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CARIBBEAN NEW MEDIA GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2016

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CARIBBEAN NEW MEDIA GROUP LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

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caribbean new media group

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Caribbean New Media Group Limited, which comprises the statement of financial position as at December 31, 2016 the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;

- Ensuring that the Company keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances. Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later. Management affirms that it has carried out its responsibilities as outlined above.

Gerard Superville
Finance Manager

W. Constantine

Wendell Constantine
Chief Executive Officer

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Independent Auditors' Report

To the Board of Directors of Caribbean New Media Group Limited

Opinion

We have audited the financial statements of Caribbean New Media Group Limited ("the Company"), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the 'International Ethics Standards Board for Accountants' Code of Ethics of Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our ethical responsibilities in accordance with these requirements and with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 ii) o) in the financial statements which discloses as at December 31, 2016, the Company's current liabilities exceeded its current assets by $2,926,550. In the absence of continued support from the Government of the Republic of Trinidad and Tobago, these conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion was not qualified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and the auditor does not provide a separate opinion on these matters.

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Independent Auditors' Report (continued)

Key Audit Matters (continued)

Key Audit Matters	How our Audit Addressed the Key Audit Matter
Gratuity accrual	
The basis for calculating the gratuity accrual was not consistent with the terms of the individual contracts	We performed testing on the revised calculation to determine the accuracy and completeness of the gratuity accrual.
Trade and other receivables impairment	
The provision for bad debt balance represents 52% of the trade and other receivables balance.	We performed testing on the trade and other receivables balances to determine whether the provision was reasonable and adequate.
Other payables	
An analysis had to be prepared for a material statutory liability.	We performed testing on the analysis to determine the existence and completeness of the balance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditors' report is Giles Leung.

Grant Thornton

Grant Thornton
ORBIT Solutions
Port of Spain,
July 28, 2017

CARIBBEAN NEW MEDIA GROUP LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

	Notes	2016	2015
		$	$
ASSETS			
Non-current assets			
Property, plant and equipment	4	66,609,445	70,519,375
Deferred tax asset	5	11,523,012	11,653,241
		78,132,457	82,172,616
Current assets			
Cash and cash equivalents	6	3,403,543	2,139,968
Trade and other receivables	7	4,980,243	5,882,958
Amounts due from related parties	8	1,844,571	2,484,334
Inventories	9	1,523,964	4,307,194
Taxation recoverable		306,652	306,650
		12,058,973	15,121,104
TOTAL ASSETS		**90,191,430**	**97,293,720**
EQUITY AND LIABILITIES			
Equity			
Stated capital	10	10	10
(Accumulated losses)/retained earnings		(2,926,560)	612,390
		(2,926,550)	612,400
Non-current liabilities			
Deferred capital grant	11	66,609,445	70,519,375
Deferred income	11	-	1,234,605
Deferred tax liability	6	11,523,012	11,653,241
		78,132,457	83,407,221
Current liabilities			
Trade and other payables	12	14,886,429	13,261,780
Taxation payable		99,094	12,319
		14,985,523	13,274,099
Total liabilities		93,117,980	96,681,320
TOTAL EQUITY AND LIABILITIES		**90,191,430**	**97,293,720**

The accompanying notes form an integral part of these financial statements.

On July 28, 2017, the Board of Directors of Caribbean New Media Group Limited authorised these financial statements for issue.

: Director

: Director

CARIBBEAN NEW MEDIA GROUP LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

	Notes	2016	2015
		$	$
Income from operations			
Revenue	13	17,249,178	32,999,947
Cost of sales	14	(15,061,399)	(24,402,222)
Gross profit		2,187,779	8,597,725
Other income			
Recurrent operating grant		18,787,245	25,212,329
Capital grant released		4,057,290	4,841,784
Interest income		29	26
Total other sources of income		22,844,564	30,054,138
		25,032,343	38,651,863
Indirect expenses			
Administration and other	15	(24,264,111)	(33,682,526)
Depreciation		(4,058,177)	(4,841,784)
Finance charges		(8,360)	(12,857)
Total indirect expenses		(28,330,648)	(38,537,167)
(Loss)/profit before taxation		(3,298,305)	114,696
Taxation	16	(240,645)	(114,696)
Loss for the year		**(3,538,950)**	-
Other comprehensive income		-	-
Total comprehensive loss for the year		**(3,538,950)**	-

The accompanying notes form an integral part of these financial statements.

