C2W MUSIC LIMITED

FINANCIAL STATEMENTS

(UNAUDITED)

SIX (6) MONTHS ENDED JUNE 30, 2016

Prepared by

CrichtonMullings
STRATEGICS
Technology | Accounting | Outsourcing

C2W MUSIC LIMITED
FINANCIAL STATEMENTS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

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C2W MUSIC LIMITED
STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
AS AT JUNE 30, 2016

	Notes	Un-audited Six (6) months ended June 30, 2016 US$	Un-audited Six (6) months ended June 30, 2015 US$	Audited Year ended December 31, 2015 US$
ASSETS				
Non-current assets				
Property and equipment	5	1,585	3,395	1,796
Intangible asset	6	1	1,497	1
Advances to songwriters	7	251,207	210,012	251,207
		252,793	214,904	253,004
Current assets				
Tax recoverable		1,413	1,411	1,412
Receivables	8	5,000	16,862	-
Advances to songwriters	7	-	23,763	-
Cash and bank balances	9	419	7,516	21,417
Total current assets		6,832	49,552	22,829
Total assets		259,625	264,456	275,833
EQUITY & LIABILITIES				
Equity				
Share capital	10	1,286,619	1,286,619	1,286,619
Accumulated deficit		(1,271,884)	(1,269,217)	(1,262,078)
Total equity		14,735	17,402	24,541
Non-current liability				
Director's loans	11	67,280	86,616	78,280
Current liabilities				
Loans payable	12	86,473	80,950	83,712
Due to related parties		-	4,097	-
Payables	13	91,137	75,391	89,300
Total current liabilities		177,610	160,438	173,012
Total equity and liabilities		259,625	264,456	275,833

Approved, by the Board of Directors and signed on its behalf by:

Ivan Berry
CEO

Derek Wilkie
Director

C2W MUSIC LIMITED
STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

	Notes	Un-audited Quarter ended June 30, 2016 US$	Un-audited Quarter ended June 30, 2015 US$	Un-audited Six (6) months ended June 30, 2016 US$	Un-audited Six (6) months ended June 30, 2015 US$	Audited Year ended December 31, 2015 US$
Revenues:						
Performance royalty		**117**	2,990	**356**	2,990	6,135
Digital royalty		**5,000**	-	**5,000**	-	-
Synchronization royalty		**-**	-	**-**	913	913
Total revenues	**4**	**5,117**	2,990	**5,356**	3,903	7,048
Less expenses:						
Song writing camps and development expenses	**14**	**2,782**	2,076	**10,544**	2,076	(4,440)
Administrative expenses	**15**	**5,276**	13,787	**12,692**	26,449	38,133
		(8,058)	15,863	**(23,236)**	(28,525)	(33,693)
Operating loss		**(2,941)**	(12,873)	**(17,880)**	(24,622)	(26,645)
Finance costs	**16**	**1,518**	1,500	**3,108**	3,103	6,341
Loss for the period / year		**(4,459)**	(14,373)	**(20,986)**	(27,725)	(32,986)
Other income:						
Sponsorship income		**8,180**	2,076	**11,180**	2,076	14,476
Net profit / (loss) being total comprehensive income / (expense) for the period / year		**3,721**	(12,297)	**(9,806)**	(25,649)	(18,510)
(Loss) / profit per stock unit:	**17**	**0.001 cents**	(0.003) cents	**(0.002) cents**	(0.006) cents	(0.005) cents

C2W MUSIC LIMITED
STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

	Share capital US$	Accumulated deficit US$	Total US$
Audited balances at December 31, 2014	1,286,619	(1,243,568)	43,051
Net loss, being total comprehensive expense for the period	-	(25,649)	(25,649)
Unaudited balances at June 30, 2015	**1,286,619**	**(1,269,217)**	**17,402**
Audited balances at December 31, 2015	**1,286,619**	**(1,262,078)**	**24,541**
Net loss, being total comprehensive expense for the period	-	(9,806)	(9,806)
Unaudited balances at June 30, 2016	**1,286,619**	**(1,271,884)**	**14,735**

C2W MUSIC LIMITED
STATEMENT OF CASH FLOWS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

