

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Asian Television Network International Limited**

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Asian Television Network International Limited**, which comprise the consolidated statement of financial position as at December 31, 2017 and 2016, and the consolidated statements of loss, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparations and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Asian Television Network International Limited** as at December 31, 2017 and 2016, and its operations and cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

*SF Partnership, LLP*

Toronto, Canada  
April 27, 2018

LICENSED PUBLIC ACCOUNTANTS

# Asian Television Network International Limited

## Consolidated Statements of Income

For the years ended December 31, 2017 and December 31, 2016

	Note	2017	2016
<b>Operating revenue</b>	5	\$ 20,095,583	\$ 24,006,724
<b>Operating expenses</b>			
Administrative expenses		2,188,307	2,132,944
Marketing and distribution costs	7	13,283,666	16,122,381
Employee costs		4,301,666	4,417,425
Depreciation and amortization	6	505,762	535,183
Finance costs		25,097	40,708
Gain on disposal of asset		(752)	(8,852)
Loss on foreign exchange differences		11,514	(10,340)
<b>Total operating expenses</b>		<b>20,315,260</b>	<b>23,229,449</b>
<b>(Loss) income before tax</b>		<b>(219,677)</b>	<b>777,275</b>
Income tax (recovery) expense	8	(55,648)	212,191
<b>Net (loss) income for the year</b>		<b>\$ (164,029)</b>	<b>\$ 565,084</b>
<b>(Loss) earnings per share</b>			
Basic	10	\$ (0.01)	\$ 0.02
Diluted	10	\$ (0.01)	\$ 0.02

See accompanying notes.

# Asian Television Network International Limited

## Consolidated Statements of Comprehensive (Loss) Income

For the years ended December 31, 2017 and December 31, 2016

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	Note	2017	2016
Net (loss) income for the year	\$	(164,029)	\$ 565,084
Other comprehensive income		-	-
<b>Comprehensive (loss) income for the year</b>	<b>\$</b>	<b>(164,029)</b>	<b>\$ 565,084</b>

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*See accompanying notes.*

# Asian Television Network International Limited

## Consolidated Statements of Financial Position

As at December 31, 2017 and December 31, 2016

	Note	2017	2016
<b>Current assets</b>			
Cash and cash equivalents	17	\$ 5,316,150	\$ 7,277,090
Short-term investments	19	500,000	537,781
Trade and other receivables	20	2,364,263	3,420,990
Income taxes recoverable		46,225	-
Prepaid expenses		42,418	43,446
<b>Total current assets</b>		<b>8,269,056</b>	<b>11,279,307</b>
<b>Non-current assets</b>			
Plant and equipment	11	2,502,206	2,993,278
Intangible assets	12	512,278	820,498
Deferred tax assets	8	30,082	-
Other long-term assets		55,485	66,323
<b>Total non-current assets</b>		<b>3,100,051</b>	<b>3,880,099</b>
<b>TOTAL ASSETS</b>		<b>\$ 11,369,107</b>	<b>\$ 15,159,406</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	15	\$ 3,428,560	\$ 4,908,112
Long-term debt - current portion	13	-	679,514
Finance lease obligation - current portion	14	47,329	32,941
<b>Total current liabilities</b>		<b>3,475,889</b>	<b>5,620,567</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	-	27,651
Finance lease obligation	14	114,627	104,393
<b>TOTAL LIABILITIES</b>		<b>3,590,516</b>	<b>5,752,611</b>
<b>SHAREHOLDERS' EQUITY</b>		<b>7,778,591</b>	<b>9,406,795</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 11,369,107</b>	<b>\$ 15,159,406</b>

Commitments and contingencies (Note 18)

See accompanying notes.

On behalf of the Board:

Signed  
Dr. Shan Chandrasekar  
Director

Signed  
Prakash Naidoo  
Director

# Asian Television Network International Limited

Consolidated Statements of Changes in Shareholders' Equity  
for the years ended December 31, 2017 and December 31, 2016

	Note	Common shares amounts	Number of common shares	Retained earnings	Total shareholders' equity
Balances, January 1, 2017		\$ 6,025,852	24,402,914	\$ 3,380,943	\$ 9,406,795
Net (loss) income for the year		-	-	(164,029)	(164,029)
Dividends paid or payable		-	-	(1,464,175)	(1,464,175)
<b>Balances, December 31, 2017</b>	<b>9</b>	<b>\$ 6,025,852</b>	<b>24,402,914</b>	<b>\$ 1,752,739</b>	<b>\$ 7,778,591</b>
Balances, January 1, 2016		\$ 6,025,852	24,402,914	\$ 4,280,034	\$ 10,305,886
Net income for the year		-	-	565,084	565,084
Dividends paid or payable		-	-	(1,464,175)	(1,464,175)
Balances, December 31, 2016	9	\$ 6,025,852	24,402,914	\$ 3,380,943	\$ 9,406,795

See accompanying notes.