CARIBBEAN NEW MEDIA GROUP LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

	Stated capital	(Accumulated losses)/retained earnings	Total
	$	$	$
Balance at January 1, 2016	10	612,390	612,400
Total comprehensive loss for the year	-	(3,538,950)	(3,538,950)
Balance at December 31, 2016	**10**	**(2,926,560)**	**(2,926,550)**
Balance at January 1, 2015	10	612,390	612,400
Total comprehensive income for the year	-	-	-
Balance at December 31, 2015	**10**	**612,390**	**612,400**

The accompanying notes form an integral part of these financial statements.

CARIBBEAN NEW MEDIA GROUP LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
Cash flows from operation activities	**$**	**$**
(Loss)/profit before taxation	(3,298,305)	114,696
Adjustments to reconcile profit before tax to net cash flows		
Depreciation of property, plant and equipment	4,058,177	4,841,784
Capital and operating grants utilised	(22,844,534)	(30,054,113)
Gain on foreign exchange	(33,157)	(6,840)
Loss on disposal of property, plant and equipment	64,410	131,105
Operating loss before changes in working capital	(22,053,409)	(24,973,368)
Decrease in trade and other receivables	902,713	4,046,720
Decrease in amounts due from related parties	639,763	2,903,741
Decrease in inventories	2,783,229	2,375,927
Increase in trade and other payables	1,624,648	559,167
Cash used in operations	(16,103,056)	(15,087,813)
Taxation paid (net)	(120,654)	(97,223)
Net cash used in operating activities	(16,223,710)	(15,185,036)
Cash flows from investing activities		
Purchase of property, plant and equipment	(212,715)	(643,678)
Net cash flows used in investing activities	(212,715)	(643,678)
Cash flows from financing activities		
Deferred grants received	17,700,000	15,650,000
Net cash generated from financing activities	17,700,000	15,650,000
Net increase/(decrease) in cash and cash equivalents	1,263,575	(178,714)
Cash and cash equivalents at the beginning of the year	2,139,968	2,318,682
Cash and cash equivalents at the end of the year (Note 6)	**3,403,543**	**2,139,968**

1. Corporate information

Caribbean New Media Group ("CNMG" or "the Company") was incorporated in the Republic of Trinidad and Tobago on January 11, 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. Basis of preparation and accounting policies

i) Basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

These financial statements are prepared under the historical cost convention.

The Company's functional and presentation currency is the Trinidad and Tobago dollar.

The preparation of financial statements in compliance with IFRSs requires management to make certain critical accounting estimates and to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

ii) Summary of significant accounting policies

a. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the reducing balance method.

The following rates, considered appropriate to write-off the assets over their estimated useful lives, are applied:

	%
Building and leasehold improvements	2
Machinery and equipment	5 - 25
Furniture and fittings	10
Office equipment	25
Motor vehicles	10 - 25
Computer equipment	33

ii) Summary of significant accounting policies

a. Property, plant and equipment (continued)

No depreciation is charged on work-in-progress. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if there is an indication of a prospective change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated future economic benefits.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the statement of income.

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the group obtains ownership of the asset at the end of the lease term.

b. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits with banks, and other short-term highly liquid investments with original maturities of three months or less. They are carried at cost, which approximates fair value.

c. Trade and other receivables

Trade receivables are measured at cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

d. Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions and at market rates.

e. Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

ii) Summary of significant accounting policies

f. Government subventions

The Company is the recipient of annual subventions from the Ministry of Finance ("MOF"), which are disbursed monthly. 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 20 '*Accounting for Government Grants and Disclosure of Government Assistance*', in order to meet its relevant loss requirements.

i) Deferred capital grants

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

ii) Deferred income

Grants related to operating expenditure are recorded and recognised 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.

g. Trade and other payables

Trade payables are a present obligation arising from past events which is expected to result in an outflow of resources embodying economic benefits.

Trade payables are initially measured at fair value with gains or losses recognised in the statement of comprehensive income.

h. Revenue

Revenue arises from the rendering of services. It is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

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

ii) Summary of significant accounting policies

i. Taxation

i) Taxation expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

ii) Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions.

iii) Revenues, expenses and assets are recognised net of the amount of value added tax except: where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables are stated inclusive of value added tax.

iv) The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

j. 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.

k. Leased assets

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

ii) Summary of significant accounting policies

k. Leased assets (continued)

See Note 2 i) a) for the depreciation methods and useful lives for assets held under finance leases.

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease. For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

l. Financial instruments

All regular purchases and sales of financial assets are recognised or derecognised on the trade date, that is, the date on which the Company commits itself to purchase or sell an asset. A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

Financial assets

Financial assets are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial assets are comprised of cash and cash equivalents and trade and other receivables.

