412	7,200
Local production and editing	<u>210,782</u>	<u>381,432</u>
	6,777,099	6,690,201
Other operating costs		
Promotions and giveaways	178,431	3,083
Licence fees - TATT	977,440	811,851
Licence fees - COTT	272,498	280,679
Repairs and maintenance	1,025,797	688,332
Networking policy	-	(1,458)
Advertising expense	515,314	1,662,931
Freelance expenses	3,689,509	3,450,359
Commission expenses	<u>3,010,648</u>	<u>3,365,903</u>
	9,669,637	10,261,680
Total Cost of Sales	<u>16,446,736</u>	<u>16,951,881</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2011

II. Administrative and Other	2011	2010
	\$	\$
Directors' expenses	632,348	284,668
Salaries and wages	14,372,395	13,949,560
Training and development	130,842	88,231
Travel	170,069	168,033
Office supplies - janitorial	290,350	263,411
Office supplies - printing and stationery	127,015	128,612
Staff expenses - kitchen supplies	175,633	213,643
Bad debts	432,619	-
Entertainment	8,620	18,678
IT and website maintenance	351,669	454,201
Utilities	1,876,341	1,817,965
Rates and taxes	1,726	1,163
General expenses	86,878	147,702
Legal and professional	598,627	512,589
Consultancy	260,418	404,803
Subscriptions and donations	187,330	106,355
Insurance	511,481	567,272
Security	832,016	1,415,042
Rent	510,300	584,889
Gain/loss on foreign exchange	(4,545)	10,041
Gain on disposal of property, plant and equipment	(3,036)	-
Claims and litigation	-	288,619
	<u>21,549,096</u>	<u>21,425,477</u>

SECTION 5.0
HUMAN RESOURCE
DEVELOPMENT PLAN

CAREER PATH SYSTEMS

PERFORMANCE MEASUREMENT TOOLS

RECRUITMENT AND SELECTION PROCEDURES

CATEGORIES OF EMPLOYMENT

5.0 HUMAN RESOURCE DEVELOPMENT PLAN

Career Path Systems

The Caribbean New Media Group seeks to develop its staff, both employees and freelancers, by actively engaging in cross departmental training opportunities, exposing technical staff to both audio and video opportunities.

- A policy is in place for provision of an acting allowance where staff is asked to assume responsibilities in an area above their substantive position.
- There is no formal policy on promotion. However the Performance Appraisal System makes provision for recommendations in this area.
- Internship at Caribbean New Media Group is a method of training which consists of an exchange of services for experience between students and the Company. The internship is usually in a temporary position and the intern is not paid for their services.

Performance Measurement Tools

The five Performance Management tools are as follows:

- Overview of Company Performance Management System
- Company Policy Objectives on Performance Management
- Clear, concise guidelines of the Annual and Probationary Performance Appraisal process
- Establishment of Key Performance Indicators for all categories of staff
- Employee reward system

CNMG's Performance Appraisal Process

There are two components to the performance appraisal process as detailed hereunder:

Annual Performance Appraisal

At the beginning of the appraisal cycle, both the employee and supervisor will meet to review the employee's job responsibilities and performance objectives for the review period. Throughout the review period the supervisor is encouraged to regularly assess employee's progress toward meeting expectations and give feedback when appropriate. The performance appraisal form and the established Key Performance Indicators are used to prepare the written assessment of the employee's performance.

Probationary Performance Appraisal

Formal evaluation of a new employee performance is required at the end of the second month of the probationary period. The probationary period can be either three (3) or six (6) months.

The criteria on which new employees are rated are based on:

- (i) The performance of the key responsibilities of the job;
- (ii) The employee's competencies to perform the job.

After the assessment, a final decision is made to confirm or release the employee.

Performance Management Training

All members of staff were trained in different phases and different levels in Performance Management. Managers were trained exclusively in the administering of the Performance Appraisal system to their staff. Middle level staff and administrators were trained in the area of giving support to their Managers in the administration process and the general staff population was exposed to the process, the expectations when appraisals are administered; and the appeal process if he/she were not in agreement with their performance appraisal.

Recruitment and Selection Procedures

- Caribbean New Media Group's (CNMG) recruitment and selection process is designed to assist in hiring individuals based on their qualifications and experience to the specific job. All recruitment must be authorized by the Chief Executive Officer and/or Human Resources Manager and once approved; the position is advertised either internally or externally.
- Employees become aware of an internal vacancy by receiving an electronic mail from the Human Resources Department of the said vacancy. Interested employees may apply for the vacant position by advising their Heads of Department (HOD) of their interest in the posted position and submitting an updated resume to the Human Resources Department.
- The Human Resources Department, in consultation with the recruiting HOD prepares all employment advertisements and once approved, the Human Resources Department advertises the available position(s) externally through the Company's website, the radio frequencies or the press.
- The Human Resources Department sources appropriate resumes from the internal and external search. The applicants are short listed based on the job description and criteria for the job. The Human Resources Department together with the HOD interview the short listed candidates and select a suitable candidate to fill the position.