# Asian Television Network International Limited

## Consolidated Statements of Cash flows

For the years ended December 31, 2017 and December 31, 2016

	Note	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net (loss) income for the year	\$	(164,029)	\$ 565,084
Adjustments for:			
Finance costs		25,097	40,708
Depreciation, amortization and impairments		1,189,866	981,898
Gain on disposal of asset		(752)	(8,852)
Income tax expense		(55,648)	212,191
Changes in working capital:			
Decrease in trade and other receivables		1,056,727	567,208
Decrease in prepaid expenses		1,028	165,949
Increase (decrease) in accounts payable and accrued liabilities		(1,479,552)	1,301,183
Payment of finance costs		(25,097)	(40,708)
Payment of income taxes		(48,310)	(206,170)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>499,330</b>	<b>3,578,491</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Payments to acquire plant and equipment		(14,734)	(310,671)
Proceeds from disposition of assets		796	71,999
Payments to acquire intangible assets		(375,884)	(1,069,992)
Payments to acquire other long-term assets		10,838	(4,057)
(Payments to acquire ) proceeds from disposition of short-term investments		37,781	(4,533)
<b>NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(341,203)</b>	<b>(1,317,254)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Advance of finance lease obligation		67,007	123,709
Repayment of bank indebtedness		-	(200,000)
Repayment of finance lease obligation		(42,385)	(22,371)
Repayment of long-term debt		(679,514)	(679,522)
Payments of dividends		(1,464,175)	(1,952,233)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(2,119,067)</b>	<b>(2,730,417)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,960,940)</b>	<b>(469,180)</b>
Cash and cash equivalents at beginning of year		7,277,090	7,746,270
<b>Cash and cash equivalents at end of year</b>	<b>\$</b>	<b>5,316,150</b>	<b>\$ 7,277,090</b>

See accompanying notes.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 1 Nature of Business

Asian Television Network International Limited ("ATN" or the "Company") is incorporated under the laws of the province of Ontario and its shares are traded on the TSX Venture Exchange. The Company's executive offices are located at 330 Cochrane Drive, Markham, Ontario, Canada L3R 8E4. Its activities consist primarily of specialty, pay television broadcasting and television broadcasting advertising primarily aimed at the South Asian community in Canada. ATN is the ultimate parent of the group of companies. These consolidated financial statements were duly approved by the Company's Board of Directors on April 20, 2018.

## 2 Summary of Significant Accounting Policies

### a. Basis of Preparation

These consolidated financial statements have been prepared by the Company in accordance with the International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") issued up to December 31, 2017.

The presentation of the consolidated statements of financial position differentiate between the current and non-current assets and liabilities. The consolidated statements of income are presented using nature classification for expenses.

These consolidated financial statements were prepared using the historical cost convention. The presentation currency and the functional currency of the Company is the Canadian dollar.

### b. Basis of Consolidation

The consolidated financial statements include the accounts of Asian Television Network International Limited and its wholly-owned subsidiaries. All inter-company transactions and balances are eliminated on consolidation.

Significant subsidiaries are as follows as at:

	Percentage Owned	
	2017	2016
Subsidiaries:		
Asian Television Network Inc.	100%	100%
Commonwealth Broadcasting Limited.	100%	100%
JCTV Productions Ltd.	100%	100%
South Asian Television Network LTD.	100%	100%
South Asian Television Canada Limited.	100%	100%

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### c. Critical Accounting Estimates, Judgments and Assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Estimates and assumptions are generally based on historical experience and other factors management believes to be relevant at the time financial statements are prepared. Although these estimates and assumptions are made with diligence, actual results could differ from the reported amounts disclosed in the Company's consolidated financial statements and future revisions of estimates and assumptions could impact results of future periods.

Critical estimates and assumptions apply primarily to the following items in the Company's consolidated financial statements:

#### i Allowance for doubtful accounts

A portion of the Company's revenue is earned from selling on credit to individual consumers and business customers. The allowance for doubtful accounts is calculated by specifically identifying individual accounts which management determines to be potentially uncollectible. Factors that are taken into consideration include the Company's historical collections experience with the customer and the status of the customer's account with respect to whether the customer is continuing to receive service.

#### ii Revenue recognition

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue at the date of the financial statements. Actual results could differ from those estimates.

#### iii Accrued liabilities

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of accrued liabilities at the date of the consolidated financial statements and the reported amounts expensed during the year. Actual results could differ from those estimates.

#### iv Provisions

The Company is required to estimate future cash payments related to present obligations resulting from known events. Such estimates include the likelihood that the settlement of the obligation will require cash payments, the amounts that could be paid and the timing of the potential payments. The Company believes that the assumptions used are reasonable based on information currently available, but final payments could differ materially from provisions recognized on the consolidated statement of financial position.

#### v Income taxes

Income tax liabilities must be estimated for the Company, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Management's judgment is required for the calculation of current and deferred taxes.

# Asian Television Network International Limited

## Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

### 2 Summary of Significant Accounting Policies - continued

#### c. Critical Accounting Estimates, Judgments and Assumptions - continued

##### vi Useful lives of plant and equipment

Measurement of Plant and Equipment ("P&E") involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value, and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

##### vii Onerous contracts

A provision for onerous contracts is recognized when the unavoidable costs of meeting the obligation under the contract exceed the expected benefits to be derived by the Company. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognize any impairment loss on the assets associated with the contract.

##### viii Determining the fair values of assets acquired and liabilities assumed

The determination of the fair values of the tangible and intangible assets acquired and the liabilities assumed in an acquisition involves considerable judgment. Among other things, the determination of these fair values involves the use of discounted cash flow analyses, estimated future subscribers, and the use of information available in the financial markets. Should actual rates, cash flows, costs and other items differ from our estimates, this may necessitate revisions to the carrying value of the related assets and liabilities acquired, including revisions that may impact net income in future periods.

