

CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER 2013

MAHARAJ
MOHAMMED
& Co.

The logo for Maharaj Mohammed & Co. features the company name in a serif font. Below the text is a stylized graphic consisting of three thick, curved lines that sweep from the left towards the right, resembling a wave or a stylized signature.

CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2013

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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 2013, 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 2013 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

13th June 2014

CARIBBEAN NEW MEDIA GROUP LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2013

	Notes	2013 \$	2012 \$
<u>ASSETS</u>			
Current assets			
Cash and bank balances	3	17,990,012	18,837,551
Accounts receivable and prepayments	4	8,724,716	9,434,286
Amounts due from related parties	5	3,585,158	2,595,161
Inventories	6	4,077,965	3,078,092
Taxation recoverable		<u>302,994</u>	<u>302,994</u>
Total current assets		<u>34,680,845</u>	<u>34,248,084</u>
Non-current assets			
Property, plant and equipment	7	77,475,113	81,522,705
Deferred tax asset	11	<u>31,560,911</u>	<u>27,397,921</u>
Total non-current assets		<u>109,036,024</u>	<u>108,920,626</u>
Total Assets		<u>143,716,869</u>	<u>143,168,710</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>13,133,201</u>	<u>13,133,201</u>
Current liabilities			
Accounts payable and accruals	10	9,398,696	7,961,180
Taxation payable		<u>8,296</u>	<u>-</u>
Total current liabilities		<u>9,406,992</u>	<u>7,961,180</u>
Non-current liabilities			
Deferred capital grant	9	82,803,091	86,071,065
Deferred income	9	26,670,705	24,527,314
Deferred tax liability	11	<u>11,702,880</u>	<u>11,475,950</u>
Total non-current liabilities		<u>121,176,676</u>	<u>122,074,329</u>
Total Liabilities		<u>130,583,668</u>	<u>130,035,509</u>
Total Liabilities and Shareholders' Equity		<u>143,716,869</u>	<u>143,168,710</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 2013

	Note	2013	2012
		\$	\$
Revenue			
Airtime and production		30,847,367	31,970,491
Transmitter rental		755,520	578,720
Interactive media		<u>197,661</u>	<u>185,755</u>
		31,800,548	32,734,966
Cost of Sales		<u>(19,742,409)</u>	<u>(19,303,098)</u>
Gross Profit		12,058,139	13,431,868
Other income		23,518	90,821
Recurrent operating grant		6,809,219	4,615,055
Capital grants released		<u>5,113,429</u>	<u>5,497,189</u>
		24,004,305	23,634,933
Expenses			
Administrative and other		22,713,820	21,419,939
Depreciation		5,113,429	5,497,189
Interest and bank charges		<u>22,075</u>	<u>20,118</u>
		<u>27,849,324</u>	<u>26,937,246</u>
Deficit before taxation		(3,845,019)	(3,302,313)
Taxation	13	<u>3,845,019</u>	<u>3,302,313</u>
Surplus for the year		<u> -</u>	<u> -</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 2013

	Stated Capital \$	Retained Earnings \$	Shareholders' Equity \$
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>
Balance at 1 st January 2013	10	13,133,191	13,133,201
Income for the year	—	—	—
Balance at 31 st December 2013	<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 2013

	Note	2013	2012
		\$	\$
Operating Activities			
Operating income/(loss) before taxation		(3,845,019)	(3,302,313)
Adjustments for:			
Depreciation of property, plant and equipment		5,113,429	5,497,189
Transfer of capital work-in-progress		765,943	-
Loss/(gain) on disposal of property, plant and equipment		<u>11,163</u>	<u>(17,137)</u>
		2,045,516	2,177,739
Movements in working capital			
Decrease/(increase) in accounts receivable and prepayments		709,570	(3,281,467)
(Increase)/decrease in amounts due by related parties		(989,997)	689,794
Increase in inventories		(999,873)	(1,427,187)
Increase in accounts payable and accruals		<u>1,437,516</u>	<u>2,398,147</u>
Cash generated from operating activities		2,202,732	557,026
Taxation refund		4,431	-
Taxation paid		<u>(87,176)</u>	<u>(156,151)</u>
Net cash generated from operating activities		<u>2,119,987</u>	<u>400,875</u>
Investing Activities			
Purchase of property, plant and equipment		(1,845,454)	(705,663)
Proceeds from disposal of property, plant and equipment		<u>2,511</u>	<u>65,500</u>
Cash used in investing activities		<u>(1,842,943)</u>	<u>(640,163)</u>
Financing Activities			
Net movement on deferred grants		(1,124,583)	<u>2,894,793</u>
Cash (utilized in)/provided by financing activities		<u>(1,124,583)</u>	<u>2,894,793</u>
Net (decrease)/increase in cash and cash equivalents		<u>(847,539)</u>	<u>2,655,505</u>
Cash and cash equivalents			
- at the beginning of the year		18,837,551	16,182,046
- at the end of the year	3	<u>17,990,012</u>	<u>18,837,551</u>
		<u>(847,539)</u>	<u>2,655,505</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 2013

