

ADMINISTRATIVE REPORT 2012

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SECTION 1.0

INTRODUCTION

VISION

MISSION

CORE VALUES

STRATEGIC OBJECTIVES

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1.0 Introduction

The following is a report on the operations of the Caribbean New Media Group for 2012. 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.

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Vision Statement

To become a market leader in all our products and services, by building sustainable brands and by molding a viable and growth-oriented organization.

Mission Statement

To develop positive national values and a well-informed and enlightened society through educational, entertaining and innovative programmes which are distributed in alignment with the changing patterns of media consumption, and to be distinguished for the quality of local program offerings inclusive of News and Current Affairs.

Core Values

Mutual Respect

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

Loyalty and Commitment

To the organisation, customers, shareholders and other stakeholders.

Accountability

Each to assume ownership and responsibility for action and consequences.

Professionalism

Be professional in all our actions and behavior to our internal and external customers.

Honesty and Integrity

We shall always espouse truth, honour and uprightness.

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Strategic Objectives

- To increase CTV's audience share in the local market via development of the 7pm prime time news, First Up and introduction of local programming.
- To increase overall market share of the three radio stations using the strength of the Sweet 100 brand and its Christmas product; creation of synergies between CTV and Talk City for coverage of breaking news and broadening of the Next 99.1 youth target.
- To pursue a marketing thrust geared towards improved brand awareness and increased competitiveness of the respective products.
- To manage the talent and organization of work effort to make the company more efficient, skilled, competent and responsive to change.
- To develop a Reward and Recognition system across the organization.
- To prepare for digitization of the television industry.
- To introduce Corporate Social Responsibility in acknowledgment of the Company's role as a national broadcaster.
- To Increase revenue by 14% over 2011.
- To Develop strategies to diversify the revenue base.

SECTION 2.0
ORGANISATIONAL STRUCTURE

CORPORATE STRUCTURE
ORGANISATIONAL CHART
SERVICES AND PRODUCTS
LEVELS OF AUTHORITY

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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 organisation
Chief Executive Office	Manages the organisation, 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

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ORGANISATIONAL CHART 2012

Caribbean New Media Group
Org Chart
01/01/2011



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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
- Cntnworld.com

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 can be coordinated from OB Unit
- TV and Radio Commercial Production
- Technical services by skilled production team
- Video and Radio Commercial Production
- Rental of Caribbean's Largest Indoor Studio
- Full Graphics Production, Animated Pop Up Logos

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.

- Volume discounts- offered to clients booking within contracted periods utilized for "B" and "C" accounts.

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- 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.

- 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

1. Best-ever financial performance with losses at \$10.7m as compared with losses of \$14.7m in 2011.
2. Increased focus was placed on lowering operating costs achieving a 3% reduction over 2011.
3. Improved revenues from rental of transmitter facilities earning \$578,000.00, an increase of 61% over 2011 achievements
4. Revenue from Production facilities continued to increase earning \$3.7m, an increase of 40% over 2011 achievements
5. Continued focus to enhance social media offerings: the remodelling and relaunch of the cntnworld.com website; remodelling/expanded coverage of the C News FB page and the launch of a You Tube channel.
6. Televisions broadcasting of increased number of local productions, such as carnival magazine show “Wired”; and East Indian cultural show “Premgeet”.
7. Rated in scientific media survey as having the highest weekend primetime audience among local free-to-air television stations.
8. CNMG recorded a profit for coverage of Carnival, earning \$1,372,290.00 against expenditure of \$805,788.00.
9. Sweet 100.1 FM emerged as number one adult contemporary radio station with a 4% rating, in MFO 2012 media survey.
10. Talk City 91.1 FM expanded its presence in the news and current affairs radio market.
11. Increased number of news and current affairs programmes, including breaking news reports. These included the addition of a 10:00pm interactive news programme on CTV and the introduction of hourly news bulletins at 1:00pm, 2:00pm, 3:00pm on CTV and Talk City 91.1 FM.

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12. Increase in the public service broadcasting programming on Talk City (30 hours per week) with the programmes focusing on health and educational subjects. This was done in partnership with relevant NGOs.
13. Television broadcasting of top-rated international drama shows in the prime time slot (Scandal, Criminal Minds, Revenge, Grimm, among others)
14. Improved quality and quicker turnaround of television productions, specifically in the area of editing and post production.
15. Creative coverage of events pertaining to the 50th anniversary of Trinidad and Tobago's independence.
16. Completion of Employee Reward and Recognition Programme for implementation in 2013.
17. 3% reduction in the value of accounts receivables for the year 2012.
18. Involvement in corporate social activities with the distribution 200 hampers at Christmas via the Sweet 100 Gathering promotion.