##### ix Impairment of non-financial assets

The impairment test on cash generating units ("CGU") is carried out by comparing the carrying amount of the CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

#### d. Revenue Recognition

The Company earns revenue from several sources and it is measured at the fair value of the consideration received or receivable. Revenue recognition policies are as follows:

##### i Finance income

Finance income is recognized on an accrual basis, based on the principal outstanding and at the effective interest rate applicable.

##### ii Advertising

Advertising revenue is recorded in the period the advertising airs on the Company's television channels.

##### iii Monthly subscription revenue

Monthly subscription revenue, which is received from cable and satellite providers, is recorded in the month in which the services are provided.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### d. Revenue Recognition - continued

#### iv Revenue from programming

Revenue from programming, pay per view services and airtime are recorded as the services are delivered.

### e. Financial Instruments

The Company determines the classification of its financial instruments at initial recognition and uses the following classifications and policies with respect to the initial recognition and subsequent measurement of financial instruments:

#### i Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets classified as held for trading and financial assets designated upon initial recognition at fair value through statement of income. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the short term. Derivative financial instruments are included as held for trading, except for derivatives designated as effective hedge instruments. Financial assets at fair value through profit or loss are carried at fair value, with changes in fair value recognized in the profit or loss in the period in which they arise. Cash and cash equivalents are classified as financial assets at fair value through profit or loss.

#### ii Held-to-maturity investments

Held-to-maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity where the Company has the intention and the ability to hold in the long term or until maturity. After initial measurement at fair value, held to maturity investments are measured at amortized cost using the effective interest method. This method uses a rate that discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, and through the amortization process. Short-term investments are classified as held-to-maturity investments.

#### iii Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, loans and receivables are measured at amortized cost using the effective interest method. This method uses a rate that discounts estimated future cash receipts through the expected life of the financial asset. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, and through the amortization process. Trade and other receivables are classified as loans and receivables.

#### iv Available-for-sale financial assets

Available for sale financial assets are non derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, held to maturity investments, or loans and receivables. Available for sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange differences. When the financial assets are derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated with the effective interest method and dividends are recognized in profit or loss.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### e. Financial Instruments - continued

#### v Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the short term. Derivative financial instruments are included as held for trading, except for derivatives designated as effective hedge instruments. Financial liabilities at fair value through profit or loss are carried at fair value, with changes in fair value recognized in profit or loss in the period in which they arise.

#### vi Other financial liabilities

All other financial liabilities are initially measured at fair value and then subsequently measured at amortized cost using the effective interest method. This method uses a rate that discounts estimated future cash payments through the expected life of the financial liability. Gains and losses are recognized in profit or loss when the financial liabilities are derecognized or impaired, and through the amortization process. Accounts payable and accrued liabilities, bank indebtedness, finance lease obligation and long-term debt are classified as other financial liabilities.

#### vii Derecognition of financial assets

Financial assets are derecognized and removed from the consolidated statements of financial position when the rights to cash flows from financial assets expire, or the financial assets have been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. Any interests created or retained on the transferred financial assets are recognized separately as assets or liabilities.

On derecognition of financial assets, the difference between carrying amounts and the total of consideration received and cumulative gains or losses that had been recognized in other comprehensive income are recognized in profit or loss.

When the Company retains substantially all of the risks and rewards of ownership for transferred financial assets, the financial assets continue to be recognized and the consideration received is recognized as a financial liability.

When continuing involvement takes the form of guaranteeing the transferred assets, the continued involvement is measured at the lower of the carrying amount of the financial assets and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option, including cash settled options, on the transferred assets, the continued involvement is measured as the amount of the transferred assets that the Company may repurchase, except in the case of a written put option on financial assets measured at fair value, where the continued involvement is measured at the lower of the fair value of the transferred assets and the option exercise price.

#### viii Derecognition of financial liabilities

Financial liabilities are derecognized and removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled, or expires. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid, is recognized in profit or loss.

Where a financial liability is replaced with the same lender or the terms are substantially modified, the original financial liability is derecognized and new financial liability is recorded.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### e. Financial Instruments - continued

#### ix Fair value

Fair values of financial instruments that are traded in active markets are determined by quoted market bid prices at the close of business on the consolidated statements of financial position date. For financial instruments not traded in active markets, fair values are determined using valuation techniques. Such techniques may include using recent arm's length market transactions, current fair values of similar financial instruments, discounted cash flow analysis, option pricing models, or other commonly used valuation models.

The Company categorizes its financial assets and liabilities, which are measured at fair value on a recurring basis in periods subsequent to their initial recognition, into one of three different levels depending on the observability of the inputs used in the measurement:

#### Level 1

This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

#### Level 2

This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other industry standard valuation techniques derived from observable market inputs.

#### Level 3

This level includes valuations based on inputs which are less observable, unavailable, or where the observable data does not support a significant portion of the instruments' fair value.

#### x Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets has been impaired. Impairment occurs only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a 'loss event') and that loss event (or events) has an impact on the financial asset's estimated future cash flows.

Objective evidence of impairment could include significant financial difficulty of the borrower, default or delinquency in interest or principal payments and probable bankruptcy or other financial reorganization of the borrower.

### f. Earnings per Share

The Company presents basic and diluted earnings per share data. Basic earnings per share is calculated by dividing the income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. The diluted earnings per share is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of potentially dilutive common shares.