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 2013

(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 2013

(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 2013

3. Cash and bank balances	2013	2012
	\$	\$
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>17,980,012</u>	<u>18,827,551</u>
	<u>17,990,012</u>	<u>18,837,551</u>
4. Accounts receivable and prepayments	2013	2012
	\$	\$
Trade receivables	9,251,332	9,849,833
Provision for bad debts	(1,818,139)	(1,818,139)
Prepayments and other	<u>1,291,523</u>	<u>1,402,592</u>
	<u>8,724,716</u>	<u>9,434,286</u>
5. Amounts due from related parties	2013	2012
	\$	\$
a) Amounts due from related parties	<u>3,585,158</u>	<u>2,595,161</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>5,004,983</u>	<u>5,544,167</u>
6. Inventories	2013	2012
	\$	\$
Local		-
Foreign - television series	3,521,949	2,653,806
- movies	<u>556,016</u>	<u>424,286</u>
	<u>4,077,965</u>	<u>3,078,092</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
AT 31ST DECEMBER 2013

7. Property, plant and equipment

Cost/ Valuation	Commercial Properties							Total
	Commercial Properties	Machinery & Equipment	Furniture & Fixtures	Office Equipment	Motor Vehicles	Computer Equipment	Work-in-Progress	
	\$	\$	\$	\$	\$	\$	\$	\$
Beginning of year	39,716,539	64,112,687	4,558,111	903,558	4,918,927	7,176,897	887,264	122,273,983
Additions	297,397	378,087	45,577	41,050	150,146	442,258	490,940	1,845,455
Transfers/Disposals	-	(43,602)	-	-	-	-	(765,943)	(809,545)
End of year	40,013,936	64,447,172	4,603,688	944,608	5,069,073	7,619,155	612,261	123,309,893
Accumulated Depreciation								
Beginning of year	4,378,172	25,665,552	2,030,730	529,373	2,201,497	5,945,957	-	40,751,281
Charge for the year	742,011	3,398,594	255,241	64,834	283,623	369,126	-	5,113,429
Disposals	-	(29,930)	-	-	-	-	-	(29,930)
End of year	5,120,183	29,034,216	2,285,971	594,207	2,485,120	6,315,083	-	45,834,780
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
Net Book Value 2013	34,893,753	35,412,956	2,317,717	350,401	2,583,953	1,304,072	612,261	77,475,113

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 2013

8. Stated capital	2013	2012
	\$	\$
Authorised		
An unlimited number of ordinary shares		
Issued		
10 ordinary shares	<u>10</u>	<u>10</u>

9. Deferred Capital Grant/Deferred Income

2012	Deferred Capital Grants	Deferred Income	Total
	\$	\$	\$
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
 2013			
Opening balance	86,071,065	24,527,314	110,598,379
Received for the year	-	10,798,065	10,798,065
Capital allocation	1,845,455	(1,845,455)	-
Release to Statement of Income	(5,113,429)	(6,809,219)	(11,922,648)
	<hr/>	<hr/>	<hr/>
	82,803,091	26,670,705	109,473,796
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