Financial liabilities

Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs, except for those carried at fair value through profit or loss which are measured initially at fair value.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial liabilities are re-measured at amortised cost using the effective interest method.

ii) Summary of significant accounting policies

l. Financial instruments (continued)

Financial liabilities comprise trade and other payables.

Impairment of financial assets

Financial liabilities are derecognised when they are extinguished that is when the obligation specified in the contract is discharged, cancelled or expired.

The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the statement of comprehensive income.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

i) Significant financial difficulty of the issuer or obligor.

ii) A breach of contract, such as default or delinquency in interest or principal payments.

iii) It is probable that the borrower will enter in to bankruptcy or other financial reorganization.

iv) The disappearance of an active market for that financial asset because of financial difficulties.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

m. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

ii) Summary of significant accounting policies

n. Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

i) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

ii) Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

iii) Impairment of financial assets

Management makes judgments at each year end date to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment.

iv) Income taxes

Significant estimates are required in determining the provision for income taxes. If the final tax outcome is different from the amounts that were initially recorded, it will impact the income tax provision in the period in which such determination is made

v) Deferred taxes

In calculating the provision for deferred taxation, management uses judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

o. Going concern

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets of $2,926,550 as at December 31, 2016.

ii) Summary of significant accounting policies

o. Going concern

These financial statements have been prepared on the going concern basis despite the excess of current liabilities over current assets of $2,926,550 as at December 31, 2016.

The Company has been dependent on the Government of the Republic of Trinidad and Tobago (GORTT) to fund its operating and capital expenditures since inadequate resources are generated from its operating activities at this time.

Management is of the opinion that the Company continues to have a strategic role in the country's development. In addition, each year the Company delivers events, programmes and productions on behalf of the Government. Revenue from delivering these aforementioned activities, as well as strategic partnerships and sponsorship opportunities in the marketplace, are all important contributing factors to the improved economic performance of the Company.

3. Changes in accounting policy

a) New and revised standards that are effective for annual periods beginning on or after January 1, 2016

Amendments to IFRSs that became mandatorily effective in 2016 have no material impact on the Company's financial results or position.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the International Accounting Standards Board ("IASB") that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Company's financial statements.

- IFRS 9, Financial Instruments, which is effective for annual periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement requirements for financial assets and liabilities to include a new "expected credit loss" model for the impairment of financial assets and a substantially-reformed approach to hedge accounting. It also carries forward the guidance on derecognition of financial instruments from IAS 39.

  The financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Although the permissible measurement bases for financial liabilities, fair value through other comprehensive income (FVTOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

3. Changes in accounting policy (continued)

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

The Company is assessing the impact that this amendment will have on its 2018 financial statements.

- IFRS 15, *Revenue from Contracts with Customers,* which is effective for annual periods beginning on or after January 1, 2018 presents new requirements for the recognition of revenue, replacing IAS 18 '*Revenue*', IAS 11 '*Construction Contracts*', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

  The Company is assessing the impact that this amendment will have on its 2019 financial statements.

- IFRS 16, *Leases,* which is effective for annual periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, the standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

  Lessor accounting requirements remain the same as applied under IAS 17 where the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted. The Company is assessing the impact that this amendment will have on its 2019 financial statements.

4. Property, plant and equipment

	Buildings and leasehold improvements $	Machinery and equipment $	Fixtures and fittings $	Office equipment $	Motor vehicles $	Computer equipment $	Work-in-progress $	Total $
Cost								
At the beginning of the year	40,468,444	65,649,744	5,095,946	900,137	5,124,541	8,243,745	580,689	126,063,246
Additions	51,540	14,306	61,359	19,180	-	-	66,330	212,715
Disposals	(42,070)	(34,461)	-	(2,435)	-	-	(37,309)	(116,275)
At the end of the year	40,477,914	65,629,589	5,157,305	916,882	5,124,541	8,243,745	609,710	126,159,686
Accumulated depreciation								
At the beginning of the year	6,560,469	35,370,236	2,752,602	666,022	2,985,710	7,208,832	-	55,543,871
Charge for the year	706,179	2,548,575	237,455	41,649	213,883	310,494	-	4,058,235
Disposals	(22,314)	(14,269)	-	(15,282)	-	-	-	(51,865)
At the end of the year	7,244,334	37,904,542	2,990,057	692,389	3,199,593	7,519,326	-	59,550,241
Net book value								
At December 31, 2016	33,233,580	27,725,047	2,167,248	224,493	1,924,948	724,419	609,710	66,609,445
At December 31, 2015	33,907,975	30,279,508	2,343,344	234,115	2,138,831	1,034,913	580,689	70,519,375