# Asian Television Network International Limited

## Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

### 2 Summary of Significant Accounting Policies - continued

#### g. Plant and Equipment

##### i Costs capitalized

Costs are included in the plant and equipment's carrying value or recognized as a separate asset when it is probable that future economic benefits associated with the item will be realized and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in the consolidated statement of income.

##### ii Derecognition

Plant and equipment is derecognized and removed from the consolidated statements of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognized in the consolidated income statement.

##### iii Depreciation

Plant and equipment are recorded at cost and are depreciated on a straight-line basis or declining balance over their estimated useful life which is as follows:

Furniture and fixtures	20% declining balance
IT equipment	4 to 10 years straight line
Broadcast equipment	2 to 10 years straight line

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the related lease.

#### h. Intangible Assets

##### i Costs capitalized

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

##### ii Derecognition

Intangible assets are derecognized and removed from the consolidated statements of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognized in the consolidated income statement.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### h. Intangible Assets - continued

#### iii Amortization

We amortize intangible assets with finite useful lives into depreciation and amortization on the consolidated statements of income, except broadcast licenses which are amortized into marketing and distribution costs on the consolidated statements of income, on a straight-line basis over their estimated useful lives. We monitor and review the useful lives, residual values, and amortization methods at least once a year and change them if they are different from our previous estimates. We recognize the effects of changes in estimates in the consolidated statements of income prospectively. Other intangible assets are amortized from the date they are available for use. The estimated useful lives for intangibles with finite lives are as follows:

Broadcast licence	estimated life of the contract
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### i. Finance Lease Obligation

#### i Operating leases

Payments made under operating leases (net of any incentives received from the lessor) are recognized in the consolidated statement of income on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### ii Finance leases

Lease payments are allocated between the principal component of the lease liability and the interest expense, so as to achieve a constant rate of interest on the outstanding balance of the liability. Interest charges are charged directly to the consolidated statements of income.

### j. Provisions

#### i Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows using a current pre tax rate that reflects, where appropriate, the risks specific to the liability.

#### ii Onerous contracts

A provision for onerous contracts is recognized when the cost of the obligation under contract exceeds the economic benefit expected to be received. The provision is calculated as the present value of the lower of the cost to fulfill the contract and the cost to terminate it. Before a provision is established, impairment losses are recognized on assets associated with the contract.

### k. Trade and Other Receivables

Allowance for doubtful accounts is calculated based on the aging of the Company's accounts receivable, historical experience, current and future short term business conditions and management judgment. The Company writes off accounts receivable against the allowance when the Company determines a balance is uncollectible and no longer actively pursues collection of the receivable.

### l. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are stated at cost, which approximates fair value due to the short term nature of these liabilities.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### m. Comprehensive Income

Comprehensive income represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments. Amounts included in other comprehensive income are shown net of tax.

The Company does not have any comprehensive income items other than net income.

### n. Cash and Cash Equivalents

Cash, which are deposits held in financial institutions and cash equivalents, which are short term investments, with an original maturity of three months or less are stated at their fair value.

### o. Income Taxes

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that they relate to a business combination, or items recognized directly in equity or other comprehensive income.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities where the Company operates and generates income. The calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same authority on the same taxable entity, or on different tax entities where these entities intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable income will be available.

### p. Employee Benefits

#### i. Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are recognized as a liability and expense as employees render service.

#### ii. Termination benefits

Termination benefits are recognized as a liability and an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a detailed formal plan to either terminate employment of an employee before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Where termination benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### q. Marketing and Distribution Costs

Management considers program, broadcast costs, satellite fibre and advertising costs to be marketing and distribution costs. Program and broadcast costs represent contractual rights acquired from third parties to broadcast television programs and multi-year sports programming arrangements paid on a monthly basis. These program rights are expensed as incurred. Satellite and fibre costs represent the cost to receive and deliver the broadcast signals from third party suppliers and to broadcast distributions units. Advertising represents the cost to market and promote the various television programs and multi-year sports programming arrangements.

### r. Impairment of Long-lived Assets

Assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying value may not be fully recoverable.

The Company monitors the recoverability of assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset. To December 31, 2017, \$ nil (2016 - \$ nil) impairment losses have been recorded in these consolidated financial statements.

### s. Dividends

Dividends are not recognized in the consolidated financial statements until they have been approved and declared by the board of directors.

### t. Foreign Currency Translation

#### i Monetary assets and liabilities at current rates

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on foreign exchange are recognized in the consolidated statement of income.

#### ii Non-monetary assets and liabilities

Non-monetary assets and liabilities that are measured on a historical cost basis and are translated at the rates of exchange in effect at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value are translated at the rates of exchange in effect at the statement of financial position date. Gains and losses on foreign exchange are recognized in the consolidated statement of income.

### u. Borrowing Costs

The Company expenses borrowing costs in the period the costs are incurred.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 2 Summary of Significant Accounting Policies - continued

### w. Recent Accounting Pronouncements

#### i Future Accounting Changes

Based on the information currently available, the Company believes that the future adoption of the following IFRS requirements may have an impact on the Company's future consolidated financial statements. The Company is assessing the impact of these new standards on its consolidated financial statements.

##### IFRS 9

IFRS 9 *Financial Instruments* - The standard was issued and will replace IAS 39 – Financial Instruments: Recognition and Measurement. This standard introduces new requirements for classifying and measuring financial assets and liabilities. IFRS 9, which will be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 9 and does not anticipate that the new standard will significantly affect the consolidated financial statements. The Company intends to adopt the new standard on the required effective date.