SECTION 4.0

FINANCIAL OPERATIONS

Budget Formulation

CNMG 2012 Financial Statements

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 allows for the effective management of the organization's financial and accounting operation.

- 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 Plan and 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

CNMG Financial Statements 2012 is detailed hereunder:

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CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 2012

MAHARAJ
MOHAMMED
& Co.



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CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

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Statement of Changes in Equity	6
Statement of Cash Flows	7
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**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 2012, 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.



ADMINISTRATIVE REPORT 2012

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31st December 2012 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

9th May 2014

ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2012

	Notes	2012 \$	2011 \$
<u>ASSETS</u>			
Current assets			
Cash and bank balances	3	18,837,551	16,182,046
Accounts receivable and prepayments	4	9,434,286	6,152,819
Amounts due from related parties	5	2,595,161	3,284,955
Inventories	6	3,078,092	1,650,905
Taxation recoverable		<u>302,994</u>	<u>272,178</u>
Total current assets		<u>34,248,084</u>	<u>27,542,903</u>
Non-current assets			
Property, plant and equipment	7	81,522,705	86,362,591
Deferred tax asset	11	<u>27,397,921</u>	<u>23,564,669</u>
Total non-current assets		<u>108,920,626</u>	<u>109,927,260</u>
Total Assets		<u>143,168,710</u>	<u>137,470,163</u>
<u>EQUITY AND LIABILITIES</u>			
Shareholders' Equity			
Stated capital	8	10	10
Retained earnings		<u>13,133,191</u>	<u>13,133,191</u>
Total shareholders' equity		<u>13,133,191</u>	<u>13,133,201</u>
Current liabilities			
Accounts payable and accruals	10	7,961,180	5,563,033
Taxation payable		<u>-</u>	<u>26,475</u>
Total current liabilities		<u>7,961,180</u>	<u>5,589,508</u>
Non-current liabilities			
Deferred capital grant	9	86,071,065	90,862,591
Deferred income	9	24,527,314	16,840,995
Deferred tax liability	11	<u>11,475,950</u>	<u>11,043,868</u>
Total non-current liabilities		<u>122,074,329</u>	<u>118,747,454</u>
Total Liabilities		<u>130,035,509</u>	<u>124,336,962</u>
Total Liabilities and Shareholders' Equity		<u>143,168,710</u>	<u>137,470,163</u>

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

:Director

:Director

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2012

	Note	2012	2011
		\$	\$
Revenue			
Airtime and production		31,970,491	28,034,418
Transmitter rental		578,720	358,300
Interactive media		<u>185,755</u>	<u>1,501,596</u>
		32,734,966	29,894,314
Cost of Sales		<u>(19,303,098)</u>	<u>(16,446,736)</u>
Gross Profit		13,431,868	13,447,578
Other income		90,821	95,461
Recurrent operating grant		4,615,055	8,227,732
Capital grants released		<u>5,497,189</u>	<u>6,106,438</u>
		23,634,933	27,877,209
Expenses			
Administrative and other		21,419,939	21,549,096
Depreciation		5,497,189	6,106,438
Interest and bank charges		<u>20,118</u>	<u>10,878</u>
		<u>26,937,246</u>	<u>27,666,412</u>
Deficit/(surplus) before taxation		(3,302,313)	210,797
Taxation	13	<u>3,302,313</u>	<u>3,213,538</u>
Surplus for the year		<u>-</u>	<u>3,424,335</u>

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

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CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2012

	Stated Capital \$	Retained Earnings \$	Shareholders' Equity \$
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>
Balance at 1 st January 2012	10	13,133,191	13,133,201
Income for the year	-	-	-
Balance at 31 st December 2012	<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.

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CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2012

	Note	2012	2011
		\$	\$
Operating Activities			
Operating income/(loss) before taxation		(3,302,313)	210,797
Adjustments for:			
Depreciation of property, plant and equipment		5,497,189	6,106,438
Gain on disposal of property, plant and equipment		<u>(17,137)</u>	<u>(3,036)</u>
		2,177,739	6,314,199
Movements in working capital			
(Increase)/decrease in accounts receivable and prepayments		(3,281,467)	118,672
Decrease/(increase) in amounts due by related parties		689,794	(2,133,288)
(Increase)/decrease in inventories		(1,427,187)	870,186
Increase in accounts payable and accruals		<u>2,398,147</u>	<u>568,617</u>
Cash generated from operating activities		557,026	5,738,386
Taxation paid		<u>(156,151)</u>	<u>(235,606)</u>
Net cash generated from operating activities		<u>400,875</u>	<u>5,502,780</u>
Investing Activities			
Purchase of property, plant and equipment		(705,663)	(322,594)
Proceeds from disposal of property, plant and equipment		<u>65,500</u>	<u>18,261</u>
Cash used in investing activities		<u>(640,163)</u>	<u>(304,333)</u>
Financing Activities			
Net movement on deferred grants		<u>2,894,793</u>	<u>(3,867,170)</u>
Cash provided by/(utilized in) financing activities		<u>2,894,793</u>	<u>(3,867,170)</u>
Net increase in cash and cash equivalents		<u>2,655,505</u>	<u>1,331,277</u>
Cash and cash equivalents			
- at the beginning of the year		16,182,046	14,850,769
- at the end of the year	3	<u>18,837,551</u>	<u>16,182,046</u>
		<u>2,655,505</u>	<u>1,331,277</u>

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

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

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.