	2016 $	2015 $
5. Deferred taxation		
i) Deferred tax asset		
Tax losses		
At the beginning of the year	38,548,608	37,670,050
Deferred tax benefit	841,081	878,558
	39,389,689	38,548,608
Less: Impairment	(27,866,677)	(26,895,367)
At the end of the year	11,523,012	11,653,241
Net deferred tax expense	130,229	143,886
ii) Deferred tax liability		
Property, plant and equipment		
At the beginning of the year	11,653,241	11,797,127
Deferred tax benefit	(130,229)	(143,886)
At the end of the year	11,523,012	11,653,241

6. Cash and cash equivalents

	2016 $	2015 $
Cash on hand	11,500	9,500
Cash at bank	3,392,043	2,130,468
	3,403,543	2,139,968

7. Trade and other receivables

	2016 $	2015 $
Trade receivables	8,739,375	9,530,030
Provision for bad debts	(5,497,191)	(5,300,533)
	3,242,184	4,229,497
Other receivables	1,738,059	1,653,461
	4,980,243	5,882,958

8. Amounts due from related parties

	2016 $	2015 $
Government ministries and statutory bodies	3,492,912	4,329,333
Provision for bad debts	(1,648,341)	(1,844,999)
	1,844,571	2,484,334

The transactions conducted with related parties were carried out on commercial terms and conditions at market rates.

The following transactions were carried out with related parties during the year:

	2016 $	2015 $
Sales to related parties	1,068,542	3,080,863
Key management compensation		
Short-term employee benefits:		
Salaries including bonuses	1,418,361	1,318,250

9. Inventories

	2016 $	2015 $
Foreign - television series	1,523,964	3,860,847
- movies	-	446,347
	1,523,964	4,307,194

10. Stated capital

Authorised

Unlimited number of ordinary shares

Issued

	2016 $	2015 $
10 ordinary shares at $1 per share	10	10

11. Deferred capital grant/deferred income

	Deferred capital grant	Deferred income	Total
	$	$	$
Balance as at January 1, 2016	70,519,375	1,234,605	71,753,980
Received for the year	-	17,700,000	17,700,000
Released to statement of comprehensive income	(4,057,290)	(18,787,245)	(22,844,535)
Capital allocation	147,360	(147,360)	-
Balance as at December 31, 2016	66,609,445	-	66,609,445
Balance as at January 1, 2015	74,850,311	11,307,782	86,158,093
Received for the year	-	15,650,000	15,650,000
Released to statement of comprehensive income	(4,841,784)	(25,212,329)	(30,054,113)
Capital allocation	510,848	(510,848)	-
Balance as at December 31, 2015	70,519,375	1,234,605	71,753,980

12. Trade and other payables

	2016	2015
	$	$
Trade payable	4,865,558	4,626,026
Accruals	7,933,335	6,540,654
Other payables	2,087,536	2,095,100
	14,886,429	13,261,780

	2016 $	2015 $
13. Revenue		
Airtime and production	16,415,653	32,022,079
Transmitter rental	780,120	914,888
Miscellaneous Income	53,405	-
Interactive media	-	62,980
	17,249,178	32,999,947

14. Cost of sales

Purchase of programmes - local	333,891	1,806,391
Purchase of programmes - foreign	3,300,703	5,583,401
Programme material	62,928	132,590
Broadcast expense	2,058,713	3,068,784
Rental of vehicles	513,870	653,288
Rental of equipment	10,900	46,515
Local production and editing	214,222	318,251
Promotions & giveaways	276,944	582,858
License fees- TATT	1,285,778	829,435
License fees- COTT	260,649	271,469
Repairs and maintenance	1,472,774	1,420,303
Advertising expense	121,533	370,773
Freelance expense	3,610,184	5,432,310
Commission expense	1,538,310	3,885,854
	15,061,399	24,402,222

15. Administrative and other expenses

	2016 $	2015 $
Directors' fees and expenses	301,596	575,070
Salaries and wages	17,434,209	18,614,508
Training and development	43,276	3,000
Travel	110,597	298,682
Office supplies	245,390	274,847
Entertainment	-	24,311
Information technology and website maintenance	1,038,575	1,092,495
Utilities	1,312,654	1,653,624
General expenses	200,026	495,067
Legal and professional	1,169,871	3,604,040
Subscriptions and donations	155,930	227,783
Staff Expenses	37,376	25,931
Insurance	513,522	524,187
Security	956,564	1,030,554
Rent	716,547	585,878
Provision for bad debts	-	4,528,284
Gain on foreign exchange	(33,157)	(6,840)
Loss on disposal of assets	61,135	131,105
	24,264,111	33,862,526

16. Taxation

	2016 $	2015 $
Business levy	103,175	66,046
Green fund levy	137,470	48,650
	240,645	114,696

The company's effective rate varies from the statutory rate of 25% as a result of the differences shown below.