##### IFRS 15

IFRS 15 *Revenue from Contracts with Customers* - The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard is effective for fiscal years ending on or after December 31, 2018 and is available for early adoption. The Company has concluded that there will be no significant changes to the pattern of revenue recognition, however, more robust disclosure will be required. The Company intends to adopt the new standard on the required effective date.

##### IFRS 16

IFRS 16 *Leases* - In January 2016, the IASB issued this standard which introduces a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Adoption of the new standard will be required effective for annual periods beginning on or after January 1, 2019. To assess the impact of this new standard, the Company has formed an internal working group and continues to progress on its in-depth assessment of IFRS 16 on the Company's consolidated financial statements. The Company expects that IFRS 16 will result in an increase in assets and liabilities as the majority of leases will be brought onto the consolidated statements of financial position. The Company expects an increase in depreciation and interest expenses and also an increase in cash flow from operating activities as cash payments for the principal portion of the lease will be recorded as financing outflows in the consolidated statements of cash flows. The Company intends to adopt the new standard on the required effective date.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 3 Capital Risk Management

The Company defines capital as the aggregate of shareholders' equity (excluding accumulated other comprehensive income) and long-term liabilities less cash and cash equivalents. The Company targets a net debt to equity ratio of 1 to 1 which is unchanged from previous periods. As at December 31, 2017, and throughout the year, the Company was in compliance with the above Regulations and covenants, and the Company's capital management objectives have not changed since December 31, 2016.

The components of the Company's capital structure are as follows:

	2017	2016
Long-term debt	\$ -	\$ 679,514
Finance lease obligation	161,956	137,334
Less: Cash and cash equivalents	5,316,150	7,277,090
Net debt	(5,154,194)	(6,460,242)
Shareholders' equity	7,778,591	9,406,795
Total capital	\$ 2,624,397	\$ 2,946,553
Gearing ratio	(0.663)	(0.687)

The Company's overall capital management objectives are to create shareholder value through organic growth of its operations and through acquisitions, and to maintain the most optimal capital structure in order to minimize its cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In order to ensure compliance with Federal Government directions, the Broadcasting Act and regulations governing specialty and pay television services (the "Regulations"), the Company has imposed restrictions on the issuance, transfer and, if applicable, voting of the Company's shares.

Consistent with the terms of the credit facilities, the Company is subject to certain covenants and repayment terms. As at December 31, 2017, and throughout the year, the Company was in compliance with the above covenants and terms.

## 4 Segment Information

Management has determined the Company has one operating segment.

## 5 Operating Revenue

	2017	2016
Subscription	\$ 14,798,993	\$ 17,897,923
Advertising	4,696,019	5,397,871
Programming	546,612	652,181
Finance income	53,959	58,749
Total	\$ 20,095,583	\$ 24,006,724

# Asian Television Network International Limited

## Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

### 6 Depreciation and amortization

Depreciation and amortization for the years is recognized in the consolidated income statements as follows:

	<b>2017</b>	2016
Depreciation - broadcast equipment	\$ 436,161	\$ 435,195
Depreciation - IT equipment	20,706	47,439
Depreciation - furniture and fixtures	17,773	22,217
Depreciation - leasehold improvements	31,122	30,332
Depreciation and amortization	505,762	535,183
Amortization - broadcast licenses included in marketing and distribution costs	684,104	446,715
Total depreciation and amortization	\$ 1,189,866	\$ 981,898

### 7 Marketing and Distribution Costs

	<b>2017</b>	2016
Programming and broadcast costs	\$ 11,117,161	\$ 13,838,016
Satellite and fibre costs	1,604,480	1,564,990
Advertising	198,840	268,831
Marketing and other distribution costs	363,185	450,544
Total	\$ 13,283,666	\$ 16,122,381

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 8 Income Tax (Recovery) Expense

The total income tax (recovery) expense varies from the amounts that would be computed by applying the weighted average statutory tax rate to net income before income taxes of the Company and its wholly-owned subsidiaries for the following reasons:

	2017	2016
Statutory tax rate	<b>26.50%</b>	26.50%
(Loss) income before tax	\$ (219,677)	\$ 777,275
Income tax (recovery) expense at the statutory tax rates applied to income before income taxes	<b>(58,214)</b>	205,978
- Expenses not deductible for tax	<b>6,613</b>	10,755
- Other items	<b>(4,046)</b>	(4,542)
	<b>\$ (55,648)</b>	\$ 212,191

Major components of the income tax expense recorded on the consolidated income statements are as follows:

	2017	2016
Current	\$ 2,085	\$ 201,643
Deferred	<b>(57,733)</b>	10,548
<b>Income tax (recovery) expense</b>	<b>\$ (55,648)</b>	\$ 212,191

Significant deferred tax assets and liabilities arising from the effect of temporary differences are as follows:

	2017	2016
Plant and equipment	\$ 141,620	\$ 126,982
Other items	<b>25,702</b>	18,011
<b>Deferred tax assets</b>	<b>\$ 167,322</b>	\$ 144,993

	2017	2016
Plant and equipment	\$ 137,240	\$ 172,644
<b>Deferred tax liabilities</b>	<b>\$ 137,240</b>	\$ 172,644
	<b>\$ 30,082</b>	\$ (27,651)

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 9 Share Capital

### Issued capital

The Company has authorized an unlimited number of Class "A" preference shares with a \$0.12 cumulative dividend, payable on the third anniversary date from issuance, are non-voting, redeemable at the amount paid thereon, retractable at the amount paid thereon after the third anniversary date from issuance, convertible at the rate of \$225,000 of preference shares in exchange for 1% issued and outstanding common shares of which there are none outstanding.