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

(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.

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

(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.

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

3. Cash and bank balances	2012	2011
	\$	\$
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>18,827,551</u>	<u>16,172,046</u>
	<u>18,837,551</u>	<u>16,182,046</u>
4. Accounts receivable and prepayments	2012	2011
	\$	\$
Trade receivables	9,849,833	6,289,421
Provision for bad debts	(1,818,139)	(1,818,139)
Prepayments and other	<u>1,402,592</u>	<u>1,681,537</u>
	<u>9,434,286</u>	<u>6,152,819</u>
5. Amounts due from related parties	2012	2011
	\$	\$
a) Amounts due from related parties	<u>2,595,161</u>	<u>3,284,955</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>5,544,167</u>	<u>5,276,577</u>
6. Inventories	2012	2011
	\$	\$
Local	-	1,344,748
Foreign - television series	2,653,806	156,157
- movies	<u>424,286</u>	<u>150,000</u>
	<u>3,078,092</u>	<u>1,650,905</u>

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31ST DECEMBER 2012

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	39,716,539	63,874,287	4,492,426	846,722	5,213,192	7,138,730	580,689	121,862,585
Additions	-	238,400	65,685	56,836	-	38,167	306,575	705,663
Transfers	-	-	-	-	(294,265)	-	-	(294,265)
Disposals	-	-	-	-	4,918,927	7,176,897	887,264	122,273,983
End of year	39,716,539	64,112,687	4,558,111	903,558	4,918,927	7,176,897	887,264	122,273,983
Accumulated Depreciation								
Beginning of year	3,617,512	22,033,853	1,751,812	462,146	2,135,790	5,498,881	-	35,499,994
Charge for the year	760,660	3,631,699	278,918	67,227	311,609	447,076	-	5,497,189
Disposals	-	-	-	-	(245,902)	-	-	(245,902)
End of year	4,378,172	25,665,552	2,030,730	529,373	2,201,497	5,945,957	-	40,751,281
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
Net Book Value 2012	35,338,367	38,447,135	2,527,381	374,185	2,717,430	1,230,940	887,264	81,522,702

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

ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

8. Stated capital	2012	2011
	\$	\$
Authorised		
An unlimited number of ordinary shares		
Issued		
10 ordinary shares	<u>10</u>	<u>10</u>

9. Deferred Capital Grant/Deferred Income

2011	Deferred Capital Grants	Deferred Income	Total
	\$	\$	\$
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)
	<u>90,862,591</u>	<u>16,840,995</u>	<u>107,703,586</u>
2012			
Opening balance	90,862,591	16,840,995	107,703,586
Received for the year	-	13,007,037	13,007,037
Capital allocation	705,663	(705,663)	-
Release to Statement of Income	(5,497,189)	(4,615,055)	(10,112,244)
	<u>86,071,065</u>	<u>24,527,314</u>	<u>110,598,379</u>

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CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

10. Accounts payable and accruals	2012	2011
	\$	\$
Trade payables	3,218,843	811,955
Accruals	2,391,167	2,841,004
Value Added Tax and other	<u>2,351,170</u>	<u>1,910,074</u>
	<u>7,961,180</u>	<u>5,563,033</u>
11. Deferred taxation	2012	2011
	\$	\$
(i) Deferred Tax Asset		
Taxable losses	(109,591,682)	94,258,677
Deferred tax asset @ 25%	<u>27,397,921</u>	<u>23,564,669</u>
<i>Deferred tax benefit</i>	<u>3,833,252</u>	<u>4,160,331</u>
ii) Deferred Tax Liability		
Net book value per accounting records	81,522,705	86,362,591
Less: permanent differences	<u>(887,264)</u>	<u>(580,689)</u>
Adjusted net book value	80,635,441	85,781,902
Tax written down value	<u>34,731,641</u>	<u>41,606,433</u>
Temporary differences	45,903,800	44,175,469
Deferred tax liability @ 25%	<u>11,475,950</u>	<u>11,043,868</u>
<i>Deferred tax charge</i>	<u>(432,082)</u>	<u>(735,996)</u>
<i>Net Deferred Tax Benefit (Note 13)</i>	<u>3,401,170</u>	<u>3,424,335</u>
12. Employees	2012	2011
The number of employees at year end	<u>153</u>	<u>115</u>