Categories of Employment

Caribbean New Media Group (CNMG) has two (2) types of employment, employees on a Fixed Term Contract and employees on a Freelance Agreement.

Fixed Term Contract

- An employee who has a fixed term contract is one who is hired on the basis of a formal and written contractual agreement between CNMG and the individual. This contract is generally a three (3) year period with a 3-6 months probationary period depending on the nature of the job.
- Upon successful completion of the probationary period, the employee is given a written notification confirming their position within the Company and is added onto the Company's existing medical plan. The employee is eligible for fifteen (15) days' vacation leave; ten (10) days study leave, and fourteen (14) days sick leave and three (3) days bereavement leave annually with pay on completion of one year continuous service.
- The employee is guided by the key Company Policies.

Freelance Contract

- An employee on a Freelance Agreement is one who is hired to carry out a special assignment for a period of one (1) year. A freelancer is not entitled to any of the benefits as the employee on contract and is guided by the key Company Policies.

SECTION 6.0
PROCUREMENT PROCEDURES
PURCHASING
TENDERS

6.0 PROCUREMENT PROCEDURES

Purchasing Procedures

The Caribbean New Media Group has implemented procedures which govern the purchase of items by internal departments.

Overview

The purpose of the purchasing policy is to ensure that financial probity is assured by prescribing a range of appropriate methods for purchasing and procurement. The two main principles that are applied are:

- (i) The requirement for impartiality, transparency and fairness across all stages of the procurement process.
- (ii) The necessity for obtaining the best possible value for money through the implementation of a preferred supplier database.

Scope

As a consequence of adhering to this policy Caribbean New Media Group will ensure:

- The best value for all purchases, in both cost and quality terms.
- An efficient and effective purchasing process to demonstrate financial probity transparency and accountability to its relevant Stakeholders (both internal and external).
- The highest corporate governance standards are maintained.
- The ongoing monitoring and evaluation of performance via the procurement process.

Purchase Requisition Form

Specification

The Purchasing Department conducts purchase activities based on purchase requests submitted by department(s).

- The specifications, quantity and delivery of equipment, devices and materials are determined by the department(s) that will be using the product(s) or materials.
- All requests for goods and services to be procured must be accompanied by a completed signed requisition form. Forms must be signed off by the person making the requisition and approved by the Head of Department.
- The form will then be sent to the Finance Manager and C.E.O for authorization.
- The signed form will then be passed to the Purchasing Department for sourcing of goods and services.

Selection of Companies for Submission

The Purchasing Department selects companies from which estimates will be sought.

- Suppliers are selected from the files of "Companies with Previously Established Business Relationships", "Companies from Which Estimates Can Be Requested" and "Products and Suppliers".
- Selection is made by comprehensively evaluating such factors as the quality and performance of the equipment, device(s) or materials to be purchased, compatibility with existing facilities, degree of reliability, product requirements including safety, delivery time, and warranty, the scale of the order, after-sale service and the company's previous business record which would indicate financial stability.
- As a rule, CNMG asks several companies to submit estimates. Each purchase order must have at least three quotes attached.

However, only one company may be specified for estimate submission in such special cases as those concerned with industrial property rights, those requiring maximum levels of safety that only one specific supplier can ensure, cases where only one specific supplier can assure compatibility with existing facilities, or in case of urgency.

Estimate Request

As a rule, when requesting an estimate from a company that has been selected:

- CNMG will set out a specification from listings.
- CNMG's requirements are detailed in respects of quality, performance standard, size, inspection and method of inspection.
- The selected companies will be asked to submit cost estimates and specifications to CNMG prior to a specified date.

Submission of Estimate

Specification sheets submitted by potential suppliers at their own expense are checked by the Purchasing Department and the department(s) that will be using the product(s), in order to determine whether the required standards are met by the product(s).

All products must pass this examination. During this process, CNMG may request additions or changes to the specifications.

Negotiation

After valid cost estimates and specifications have been comprehensively evaluated in respect of price, technical requirements, the following process takes place:

- CNMG will commence negotiation with the company, with the most attractive proposal, to discuss the amount of the contract and other terms and conditions.

- The selection of such a company shall be made by CNMG at its sole discretion. Contract terms and conditions will be decided upon mutual agreement.

Contract Conclusion

- The business will be established upon conclusion of a contract, in the form of a written document if necessary. The obligations and liabilities of CNMG arise only when such contract is concluded.

Delivery and Inspection

- Delivery dates specified in the contract must be strictly observed.
- Precise details of the delivery schedule will be agreed between the supplier and the relevant department(s) of CNMG. Delivered equipment, device(s) or materials must pass inspections conducted by the relevant department(s) of CNMG.
- When deemed significant, an interim inspection may be conducted during the manufacturing process.