The Company has authorized an unlimited number of Class "B" preference shares which have non-cumulative dividends, are non-voting, and are redeemable and retractable at the amount paid thereon, of which none are outstanding.

The Company has authorized an unlimited number of common shares with no par value. The following details the changes in issued and outstanding common shares for the years ended December 31, 2017 and 2016:

Common shares	Number	Dollar amount
Balance, December 31, 2015	24,402,914	\$ 6,025,852
Issued, repurchased and cancelled shares	-	-
Balance, December 31, 2016	24,402,914	6,025,852
Issued, repurchased and cancelled shares	-	-
Balance, December 31, 2017	24,402,914	\$ 6,025,852

## 10 (Loss) Earnings per Share

The following table sets forth the computation of basic and diluted (loss) earnings per share for the comparable periods:

	2017	2016
Numerator for basic and diluted (loss) earnings per share available to common shareholders		
Net (loss) income attributable to common shareholders	\$ (164,029)	\$ 565,084
Denominator for basic (loss) earnings per share - weighed average number of shares outstanding	24,402,914	24,402,914
Effect of dilutive securities		
Potential dilutive common shares	-	-
Denominator for dilutive (loss) earnings per share - adjusted weighted average shares	24,402,914	24,402,914
Basic and dilutive (loss) earnings per share	\$ (0.01)	\$ 0.02

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 11 Plant and equipment

	December 31, 2017			December 31, 2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Furniture and fixtures	\$ 236,834	\$ 161,030	\$ 75,804	\$ 235,124	\$ 143,383	\$ 91,741
IT equipment	489,199	391,496	97,703	489,199	370,790	118,409
Broadcast equipment	5,964,322	3,948,545	2,015,777	6,276,306	3,837,222	2,439,084
Leasehold improvements	463,275	150,353	312,922	463,275	119,231	344,044
	\$ 7,153,630	\$ 4,651,424	\$ 2,502,206	\$ 7,463,904	\$ 4,470,626	\$ 2,993,278

Changes in the net carrying amounts of plant and equipment can be summarized as follows:

	January 1, 2017				December 31, 2017	
	Net book value	Additions	Disposals	Depreciation	Disposals / Other	Net book value
Furniture and fixtures	\$ 91,741	\$ 1,710	\$ -	\$ (17,773)	\$ 126	\$ 75,804
IT equipment	118,409	-	-	(20,706)	-	97,703
Broadcast equipment	2,439,084	13,024	(325,008)	(436,161)	324,838	2,015,777
Leasehold improvements	344,044	-	-	(31,122)	-	312,922
	\$ 2,993,278	\$ 14,734	\$ (325,008)	\$ (505,762)	\$ 324,964	\$ 2,502,206

Changes in the net carrying amounts of plant and equipment can be summarized as follows:

	January 1, 2016				December 31, 2016	
	Net book value	Additions	Disposals	Depreciation	Disposals / Other	Net book value
Furniture and fixtures	\$ 113,958	\$ -	\$ -	\$ (22,217)	\$ -	\$ 91,741
IT equipment	160,428	5,420	-	(47,439)	-	118,409
Broadcast equipment	2,640,470	296,956	(102,401)	(435,195)	39,254	2,439,084
Leasehold improvements	366,081	8,295	-	(30,332)	-	344,044
	\$ 3,280,937	\$ 310,671	\$ (102,401)	\$ (535,183)	\$ 39,254	\$ 2,993,278

Included in leasehold improvements is equipment acquired during the year under finance lease obligation having a cost of \$94,125 a net carrying amount of \$76,169 and of that amount \$52,235 was financed through finance lease obligation. Depreciation for the year amounted to \$6,512 (2016 - \$5,722).

Included in broadcast equipment is equipment acquired under finance lease obligation having a cost of \$271,544, a net carrying amount of \$226,717 and of that amount \$182,421 was financed through finance lease obligation. Depreciation for the period amounted to \$17,956 (2016 - \$15,317)

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 12 Intangible assets

	December 31, 2017			December 31, 2016		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated depreciation	Net book value
Broadcast licenses	\$ 1,847,363	\$ 1,335,085	\$ 512,278	\$ 1,471,479	\$ 650,981	\$ 820,498
	\$ 1,847,363	\$ 1,335,085	\$ 512,278	\$ 1,471,479	\$ 650,981	\$ 820,498

Changes in the net carrying amounts of intangible assets can be summarized as follows:

	January 1, 2017				December 31, 2017	
	Net book value	Additions	Disposals	Amortization	Disposals / Other	Net book value
Broadcast licenses	\$ 820,498	\$ 375,884	\$ -	\$ (684,104)	\$ -	\$ 512,278
	\$ 820,498	\$ 375,884	\$ -	\$ (684,104)	\$ -	\$ 512,278

Changes in the net carrying amounts of intangible assets can be summarized as follows:

	January 1, 2016				December 31, 2016	
	Net book value	Additions	Disposals	Amortization	Disposals / Other	Net book value
Broadcast license	\$ 197,221	\$ 1,069,992	\$ -	\$ (446,715)	\$ -	\$ 820,498
	\$ 197,221	\$ 1,069,992	\$ -	\$ (446,715)	\$ -	\$ 820,498

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 13 Long-term Debt

The components of the Company's long-term debt are as follows:

	2017		2016	
Canadian bank prime rate loan	\$	-	\$	679,514
Less: current portion		-		(679,514)
	\$	-	\$	-

During 2016, the Company revised its credit facility to include an authorized revolving line of credit of \$500,000 to assist with financing of broadcasting and similar technology. As of December 31, 2017, the Company has utilized \$161,956 of this facility recorded as Finance Lease Obligations credit facility. The Company's bank covenants include standard terms and conditions and the line is secured by term deposits held by the financial institution.