	2016 $	2015 $
Profit before taxation	240,645	114,696
Tax charge at 25%	60,161	28,674
Tax effect of:		
Tax effect of expenses not allowable	7,179,910	6,715,529
Tax effect of allowable allowances	(8,220,112)	(7,925,975)
Business levy	103,175	66,046
Green fund levy	137,470	48,650
Prior year deferred tax adjustment	-	159,711
Tax losses not recognised	971,311	1,022,444
Other	8,730	(383)
	240,645	114,696

17. Financial instruments risk

The Company is exposed to various risks in relation to financial instruments. Its financial assets and liabilities by category are summarised in note 2 i) l). The main types of risks are credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close cooperation with the board of directors, and focuses on actively securing the Company's short to medium-term cash flows by minimising the exposure to volatile financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are described below.

i) Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to CNMG. The Company is exposed to this risk for various financial instruments, for example by granting receivables to customers. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised.

CNMG continuously monitors defaults of customers and other counterparties identified either individually or by CNMG, and incorporates this information into its credit risk controls. CNMG's policy is to deal only with creditworthy counterparties.

CNMG's management considers that all of the financial assets that are not impaired or past due for each of the 31 December reporting dates under review are of good credit quality. At 31 December CNMG has certain trade receivables that have not been settled by the contractual due date but are not considered to be impaired. The amounts at 31 December analysed by the length of time past due, are:

	Current $	30 days $	60 days $	90 days and over $	Total $
December 31, 2016					
Trade and other receivables	3,732,586	1,095,815	151,842	-	4,980,243
Amounts due from related parties	7,870	97,845	87,480	1,651,376	1,844,571

	Current $	30 days $	60 days $	90 days and over $	Total $
December 31, 2015					
Trade receivables	3,535,413	1,235,829	466,598	645,118	5,882,958
Amounts due from related parties	166,398	157,416	126,235	2,034,285	2,484,334

In respect of trade and other receivables, CNMG is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management consider the credit quality of trade receivables that are not past due or impaired to be good.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

17. Financial instruments risk (continued)

i) Liquidity risk analysis

Liquidity risk is the risk that CNMG might be unable to meet its obligations. The Company manages its liquidity needs by monitoring scheduled payments for long-term financial liabilities, drawing on the government subvention as well as forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

CNMG's objective is to maintain cash and marketable securities to meet its liquidity requirements for 30-day periods at a minimum. This objective was met for the reporting periods. Funding for long-term liquidity needs is additionally secured by drawing on the government subvention. As at December 31, 2016, CNMG's non-derivative financial liabilities have contractual maturities as summarised below:

	Current $	Total $
December 31, 2016		
Trade and other payables	14,886,429	14,886,429
December 31, 2015		
Trade and other payables	13,261,780	13,261,780

18. Financial assets and liabilities

Note (4 ii) g) provides a description of each category of financial assets and financial liabilities and the related accounting policies. There are no borrowings, bonds derivatives, instruments nor any other financial instruments. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2016 $	2015 $
Financial assets		
Trade and other receivables	4,980,243	5,882,958
Amounts due from related parties	1,844,571	2,484,334
Cash and cash equivalents	3,403,543	2,139,968
	10,228,357	10,507,260
Financial liabilities		
Trade and other payables	14,886,429	13,261,780

19. Fair value measurement

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into the third level of the fair value hierarchy.

- Level 3: unobservable inputs for the asset or liability

20. Contingent liabilities

Various warranty and legal claims were brought against the Company during the year. Recognised as a provision, management considers these claims to be probable, and they will require settlement at the Company's expense in 2017. This evaluation is consistent with external independent legal advice. Further information on these contingencies is omitted so as not to seriously prejudice the Company's position in the related disputes

21. Leases

Operating leases as lessee

The Company's main administrative office, related facilities and motor vehicles are currently held under operating lease arrangements. Operating lease liabilities are secured by the related assets held under operating leases. Future minimum operating lease payments at December 31, were as follows:

	Minimum lease payments due			
	Within 1 year	1 to 5 years	Over 5 years	Total
	$	$	$	$
December 31, 2016	1,170,000	6,030,000	6,633,000	13,833,000
December 31, 2015	1,158,000	5,820,000	5,820,000	12,798,000

22. Capital commitments

The Company has no capital commitments.