

**AUDITED FINANCIAL STATEMENTS OF THE  
NATIONAL COMMUNICATIONS NETWORK INC.**

**FOR THE YEAR ENDED  
31 DECEMBER 2011**

**AUDITORS:   AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA**



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AG: 155/2013

31 December 2013

REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF THE BOARD OF DIRECTORS  
ON THE FINANCIAL STATEMENTS  
OF THE NATIONAL COMMUNICATIONS NETWORK INC.  
FOR THE YEAR ENDED 31 DECEMBER 2011

I have audited the accompanying financial statements of National Communications Network (NCN), which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The audit was conducted in accordance with the Audit Act 2004.

### *Management's responsibility for the financial statements*

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

### *Auditor's responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and those of the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Basis for Qualified Opinion*

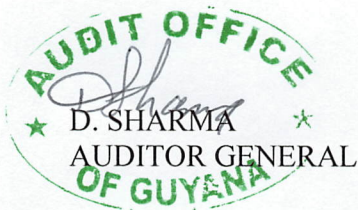
The amount of \$913,826,660 was shown as Non Current Assets for the year under review. However, the Company did not implement or maintained a Fixed Assets Register. In addition, neither master nor sectional inventories were maintained for the year under review contrary to Stores Regulations. As a result, the accuracy, validity and completeness of the amount of \$913,826,660 shown as Non Current Assets could not be verified.

*Qualified Opinion*

Except for any adjustments which might have been shown to be necessary as a result of the matter described in the Basis for Qualified Opinion paragraph, in my opinion the financial statements give a true and fair view, in all material respects of the financial position of National Communications Network (NCN) as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Report on Other Legal and Regulatory Requirements*

The financial statements did comply with the requirements of the Companies Act 1991.



AUDIT OFFICE  
63 HIGH STREET  
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GUYANA

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2011

	Notes	Jan-Dec 2011	Jan-Dec 2010
ASSETS		G\$	G\$
<b>Non-current assets</b>			
Fixed assets	8	913,826,660	811,458,170
		<u>913,826,660</u>	<u>811,458,170</u>
<b>Current assets</b>			
Inventory		8,179,512	9,969,186
Goods in transit		6,890,415	44,237,274
VAT Receivable		(58,248)	(637,736)
Accounts Receivables	9	208,166,404	174,402,229
Other receivables	10	1,866,227	1,806,903
Deposits		4,586,452	10,740,524
Cash and Cash Equivalents	11	1,461,486	5,872,473
Other Current Asset		1,025,200	1,025,200
		<u>232,117,446</u>	<u>247,416,053</u>
<b>TOTAL ASSETS</b>		<u><u>1,145,944,106</u></u>	<u><u>1,058,874,223</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share Capital		35,000,000	35,000,000
Reserves		554,536,331	554,536,331
Capital Subvention		131,809,804	131,707,003
Retained Earnings		308,178,657	232,233,509
		<u>1,029,524,792</u>	<u>953,476,843</u>
<b>Current liabilities</b>			
Accounts Payable	12	91,333,280	73,348,720
VAT Payables		801	7,879,462
Payroll Deductions Payable	13	6,019,129	5,103,094
Provision for Taxation	14	18,834,104	18,834,104
Loan Creditor	15	232,000	232,000
		<u>116,419,314</u>	<u>105,397,380</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,145,944,106</u></u>	<u><u>1,058,874,223</u></u>

The Board of Directors approved these financial statements for issue on December 17, 2013

.....  
Chairman

*Shabana Singh*  
.....  
Finance Manager

.....  
Director

.....  
Chief Executive Officer (ag)

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF INCOME**  
**for the year ended December 31, 2011**

	Notes	Jan-Dec 2011 G\$	Jan-Dec 2010 G\$
Net Operating Revenues	6	508,059,284	482,764,852
Cost of Sales		33,463,395	47,331,306
Gross Profit		<u>474,595,889</u>	<u>435,433,546</u>
Operating Expenses	7	511,326,997	585,172,440
Depreciation	8	25,460,917	20,611,682
Net Operating Loss		<u>(62,192,025)</u>	<u>(170,350,576)</u>
Interest and Other Income		68,137,173	81,978,450
Income from Subvention		70,000,000	60,000,000
Net Profit / (Loss)		<u><u>75,945,148</u></u>	<u><u>(28,372,126)</u></u>

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

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CHANGES IN EQUITY**  
**for period ending December 31, 2010**