The Company has an authorized line of credit (the "Line") of a maximum of \$500,000 at a Canadian financial institution. The interest rate applicable to the Line available from the Canadian financial institution is the chartered bank's prime rate plus 0.5%, per annum. \$500,000 remained unused as at December 31, 2017 - (2016 - \$500,000). The credit agreement includes standard terms and conditions and the line is secured by term deposits held by the financial institution.

## 14 Finance Lease Obligations

Finance lease obligations are secured by the specific equipment being financed, bears interest from 3.45% to 7.87% per annum and has monthly payments of \$3,141 and matures on May 1, 2021.

	2017		2016	
Finance lease obligations	\$	161,956	\$	137,334
Less: current portion of Finance lease obligations		(47,329)		(32,941)
	\$	114,627	\$	104,393

Minimum lease payments required in the next five years under capital lease are as follows:

2018	\$	52,092
2019		52,092
2020		40,980
2021		25,475
2021		3,600
		<u>174,239</u>
Interest included in minimum payments		12,283
	\$	<u>161,956</u>

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 15 Accounts Payable and Accrued Liabilities

	2017	2016
Accounts and other payable	\$ 3,152,261	\$ 4,348,445
Accrued expense	276,299	559,667
<b>Total</b>	<b>\$ 3,428,560</b>	<b>\$ 4,908,112</b>

## 16 Related Party Transactions

### Transactions with key management personnel

Key management personnel include the directors and the most senior corporation officers of the Company that are primarily responsible for the planning, directing and controlling the Company's business activities. The compensation expense associated with the key management for employee services was included in employee costs as \$992,478 (2016 - \$1,042,559).

## 17 Cash and Cash Equivalents

	2017	2016
Cash on hand	\$ 500	\$ 500
Bank balances	815,650	781,123
Short-term deposits	4,500,000	6,495,467
<b>Total</b>	<b>\$ 5,316,150</b>	<b>\$ 7,277,090</b>

## 18 Commitments and Contingencies

### a. Commitments

The lease agreements to which the Company is party have different maturity dates which are scheduled up to Fiscal 2022 and some of these also have renewal options and fee escalation clauses. The minimum amounts payable under long-term operating lease contracts are as follows :

2018	\$ 584,191
2019	581,235
2020	559,814
2021	512,735
2022	213,640
	<b>\$ 2,451,615</b>

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 18 Commitments and Contingencies - continued

### a. Commitments - continued

In the normal course of its operations, the Company has signed agreements, with terms ranging from one to seven years, for the acquisition of program rights to be aired on its television services. The acquisition of the rights and related obligations is contingent on the actual delivery of programming and on other contractual terms. In addition to the above commitments of program rights commitments that are measurable, as at December 31, 2017, is estimated at \$5,108,167.

2018	\$	2,980,701
2019		1,764,915
2020		324,916
2021		37,635
	\$	5,108,167

### b. Contingencies

The Company may be involved in various legal actions which are normal to the businesses of the Company. In the opinion of the Company, potential liabilities that may result from legal actions are not expected to have a material adverse effect on the Company's financial position.

## 19 Short-term investments

Short-term investments are Guaranteed Investment Certificates held in major Canadian financial institutions with an original maturity of more than 3 months.

## 20 Financial Instruments

### a. Risks Arising from Financial Instruments

In the normal course of business, the Company has exposures, consisting primarily of interest rate risk, credit risk, foreign exchange risk and liquidity risk, arising from its financial instruments. The Company manages these risk exposures on an ongoing basis.

#### i Interest rate risk

Borrowings under the Company's Facilities and Line are subject to interest rate fluctuations. The Company is not materially exposed to interest rate risk.

Furthermore, interest rate fluctuations could have an impact on the Company's interest income that it earns on its cash balance. The Company has an investment policy designed to safeguard its capital and generate a reasonable return. The policy sets out the types of permissible investment instruments, their concentration and acceptable credit ratings.

# Asian Television Network International Limited

## Notes to Consolidated Financial Statements

For the years ended December 31, 2017 and December 31, 2016

### 20 Financial Instruments - continued

#### a. Risks Arising from Financial Instruments - continued

##### i Interest rate risk - continued

Interest rate fluctuations also have an impact on the Company's consolidated net income and comprehensive income. With all other variables held constant, a 1% interest rate change would have had the following impact for the years ended December 31, 2017 and 2016:

	2017	2016
Impact on consolidated net income of interest rate changes	\$ 1,403	\$ 6,484
Impact on consolidated comprehensive income of interest rate changes	\$ 1,403	\$ 6,484

##### ii Foreign currency risk

The Company realizes a portion of its revenue and expenses in foreign currencies. Consequently, some assets and liabilities are exposed to foreign exchange fluctuations.