	Unaudited Six (6) months ended June 30, 2016 US$	Unaudited Six (6) months ended June 30, 2015 US$	Audited Year ended December 31, 2015 US$
Loss for the period / year	**(9,806)**	(25,649)	(18,510)
Adjustments for:			
Depreciation and amortization	**211**	5,664	8,759
Finance costs	**2,761**	2,762	5,523
Interest income	**(1)**	-	(3)
Operating cash flows before movements in working capital	**(6,836)**	(17,223)	(4,231)
Decrease in operating assets			
Receivables	**(5,000)**	6,585	23,448
Increase/ (decrease) / in operating liabilities			
Payables	**1,837**	16,118	25,690
Director's loan	**(11,000)**	-	-
Related party balance (net)	**-**	(1,300)	(9,397)
Cash (used in) / generated from operations	**(20,999)**	4,180	35,510
Net cash (used in) / provided by operating activities	**(20,999)**	4,180	35,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	**1**	-	3
Advance to songwriters	**-**	-	(17,432)
Net cash provided by / (used in) investing activities	**1**	-	(17,429)
NET (DECREASE) / INCREASE IN CASH AND BANK BALANCES	**(20,998)**	4,180	18,081
CASH AND BANK BALANCES AT BEGINNING OF YEAR	**21,417**	3,336	3,336
CASH AND BANK BALANCES AT THE END OF PERIOD / YEAR	**419**	7,516	21,417

C2W MUSIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

1. IDENTIFICATION

(a) C2W Music Limited (the "Company") is a limited liability company incorporated and domiciled in Jamaica. The Company is listed on the Junior Stock Exchange. The registered office is situated at Unit 27B, 80 LMR, 80 Lady Musgrave Road, Kingston 6, Jamaica.The company commenced operations in November 2011.

(b) The Company was established for the purpose of obtaining intellectual property rights, namely, licensing and publication rights to songs developed by Caribbean songwriters. The principal activities of the company involve developing the talents of Caribbean songwriters, acquiring licensing rights to their compositions and promoting the commercial use of the compositions.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim financial statements have been prepared under the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These financial statements are expressed in United States of America dollars, which is the company's functional currency.

The interim financial report is to be read in conjunction with the audited financial statements for the year ended December 31, 2015. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended December 31, 2015.

The principal accounting policies are set out below:

(a) Property and equipment

Property and equipment for use in the Company are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets using the straight line method over a period, being the shorter of their estimated useful lives or the remaining concession period. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. An item of property and equipment is derecognised upon disposal or where no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(b) Intangible assets

Intangible assets with finite useful lives that are acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged so as to write off the cost of the assets over the estimated useful life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

(c) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets not yet available for use are tested for impairment at lease annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised immediately in the statement of comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Cash and bank balances

Cash and bank balances comprise cash in bank.

(e) Receivables

Receivables are stated at amortized 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.

(f) Payables

Payables are stated at amortized cost.

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for services provided in the normal course of business, net of discounts.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably). Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying he financial asset to that asset's net carrying amount on initial recognition.

Sponsorship income

Sponsorship income is not recognised until there is reasonable assurance that the income will be received.

Sponsorship income is recognised in the statement of comprehensive income on a systematic basis over the period in which the Company recognises as expenses the related costs for which the sponsorships are for the purpose intended to compensate. Sponsorship income that is receivable as compensation for expenses or losses incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognised in profit or loss in the period in which they become receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Related parties

A party is related to the Company if:
(i) directly, or indirectly through one or more intermediaries, the party:
- controls, is controlled by, or is under common control with, the Company (this includes parent, subsidiaries and fellow subsidiaries);
- has an interest in the entity that gives it significant influence over the Company; or
- has joint control over the Company;

(ii) the party is an associate of the Company;

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Related party transactions and balances are recognised and disclosed in the financial statements.

Transactions with related parties are recorded in accordance with the normal policies of the Company at transaction dates.

(i) Foreign currencies

Transactions in currencies other than the United States of America Dollars, the Company's functional currency, are recognised at the rates of exchange prevailing on the dates of the transactions. The United States of America dollar is deemed the functional currency as projected revenues to be charged by the Company are linked to the value of the United States of America dollar in relation to the Jamaican dollar and the majority of its liabilities and other expenditure are denominated in this currency. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the statement of comprehensive income for the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income

(k) Taxation

Taxation is based on profit for the period adjusted for taxation purposes and comprises income tax at 25%.

The Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, August 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Stock Exchange (JSE). Effective May 29, 2012, the Company's shares were listed on the JSE and consequently, the Company is entitled to a remission of income taxes for ten years in the proportion detailed below:

Years 1 to 5 (29 May 2012– 30 April 2017) – 100%

Years 6 to 10 (1 May 2017 – 30 April 2022) – 50 %

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company’s accounting policies

Management believe there were no judgements made in the process of applying the Company's accounting policies that had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Management is of the opinion that there were no critical assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

C2W MUSIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

4. REVENUES

Revenues represent the exploitation of intellectual properties.

5. PROPERTY AND EQUIPMENT

	Signage US$	Computer equipment US$	Digital equipment US$	Office equipment US$	Total US$
At Cost					
At January 1, 2016	1,237	14,782	1,122	745	17,885
Additions	-	-		-	-
End of period	1,237	14,782	1,122	745	17,885
Accumulated depreciation					
At January 1, 2016	413	14,781	646	249	16,089
Charge for the period	62	-	112	37	211
End of period	475	14,781	758	286	16,300
Carrying amount					
End of period	**762**	**1**	**364**	**458**	**1,585**
End of prior year	824	1	476	496	1,796

The following useful lives are used in the calculation of depreciation:

Signage	10 years
Computer equipment	3 years
Office equipment	10 years
Digital equipment	5 years

6. INTANGIBLE ASSETS

	Computer software US$
At Cost	
At January 1, 2016	17,940
Additions	-
End of period	**17,940**
Amortisation	
At January 1, 2016	17,939
Charge for the period	-
	17,939
Carrying amount	
End of period	**1**
End of prior year	1

Amortization of the computer software is based on an estimated useful life of 3 years.

7. ADVANCES TO SONGWRITERS

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Advances			
Non- current	**251,207**	210,012	251,207
Current	**-**	23,763	-
	251,207	233,775	251,207

This represents advances to songwriters to be recouped from earnings in future periods. Advances to songwriters are treated as current assets to the extent that it is expected that such amount will be recouped within the next twelve month period.

8. RECEIVABLES

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Royalties receivable	**5,000**	16,862	-
	5,000	16,862	-

The Company will provide fully for all receivables outstanding in excess of one year as management believes receivables that are past due beyond this period are generally not recoverable.

The above balances are unsecured and are interest free and will be settled in cash. No guarantees have been given or received in respect of these balances.

9. CASH AND BANK BALANCES

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Cash and bank balances	**419**	7,516	21,417

10. SHARE CAPITAL

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Authorised capital:			
1,000,000,000 Ordinary shares at no par value			
Issued and fully paid:			
400,000,000 Ordinary shares	**1,286,619**	1,286,619	1,286,619

11. DIRECTOR'S LOAN

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
	67,280	86,616	78,280

The amount represents advances made to the Company by a director. The amount is interest free and there are no fixed repayment terms.

12. LOANS PAYABLE

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Third party loans	**86,473**	80,950	83,712

This represents a short term loan from two (2) third parties for working capital purposes. These loans are evidenced by promissory notes and attract interest at 8% per annum. These loans are repayable in June 2016. (See Note 15)

The third party loan balances include outstanding principal and interest as at the period / year end.

13. PAYABLES

	Unaudited June 30, 2016 US$	Unaudited June 30, 2015 US$	Audited December 31, 2015 US$
Payables	**91,137**	75,391	89,300

Payables primarily comprise amounts outstanding for professional services and sub-publishing fees.

