

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

**FOR THE YEAR ENDED  
31 DECEMBER 2010**

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



## *Audit Office of Guyana*

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana*

*Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

AG: 154/2013

30 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 2010

I have audited the accompanying financial statements of National Communications Network (NCN) which comprise the statement of financial position as at 31 December 2010, statement of 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*

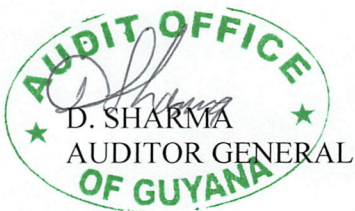
The amount of \$811,458,170 was shown as Non Current Assets for the year under review. However, the Company did not implement or maintained a Fixed Assets Register. In addition, neither master nor sectional inventories were maintained for the year under review contrary to Stores Regulations. As a result, the accuracy, validity and completeness of the amount of \$811,458,170 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, the financial position of National Communications Network (NCN) as at 31 December 2010, 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.

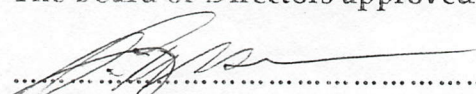


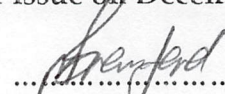
AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA

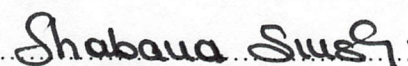
**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF FINANCIAL POSITION**  
as at December 31, 2010


	Notes	Jan-Dec 2010 G\$	Jan-Dec 2009 G\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	8	811,458,170	727,498,637
		<u>811,458,170</u>	<u>727,498,637</u>
<b>Current assets</b>			
Inventory		9,969,186	5,867,345
Goods in transit		44,237,274	76,255,952
VAT Receivable		(637,736)	1,052,643
Accounts Receivables	9	174,402,229	232,170,301
Other receivables	10	1,806,903	1,336,046
Deposits		10,740,524	6,445,696
Cash and Cash Equivalents	11	5,872,473	7,935,672
Other Current Asset		1,025,200	1,025,200
		<u>247,416,053</u>	<u>332,068,855</u>
<b>TOTAL ASSETS</b>		<u><u>1,058,874,223</u></u>	<u><u>1,059,587,492</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		131,707,003	133,279,828
Retained Earnings		232,233,509	260,605,635
		<u>953,476,843</u>	<u>983,421,794</u>
<b>Current liabilities</b>			
Accounts Payable	12	73,348,719	48,933,288
VAT Payables		7,879,463	7,387,823
Payroll Deductions Payable	13	5,103,094	778,483
Provision for Taxation	14	18,834,104	18,854,104
Loan Creditor	15	232,000	232,000
		<u>105,397,380</u>	<u>76,165,698</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,058,874,223</u></u>	<u><u>1,059,587,492</u></u>

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

  
.....  
Chairman

  
.....  
Director

  
.....  
Finance Manager

  
.....  
Chief Executive Officer (ag)



**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF INCOME**  
for the period ending December 31, 2010

	Notes	Jan-Dec 2010 G\$	Jan-Dec 2009 G\$
Net Operating Revenues	6	482,764,852	455,369,444
Cost of Sales		47,331,306	41,405,573
Gross Profit		<u>435,433,546</u>	<u>413,963,871</u>
Operating Expenses	7	585,172,440	412,851,768
Depreciation	8	20,611,682	42,000,000
Net Operating Loss		<u>(170,350,576)</u>	<u>(40,887,897)</u>
Interest and Other Income		81,978,450	61,808,973
Income from Subvention		60,000,000	54,000,000
Net Profit/(Loss)		<u><u>(28,372,126)</u></u>	<u><u>74,921,076</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, 2009

Details	Share Capital	Reserves	Retained Earnings	Capital Subvention	Total
	G\$	G\$	G\$	G\$	G\$
Balance at 1st January,2009	35,000,000	554,536,331	185,684,553	124,249,409	899,470,293
Capital Supplementary				70,000,000	70,000,000
Net profit			74,921,082		74,921,082
Amortisation of Government Grants 2004, 2005,2006, 2007, 2008 & 2009				(60,969,581)	(60,969,581)
<b>Balance at December 31, 2009</b>	<b>35,000,000</b>	<b>554,536,331</b>	<b>260,605,635</b>	<b>133,279,828</b>	<b>983,421,794</b>

**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
Capital Supplementary				59,832,695	59,832,695
Net profit			(28,372,126)		(28,372,126)
Grants 2004, 2005, 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>