Period-to-period changes in the average foreign exchange rates may cause translation effects that have a significant impact on operating costs and consolidated net income. The following table details Asian Television's sensitivity to a 10% strengthening in the Canadian dollar against the US dollar which are not hedged for the year ended December 31, 2017. A 10% weakening of the Canadian dollar would have an equal but opposite effect. This sensitivity analysis was prepared by using the average monthly foreign exchange rates over the period adjusted for a 10% variation and applied to those transactions during the period in the relevant foreign currency.

	2017	2016
Revenue	\$ 25,434	\$ 73,150
Expenses	\$ 86,359	\$ 96,990
Impact on consolidated income	\$ 111,793	\$ 170,140
Sensitivity	\$ 43,812	\$ 4,086

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 20 Financial Instruments - continued

### a. Risks Arising from Financial Instruments - continued

#### iii Credit risk

Credit exposure on financial instruments arises from the possibility that a counterparty to an instrument in which the Company is entitled to receive payment fails to perform. Trade and other receivables arise mainly from monthly wholesale fees charged to distributors in connection with specialty and pay television subscriptions and from the sales of advertising aired or posted on the Company's Television properties.

Customers distributing the Company's television services are generally large companies with stable financial conditions, thereby mitigating the Company's credit risks related to accounts receivable from such customers. The Company's credit exposure emanating from advertising transactions with advertising agencies and direct clients is influenced by the global economic environment. The Company performs ongoing customer credit evaluations. Allowances, which are estimated on the basis of historical loss rates adjusted for current events, are monitored by management on an ongoing basis. Accounts receivable are written off against the allowance for doubtful accounts only when the Company believes that an outstanding amount will not be recovered. For the year ended December 31, 2017, the Company recorded allowances for doubtful accounts of \$48,600 (\$35,196 for the year ended December 31, 2016) in operating expenses on the consolidated income statements. Historically, the Company has not suffered any material losses related to credit risk. The Company manages its accounts receivable on an ongoing basis and every month management reviews the accounts receivable aging. Furthermore, all major advertising clients are reviewed in order to make sure that consolidated amounts owed are not over their authorized limit.

The maximum credit risk to which the Company is exposed equals its accounts receivable.

Based on their respective payment terms, accounts and other receivable are aged as follows as at December 31, 2017

	2017	2016
Current	\$ 1,439,412	\$ 2,048,750
31-60 days past due	634,865	810,529
61-90 days past due	36,084	121,192
Over 90 days past due	280,225	492,426
	2,390,586	3,472,897
Less: allowance for doubtful accounts	(26,323)	(51,907)
Total	\$ 2,364,263	\$ 3,420,990

Given the limited number of clients distributing its television services, the Company is facing a high degree of revenue concentration. Therefore, there is always a risk that the loss of an important relationship would have a significant impact on any particular television service. To mitigate this risk, the Company enters into long-term contracts with its customers. Furthermore, the Company has developed a broad selection of popular pay and specialty services that deliver quality programming. ATN's services have thus become key and highly demanded components of the offerings of those distributors in the markets they serve. For the year ended December 31, 2017 approximately 65 percent (2016 - 64%) of the Company's revenue was derived from three broadcast distributors 10%, 25% and 30% (2016 - 11%, 25% and 28%).

Credit risk from investing activities is minimized by establishing investment policies in liquid securities with high credit ratings and maintaining accounts in reputable financial institutions with high quality credit ratings.

# Asian Television Network International Limited

Notes to Consolidated Financial Statements  
For the years ended December 31, 2017 and December 31, 2016

## 20 Financial Instruments - continued

### a. Risks Arising from Financial Instruments - continued

#### iv Foreign currency risk

Currency risk is the risk that changes in foreign exchange rates will cause fluctuations to the fair values and cash flows of the Company's financial instrument holdings. The Company is not materially exposed to currency risk.

#### v Liquidity risk

Liquidity risk is the risk that the Company would not be able to meet its financial obligations as they come to maturity or can only do so at excessive costs. Based on the Company's ability to generate cash flows through its ongoing operations, management believes that cash flows are sufficient to cover its known operating and capital requirements, as well as its debt service and its current and longer term commitments. Therefore, management evaluates that the Company's liquidity risk is low. The liquidity risk is also considered to be low due to the fact that the Company has access to the unused portion of its credit facilities which amounted to \$500,000 as at December 31, 2017. Finally, the Company manages its liquidity risk by monitoring its cash resources through ongoing financial and cash flow forecasts.

The maturity dates of financial liabilities as at December 31, 2017 are as follows:

	Maturing in next 12 months	Maturing in more than 13 to 36 months	Maturing in more than 37 to 60 months	Maturing in more than 60 months	Total
Accounts payable and accrued liabilities	\$ 3,428,560	\$ -	\$ -	\$ -	\$ 3,428,560
Finance lease obligation	47,329	114,627	-	-	161,956
	\$ 3,475,889	\$ 114,627	\$ -	\$ -	\$ 3,590,516

### b. Fair Values

The carrying values of cash is at fair value, trade and other receivable and accounts payable and accrued liabilities approximates their fair values because of the short term nature of these financial instruments. The fair value of the Company's long-term debt and finance lease obligation is not significantly different from its carrying amount, due to the market rate of interest charged on the balance.

## 21 Comparative amounts

Certain amounts presented for the year ended December 31, 2016 have been reclassified to conform to the presentation adopted in the current year.