10. Accounts payable and accruals	2013	2012
	\$	\$
Trade payables	3,767,573	3,218,843
Accruals	3,027,654	2,391,167
Value Added Tax and other	<u>2,603,469</u>	<u>2,351,170</u>
	<u>9,398,696</u>	<u>7,961,180</u>
11. Deferred taxation	2013	2012
	\$	\$
(i) Deferred Tax Asset		
Taxable losses	(126,243,643)	(109,591,682)
Deferred tax asset @ 25%	<u>31,560,911</u>	<u>27,397,921</u>
<i>Deferred tax benefit</i>	<u>4,162,990</u>	<u>3,833,252</u>
ii) Deferred Tax Liability		
Net book value per accounting records	77,475,113	81,522,705
Less: permanent differences	<u>(612,261)</u>	<u>(887,264)</u>
Adjusted net book value	76,862,852	80,635,441
Tax written down value	<u>30,051,331</u>	<u>34,731,641</u>
Temporary differences	46,811,521	45,903,800
Deferred tax liability @ 25%	<u>11,702,880</u>	<u>11,475,950</u>
<i>Deferred tax charge</i>	<u>(226,930)</u>	<u>(432,082)</u>
<i>Net Deferred Tax Benefit (Note 13)</i>	<u>3,936,060</u>	<u>3,401,170</u>
12. Employees	2013	2012
The number of employees at year end	<u>123</u>	<u>153</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2013

13. Taxation	2013	2012
	\$	\$
<i>Reconciliation between accounting income and taxation charge</i>		
Accounting income	(3,845,019)	(3,302,313)
Items disallowed/(allowable)	<u>(12,806,942)</u>	<u>(11,814,027)</u>
Allowable losses for the year	(16,651,961)	(15,116,340)
Allowable losses brought forward	<u>(109,591,682)</u>	<u>(94,475,342)</u>
Allowable losses carried forward	<u>(126,243,643)</u>	<u>(109,591,682)</u>
<i>Taxation charge for the year</i>		
Business levy - current year	(63,648)	(65,652)
- prior year	-	(253)
Green Fund levy - current year	(31,824)	(32,826)
- prior year	4,431	(126)
Deferred tax (Note 11)	<u>3,936,060</u>	<u>3,401,170</u>
	<u>3,845,019</u>	<u>3,302,313</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31ST DECEMBER 2013

MAHARAJ
MOHAMMED
& Co.

The logo for Maharaj Mohammed & Co. features the company name in a serif font. Below the text is a stylized graphic consisting of three thick, curved lines that sweep from the left towards the right, resembling a wave or a signature flourish.

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

I Cost of Sales	2013	2012
	\$	\$
Purchase of programmes - local	1,344,393	2,070,666
Purchase of programmes - foreign	4,231,621	4,498,171
Programme material	106,826	100,573
Broadcast expenses	951,653	915,518
Rental of vehicles	640,989	496,411
Rental of equipment	36,000	46,310
Local production and editing	<u>175,804</u>	<u>97,802</u>
	7,487,286	8,225,451
 Other operating costs		
Promotions and giveaways	819,406	1,493,517
Licence fees - TATT	1,368,293	929,276
Licence fees - COTT	283,302	265,969
Repairs and maintenance	1,508,935	923,596
Advertising expense	559,299	408,758
Freelance expenses	4,054,924	3,644,179
Commission expenses	<u>3,660,964</u>	<u>3,412,352</u>
	12,255,123	11,077,647
 Total Cost of Sales	 <u>19,742,409</u>	 <u>19,303,098</u>

CARIBBEAN NEW MEDIA GROUP LIMITED

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2013

II. Administrative and Other	2013	2012
	\$	\$
Directors' expenses	261,963	516,274
Salaries and wages	15,801,436	14,937,344
Training and development	51,271	21,345
Travel	97,829	49,255
Health and safety	52,422	-
Office supplies - janitorial	25,034	25,202
Office supplies - printing and stationery	117,128	111,179
Staff expenses - kitchen supplies	236,730	170,284
Entertainment	24,552	11,152
IT and website maintenance	1,049,460	933,660
Utilities	1,827,811	1,628,420
Rates and taxes	17,510	1,350
General expenses	66,030	144,016
Legal and professional	615,143	335,647
Consultancy	327,100	217,000
Subscriptions and donations	102,206	95,782
Insurance	540,691	513,594
Withholding tax	10,460	-
Security	966,894	1,213,965
Rent	510,300	510,300
Gain/loss on foreign exchange	687	1,307
Gain on disposal of property, plant and equipment	<u>11,163</u>	<u>(17,137)</u>
	<u>22,713,820</u>	<u>21,419,939</u>