Details	Share Capital	Reserves	Retained Earnings	Capital Subvention	Total
	G\$	G\$	G\$	G\$	G\$
Balance at 1st January,2010	35,000,000	554,536,331	260,605,635	133,279,828	983,421,794
Post Balance Sheets Journals					-
Capital Supplementary				59,832,695	59,832,695
Net profit			(28,372,126)		(28,372,126)
Amortisation of Government Grants 2006, 2007, 2008, 2009 & 2010				(61,405,520)	(61,405,520)
<b>Balance at December 31, 2010</b>	<b>35,000,000</b>	<b>554,536,331</b>	<b>232,233,509</b>	<b>131,707,003</b>	<b>953,476,843</b>

**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CHANGES IN EQUITY**  
**for period ending December 31, 2011**

Details	Share Capital	Reserves	Retained Earnings	Capital Subvention	Total
	G\$	G\$	G\$	G\$	G\$
Balance at 1st January,2011	35,000,000	554,536,331	232,233,509	131,707,003	953,476,843
Capital Supplementary				64,904,145	64,904,145
Net profit			75,945,148		75,945,148
Grants 2007, 2008, 2009, 2010 & 2011				(64,801,344)	(64,801,344)
<b>Balance at December 31, 2011</b>	<b>35,000,000</b>	<b>554,536,331</b>	<b>308,178,657</b>	<b>131,809,804</b>	<b>1,029,524,792</b>

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

**NATIONAL COMMUNICATIONS NETWORK INC**

**STATEMENT OF CASH FLOWS**

**FOR YEAR ENDING DECEMBER 31, 2011**

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
	<u>G\$</u>	<u>G\$</u>
<i>Operating Activities</i>		
Net Loss for the year	75,945,148	(28,372,126)
Adjustments for:		
Depreciation	25,460,917	20,611,682
Inventory	1,789,674	(4,101,841)
Goods in Transit	37,346,859	32,018,677
VAT Receivables	(579,488)	1,690,379
Accounts Receivables	(33,764,175)	57,768,072
Other receivables	(59,324)	(470,857)
Deposits	6,154,072	(4,294,828)
Accounts Payable	17,984,560	24,415,431
VAT Payables	(7,878,661)	491,641
Payroll Deductions Payable	916,035	4,324,611
Other Accounts Payable	-	-
Disposal of Asset	-	-
Total Adjustments	<u>47,370,470</u>	<u>132,452,967</u>
Cash Generated from Operations	<u>123,315,618</u>	<u>104,080,841</u>
<i>Investing Activities</i>		
<b>Purchase of Fixed Assets:</b>		
Buildings	-	-
Furniture & Fittings	(1,049,648)	(3,025,614)
Equipment	(107,733,419)	(90,633,973)
Motor Vehicles	(19,046,340)	(10,911,628)
Work-in-Progress	-	-
Net cash used in investing activities	<u>(127,829,407)</u>	<u>(104,571,215)</u>
<i>Financing activities</i>		
<b>Changes in:</b>		
Capital Subvention	102,801	(1,572,825)
Revaluation Reserves	-	-
Net cash used in financing activities	<u>102,801</u>	<u>(1,572,825)</u>
Net increase/(decrease) in cash and cash equivalents	(4,410,988)	(2,063,199)
Cash and cash equivalents at the beginning of the period	5,872,474	7,935,673
Cash and Cash Equivalents at the end of the period	<u><u>1,461,486</u></u>	<u><u>5,872,474</u></u>

**NATIONAL COMMUNICATIONS NETWORK INC.  
NOTES TO THE ACCOUNTS**

**1. Incorporation**

National Communications Network Inc. was incorporated under the Companies Act of Guyana (No. 29 of 1991) on February 6, 2004.

**2. Governance**

The NCN Inc is the State Owned and Operated Radio and Television Stations with the parent Company being National Industrial and Commercial Investments Ltd.

**3. Subvention**

The National Communications Network Inc received Current Subvention of \$70,000,000 and Capital Subvention of \$65,000,000 for the year 2011.

**4. Out of Town Operations**

The NCN Inc has three major out of town Branches namely, New Amsterdam – Berbice, Watooka – Linden and Anna Regina-Essequibo.

The Operation in Berbice and Linden are commercialized and earning revenues.

NCN also has several relay locations throughout the country to facilitates its National Grid:

- a) Drill
- b) Benab
- c) Long Creek
- d) Essequibo Branch

NCN is also in partnership with North Rupununi Development Board for the management of a Radio Community Station at Annai.

**5. Summary of Significant Accounting Policies**

**(a) Accounting Convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and conform to International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana and the Companies Act 1991.

