

CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2012

MAHARAJ
MOHAMMED
& Co.



CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2012

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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.

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

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

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></u>	<u>3,424,335</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 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>-</u>	<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	<u>-</u>	<u>-</u>	<u>-</u>
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.

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.

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.

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.

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.

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>

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.

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)
	<hr/>	<hr/>	<hr/>
	90,862,591	16,840,995	107,703,586
 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)
	<hr/>	<hr/>	<hr/>
	86,071,065	24,527,314	110,598,379
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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>

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>

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST DECEMBER 2012

MAHARAJ
MOHAMMED
& Co.



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>

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>