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ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2012

13. Taxation	2012	2011
	\$	\$
<i>Reconciliation between accounting income and taxation charge</i>		
Accounting income	(3,302,313)	210,797
Items disallowed/(allowable)	<u>(11,814,027)</u>	<u>(17,274,101)</u>
Allowable losses for the year	(15,116,340)	(17,063,304)
Allowable losses brought forward	<u>(94,475,342)</u>	<u>(77,412,038)</u>
Allowable losses carried forward	<u>(109,591,682)</u>	<u>(94,475,342)</u>
<i>Taxation charge for the year</i>		
Business levy - current year	(65,652)	(59,727)
- prior year	(253)	(128,768)
Green Fund levy - current year	(32,826)	(29,864)
- prior year	(126)	7,562
Deferred tax (Note 11)	<u>3,401,170</u>	<u>3,424,335</u>
	<u>3,302,313</u>	<u>3,213,538</u>

ADMINISTRATIVE REPORT 2012

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST DECEMBER 2012

MAHARAJ
MOHAMMED
& Co.



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CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012

I Cost of Sales	2012	2011
	\$	\$
Purchase of programmes - local	2,070,666	1,039,234
Purchase of programmes - foreign	4,498,171	4,399,664
Programme material	100,573	112,787
Broadcast expenses	915,518	428,302
Rental of vehicles	496,411	460,918
Rental of equipment	46,310	125,412
Local production and editing	<u>97,802</u>	<u>210,782</u>
	8,225,451	6,777,099
Other operating costs		
Promotions and giveaways	1,493,517	178,431
Licence fees - TATT	929,276	977,440
Licence fees - COTT	265,969	272,498
Repairs and maintenance	923,596	1,025,797
Advertising expense	408,758	515,314
Freelance expenses	3,644,179	3,689,509
Commission expenses	<u>3,412,352</u>	<u>3,010,648</u>
	11,077,647	9,669,637
Total Cost of Sales	<u>19,303,098</u>	<u>16,446,736</u>

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CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2012

II. Administrative and Other	2012	2011
	\$	\$
Directors' expenses	516,274	632,348
Salaries and wages	14,937,344	14,372,395
Training and development	21,345	130,842
Travel	49,255	170,069
Office supplies - janitorial	25,202	290,350
Office supplies - printing and stationery	111,179	127,015
Staff expenses - kitchen supplies	170,284	175,633
Bad debts	-	432,619
Entertainment	11,152	8,620
IT and website maintenance	933,660	351,669
Utilities	1,628,420	1,876,341
Rates and taxes	1,350	1,726
General expenses	144,016	86,878
Legal and professional	335,647	598,627
Consultancy	217,000	260,418
Subscriptions and donations	95,782	187,330
Insurance	513,594	511,481
Security	1,213,965	832,016
Rent	510,300	510,300
Gain/loss on foreign exchange	1,307	(4,545)
Gain on disposal of property, plant and equipment	<u>(17,137)</u>	<u>(3,036)</u>
	<u>21,419,939</u>	<u>21,549,096</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 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.

Training Programmes

Training Programmes were conducted in the following categories:

- Performance Management Training 2012
- Sales Training 2012
- Departmental training and development programmes and exercises

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.

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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.

Employee Reward System

The company has embarked on an employee reward system, 'Employee of the Month' as part of its Performance Management Process.

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 submit an updated resume to the Human Resources Department.

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- 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 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.
- Caribbean New Media Group is part of the On the Job Training Programme (OJT) which allows an individual to gain practical experience and work based training at our Company. CNMG receives the applications of interested candidates through the National Training Agency. The OJT trainees are interviewed by the Human Resources Department and the respective HOD of their interest and once selected; the trainee is placed at our Company for a maximum period of twenty four (24) months. The trainees are paid an hourly stipend from the government.

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 for a three (3) year period with a 3-6 months probationary period depending on the nature of the job.

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- Upon successful completion of the probationary period, the employee is given a written notification confirming their position within the Company and will be 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 compulsory retirement age shall be the date that the Employee attains the age of 60
- The employee will be 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 will be 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.

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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

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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,

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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.

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- 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.

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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.

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- (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

External Reports

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7.0 Reporting Functions

The internal and external reporting functions are defined 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
Chief Executive Officer's Report	Board of Directors

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External Reports (To Ministries, Parliament, President)

Report	Submitted to
Annual Operating Budgets	Line Minister Ministry of Finance Parliament
Strategic Plan	Line Minister
Subvention Request	Ministry of Communications
Monthly /Annual Performance Reports	Line Minister
Annual Audited Financial Report	Line Minister Ministry of Finance
Annual Administrative Report	Line Minister Parliament
Monthly Board Meetings	Line Minister