C2W MUSIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

14. SONGWRITING CAMPS AND DEVELOPMENT EXPENSES

	Unaudited Quarter ended June 30, 2016 US$	Unaudited Quarter ended June 30, 2015 US$	**Unaudited Six (6) months ended June 30, 2016 US$**	Unaudited Six (6) months ended June 30, 2015 US$	Audited For the year ended December 31, 2015 US$
Travel	**-**	2,076	**4,979**	2,076	2,076
Accommodation	**2,782**	-	**5,565**	-	-
Mixing & sound system	**-**	-	**-**	-	(6,516)
	2,782	2,076	**10,544**	2,076	(4,440)

15. ADMINISTRATIVE EXPENSES

	Unaudited Quarter ended June 30, 2016 US$	Unaudited Quarter ended June 30, 2015 US$	**Unaudited Six (6) months ended June 30, 2016 US$**	Unaudited Six (6) months ended June 30, 2015 US$	Audited For the year ended December 31, 2015 US$
Accounting fees	**1,041**	1,041	**2,081**	2,081	4,819
Advertising and promotion	**-**		**747**	-	-
Amortised cost adjustment on advances to songwriters	**-**		**-**	-	(17,432)
Annual general meeting and annual reports	**500**	1,702	**-**	1,702	1,702
Asset tax	**327**	327	**654**	654	1,308
Audit fees	**1,893**	2,663	**3,787**	5,325	7,573
Bad debt	**-**	-	**-**	-	3,517
Depreciation and amortisation	**106**	2,832	**211**	5,664	8,759
Legal and professional fees	**-**	3,649	**1,550**	7,710	14,610
Managerial travel and accommodation	**-**	-	**815**	-	6,577
Other expenses	**-**	92	**-**	326	312
Registrar and Jamaica stock exchange fees	**1,409**	1,481	**2,846**	2,970	5,879
Telephone	**-**	-	**-**	17	509
	5,276	13,787	**12,692**	26,449	38,133

C2W MUSIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
(UNAUDITED)
SIX (6) MONTHS ENDED JUNE 30, 2016

16. FINANCE COSTS

	Unaudited	Unaudited	**Unaudited**	Unaudited	Audited
	Quarter ended June 30, 2016 US$	Quarter ended June 30, 2015 US$	**Six (6) months ended June 30, 2016 US$**	Six (6) months ended June 30, 2015 US$	For the year ended December 31, 2015 US$
Interest income	**-**	-	**(1)**	-	(3)
Loan interest	**1,381**	1,381	**2,762**	2,762	5,523
Foreign exchange losses	**9**		**23**	148	143
Bank charges	**128**	119	**324**	193	678
	1,518	1,500	**3,108**	3,103	6,341

17. PROFIT / (LOSS) PER SHARE

Basic profit / (loss) per share is calculated by dividing the loss by the weighted average number of ordinary shares in issue.

	Unaudited	Unaudited	**Unaudited**	Unaudited	Audited
	Quarter ended June 30, 2016 US$	Quarter ended June 30, 2015 US$	**Six (6) months ended June 30, 2016 US$**	Six (6) months ended June 30, 2015 US$	For the year ended December 31, 2015 US$
Profit / (Loss)	**3,721**	(12,297)	**(9,806)**	(25,649)	(18,510)
Weighted average number of ordinary shares	**400,000,000**	400,000,000	**400,000,000**	400,000,000	400,000,000
Basic profit / (loss) per share (in U.S. cents)	**0.001**	(0.003)	**(0.002)**	(0.006)	(0.005)

18. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of financial asset, each class of financial liability and equity instrument are disclosed in Note 2 and 3 to the financial statements.

Categories of financial instruments:

The following table sets out the financial instruments as at the end of the reporting period:

	Unaudited Six (6) months ended June 30, 2016	Unaudited Six (6) months ended June 30, 2015	Audited For the year ended December 31, 2015
Financial Assets			
Loans and receivables (at amortised cost) (including cash and cash equivalents)	**256,626**	258,154	272,624
Financial Liabilities			
Other financial liabilities (at amortised cost)	**244,890**	247,054	251,292

Financial risk management policies and objectives

The financial risk management seeks to minimize potential adverse effects of financial performance of the Company and covers specific areas, such as market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

The activity of the Company consists of obtaining intellectual property rights, namely licensing and publication rights to songs developed by Caribbean songwriters.

The financial liabilities of the Company mainly consist of trade payables and advances from related parties for which payment is due on demand or within a period of thirty days.

Capital risk management policies and objectives

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the Company consists of cash and bank deposits and equity attributable to equity holders, comprising share capital and accumulated deficit.