Payment

- Payment will be made according to the payment terms specified in the contract.

Return Policy

If for any reason goods are received not adhering to the specification stated, goods are received in poor condition or not of an acceptable quality of standard, these must be returned to the supplier. The following activities are then undertaken:

- The suppliers are notified via email or phone contact of problems encountered.
- The supplier is asked to pick up the goods at a specified location.
- The supplier upon receiving goods will issue a credit note.

- A goods return note is signed by both the supplier for having received the goods and the Procurement Officer having returned the goods.
- The supplier gets a copy of the goods return form and the Procurement Officer keeps the original.

Emergency Purchases

Definition

- Emergency purchases are those which are required to protect life and/or property, or to prevent substantial economic loss or the interruption of a vital service.

Utilization

- Emergency procedures may be utilized only to purchase the quantity of a good or service that is necessary to cover the emergency. Subsequent requirements shall be obtained using normal purchasing procedures.

Emergency Procedure

- Departments are urged to call the Chief Executive Officer and the Finance Manager immediately when an emergency arises. Procurement Services require the departments to submit written justification describing the nature of the emergency.

Note: If an emergency occurs during other than business hours and procurement action is taken, the department should notify Procurement Services the next day with all documents, such as invoices, delivery note etc.

Service Contract

The following services fall within the Services Contract:

- Repairing and Servicing lease/rental cars (part of the rental agreement).
- Repairing and Servicing Air Conditioning Units in CNMG Building. (Request for Quotation is sent out). The provider who submits a quote reflecting value for money is awarded the job.
- Repairing and Servicing Machinery and Equipment, Furniture and Fixtures. Minor Furniture and Fixture minor repairs are done by our in-house maintenance staff.
- Repairing and Servicing Building and Grounds - must be approved by Management. (Request for Quotation is sent out). The provider who submits a quotation reflecting value for money is awarded the job.
- Repairing and Servicing Information Processing Computer Systems and Data Communications Equipment. This type of service is analyzed by our Engineering and IT Department. Recommendations are made and approved by the Finance Manager and C.E.O and forwarded to Procurement Desk for sourcing.

Tenders Process

**CNMG is guided by the Ministry of Finance's State Enterprises Performance Monitoring Manual and by the Company's Policy on Purchasing
(Section VI- 6.1 – 6.25 -The Award Process)**

Functions of the Tenders Committee

The Tenders Committee/Chief Executive Officer/Designate shall, in accordance with the levels of authority, invite and consider Tenders for the supply of goods or services or works to be undertaken which are necessary for carrying out the objectives of (the State Agency) and shall make decisions or recommendations on the acceptance or rejection of such Tenders.

The Tenders Committee/Chief Executive Officer/Designate shall not for the purpose of giving them authority to act, subdivide the quantity of goods or services or works to be undertaken in positions which fall within their respective financial limits.

The Committee shall:

- (i) Act for the State Agency in inviting and considering offers and tenders for the supply of goods or services or works to be undertaken of all kinds necessary for carrying out the functions of the State Agency.
- (ii) Make decisions on behalf of the State Agency on the acceptance or rejection of tenders.
- (iii) Make recommendations to the Board on the disposal of obsolete or unserviceable items.

- (iv) Implement the policy and procedures on Tendering, Procurement and Contracting.
- (v) Ensure that procurement is geared to achieve the highest quality of goods, services and construction, commensurate with the objectives of the State Agency.
- (vi) Ensure accountability and transparency in all matters pertaining to tendering, procurement and contracting.
- (vii) Ensure the selection of all contractors and service providers is made on sound, transparent, fair and cost-effective bases.

SECTION 7.0

REPORTING FUNCTIONS

INTERNAL REPORTS

REPORTS TO MINISTRIES, PRESIDENT, PARLIAMENT

7.0 REPORTING FUNCTIONS

The internal and external reporting functions are detailed hereunder:

Internal Reports

Report	Submitted to
Managers Monthly Reports	Chief Executive Officer
Managers KPI Reports	Chief Executive Officer
Manager's Quarterly Departmental Report	Chief Executive Officer
CEO's Report	Board of Directors
Internal Audit Reports	Board of Directors

External Reports (To Ministries, Parliament, President)

Report	Submitted to
Annual Operating Budgets	Line Ministry Ministry of Finance Parliament
Strategic Plan	Line Ministry Investment Division-Ministry of Finance and the Economy
Subvention Request	Line Ministry
Monthly /Annual Performance Reports	Line Ministry
Annual Audited Financial Report	Line Ministry Ministry of Finance
Annual Administrative Report	Line Ministry Parliament
Monthly Board Meetings	Line Ministry Ministry of Finance and the Economy
Return of Award of Contracts	Ministry of Finance and the Economy
Monthly Cash Statement of Operations	Line Ministry Ministry of Finance and the Economy
Quarterly Returns Report	Ministry of Finance and the Economy
Internal Audit Reports	Ministry of Finance and the Economy