**(b) Fixed Assets**

Fixed assets are depreciated on the straight-line method over their estimated useful lives as follows:-

Buildings	5%
Furniture and Fixtures	10%
Equipment	20%
Motor vehicles	20%



**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

	2,011	2,010
6 <b>Operating Revenue</b>	508,059,284	482,764,852

	2,011	2,010
7 <b>Operating Expenses</b>		
Employment cost	277,535,649	251,726,960
Utility Charges	96,081,341	92,507,904
Other Operating Expenses	137,710,008	240,937,577
<b>Total</b>	<b>511,326,998</b>	<b>585,172,441</b>

**NATIONAL COMMUNICATIONS NETWORK INC**  
as at December 31, 2011

**8 Fixed Assets**

	Land	Buildings	Furniture & Fixtures	Equipment	Motor Vehicles	Work in Progress	Total
	G\$	G\$	G\$	G\$	G\$	G\$	G\$
<b>Cost</b>							
At 1 Jan 2011	84,008,900	313,352,482	66,590,055	775,638,003	25,525,868	-	1,265,115,308
Additions for the Period			1,049,648	107,733,419	19,046,340	-	127,829,407
Disposals							-
At 31,Dec,2011	<u>84,008,900</u>	<u>313,352,482</u>	<u>67,639,703</u>	<u>883,371,422</u>	<u>44,572,208</u>	-	<u>1,392,944,715</u>
<b>Depreciation</b>							
At 1 Jan 2011	-	20,070,792	51,349,041	378,122,875	4,114,430	-	453,657,138
Adjustment							-
<i>Sub total</i>	-	<i>20,070,792</i>	<i>51,349,041</i>	<i>378,122,875</i>	<i>4,114,430</i>	-	<i>453,657,138</i>
Charge for the Period	-		104,965	21,546,684	3,809,268	-	25,460,917
At 31,Dec,2011	<u>-</u>	<u>20,070,792</u>	<u>51,454,006</u>	<u>399,669,559</u>	<u>7,923,698</u>	-	<u>479,118,055</u>
<b>Net Book Values</b>							
At 1 Jan 2011	<u>84,008,900</u>	<u>293,281,690</u>	<u>15,241,014</u>	<u>397,515,128</u>	<u>21,411,438</u>	-	<u>811,458,170</u>
At 31,Dec,2011	<u>84,008,900</u>	<u>293,281,690</u>	<u>16,185,697</u>	<u>483,701,863</u>	<u>36,648,510</u>	-	<u>913,826,660</u>

# NATIONAL COMMUNICATIONS NETWORK INC

as at December 31, 2011

	<u>Jan-Dec 2011</u> G\$	<u>Jan-Dec 2010</u> G\$
<b>9 Accounts Receivable</b>		
Accounts Receivable	246,475,276	212,711,100
Provision for Bad Debts	(38,308,872)	(38,308,871)
	<u>208,166,404</u>	<u>174,402,229</u>
 <b>10 Other receivables</b>		
Employee & Assignment Advances	1,866,227	1,806,903
	<u>1,866,227</u>	<u>1,806,903</u>
 <b>11 Cash and cash equivalents</b>	<u>1,461,486</u>	<u>5,872,473</u>

**NATIONAL COMMUNICATIONS NETWORK INC**  
as at December 31, 2011

	<u>Jan-Dec 2011</u>	<u>Jan-Dec 2010</u>
	G\$	G\$
<b>12 Accounts Payable</b>		
Accounts Payable	75,000,433	51,376,133
Accrued Expenses	16,332,847	21,972,587
	<u>91,333,280</u>	<u>73,348,720</u>
<b>13 Payroll Deductions Payable</b>		
Paye Payable		
Withholding Tax	5,391,429	4,616,921
Employee Welfare Scheme & Sports Club	626,058	486,173
Other Deductions Payable	1,642	
	<u>6,019,129</u>	<u>5,103,094</u>
<b>14 Provision for Taxation</b>		
Provision for Corporation Tax	3,812,358	3,812,358
Provision for Property Tax	4,263,321	4,263,321
Provision for Other Taxes	10,758,425	10,758,425
	<u>18,834,104</u>	<u>18,834,104</u>
<b>15 Loan Creditors</b>		
Pension Refund Payable	232,000	232,000
	<u>232,000</u>	<u>232,000</u>

**NATIONAL COMMUNICATIONS NETWORK INC**  
**NOTES TO THE ACCOUNTS**

**16 KEY MANAGEMENT COMPENSATION**

comprise its, its Chief Executive Officer and its Managers. The remuneration paid to key management personnel during the year was as

Short term benefits

33,595,617