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



**NATIONAL COMMUNICATIONS NETWORK INC**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDING DECEMBER 31, 2010**

	Jan-Dec 2010	Jan-Dec 2009
	<u>G\$</u>	<u>G\$</u>
<i>Operating Activities</i>		
Net Loss for the year	(28,372,126)	74,921,082
Adjustments for:		
Depreciation	20,611,682	42,000,000
Inventory	(4,101,841)	(757,731)
Goods in Transit	32,018,678	(50,014,940)
VAT Receivables	1,690,379	996,443
Accounts Receivables	57,768,072	(17,291,105)
Other receivables	(470,857)	(339,589)
Deposits	(4,294,828)	(2,375,816)
Accounts Payable	24,415,431	(35,361,544)
VAT Payables	491,640	2,552,455
Payroll Deductions Payable	4,324,611	(2,386,874)
Other Accounts Payable	-	-
Disposal of Asset	-	-
Total Adjustments	<u>132,452,966</u>	<u>(62,978,701)</u>
 Cash Generated from Operations	 <u>104,080,841</u>	 <u>11,942,381</u>
<i>Investing Activities</i>		
Purchase of Fixed Assets:		
Buildings	-	(4,483,443)
Furniture & Fittings	(3,025,614)	(2,257,549)
Equipment	(90,633,973)	(33,062,471)
Motor Vehicles	(10,911,628)	-
Work-in-Progress	-	4,058,203
Net cash used in investing activities	<u>(104,571,215)</u>	<u>(35,745,260)</u>
<i>Financing activities</i>		
Changes in:		
Capital Subvention	(1,572,825)	9,030,419
Revaluation Reserves	-	-
Net cash used in financing activities	<u>(1,572,825)</u>	<u>9,030,419</u>
Net increase/(decrease) in cash and cash equivalents	(2,063,199)	(14,772,460)
Cash and cash equivalents at the beginning of the period	7,935,673	22,708,133
Cash and Cash Equivalents at the end of the period	<u>5,872,474</u>	<u>7,935,673</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 \$60,000,000 and Capital Subvention of \$60,000,000 for the year 2010.

**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**

	2,010	2,009
6 <b>Operating Revenue</b>	482,764,852	455,369,444

	2,010	2,009
7 <b>Operating Expenses</b>		
Employment cost	251,726,960	219,273,784
Utility Charges	92,507,904	83,699,370
Other Operating Expenses	240,937,577	109,878,614
<b>Total</b>	<b>585,172,441</b>	<b>412,851,768</b>

NATIONAL COMMUNICATIONS NETWORK INC  
NOTES TO THE ACCOUNTS

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 2010	84,008,900	313,352,482	63,564,441	685,004,030	14,614,240	-	1,160,544,093
Additions for the Period			3,025,614	90,633,973	10,911,628	-	104,571,215
Disposals							-
At 31,Dec,2010	<u>84,008,900</u>	<u>313,352,482</u>	<u>66,590,055</u>	<u>775,638,003</u>	<u>25,525,868</u>	<u>-</u>	<u>1,265,115,308</u>
<b>Depreciation</b>							
At 1 Jan 2010	-	20,070,792	51,046,480	359,996,080	1,932,104	-	433,045,456
Adjustment							-
<i>Sub total</i>	-	<i>20,070,792</i>	<i>51,046,480</i>	<i>359,996,080</i>	<i>1,932,104</i>	-	<i>433,045,456</i>
Charge for the Period	-		302,561	18,126,795	2,182,326	-	20,611,682
At 31,Dec,2010	<u>-</u>	<u>20,070,792</u>	<u>51,349,041</u>	<u>378,122,875</u>	<u>4,114,430</u>	<u>-</u>	<u>453,657,138</u>
<b>Net Book Values</b>							
At 1 Jan 2010	<u>84,008,900</u>	<u>293,281,690</u>	<u>12,517,961</u>	<u>325,007,950</u>	<u>12,682,136</u>	<u>-</u>	<u>727,498,637</u>
At 31,Dec,2010	<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>-</u>	<u>811,458,170</u>



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

	<u>Jan-Dec 2010</u> G\$	<u>Jan-Dec 2009</u> G\$
<b>9 Accounts Receivable</b>		
Accounts Receivable	212,711,100	232,170,301
Provision for Bad Debts	(38,308,871)	(86,664,348)
Inactive Debtors		86,664,348
	<u>174,402,229</u>	<u>232,170,301</u>
 <b>10 Other receivables</b>		
Employee & Assignment Advances	<u>1,806,903</u>	<u>1,336,046</u>
	<u>1,806,903</u>	<u>1,336,046</u>
 <b>11 Cash and cash equivalents</b>	<u>5,872,473</u>	<u>7,935,672</u>

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

	<u>Jan-Dec 2010</u>	<u>Jan-Dec 2009</u>
	<u>G\$</u>	<u>G\$</u>
<b>12 Accounts Payable</b>		
Accounts Payable	51,376,133	45,344,770
Accrued Expenses	21,972,587	3,588,518
	<u>73,348,719</u>	<u>48,933,288</u>
<b>13 Payroll Deductions Payable</b>		
Paye Payable		(23,348)
Withholding Tax	4,616,921	342,865
Employee Welfare Scheme & Sports Club	486,173	458,966
	<u>5,103,094</u>	<u>778,483</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**

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

Short term benefits	<u>30,911,786</u>
---------------------	-------------------