

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

**FOR THE YEAR ENDED
31 DECEMBER 2009**

**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: 96/2012

1 October 2012

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE NATIONAL COMMUNICATIONS NETWORK INC.
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

I have audited the accompanying financial statements of National Communications Network Inc. which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audit was conducted in accordance with the Audit Act of 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. This responsibility includes: designing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Organization of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 controls 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 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 our audit opinion.

Qualified opinion arising from Limitation in Scope and Uncertainty

Included in the Balance Sheet is the amount of \$727.499M which represents Fixed Assets. A fixed asset register was not maintained during the period under review. In addition, it was noted that the NCN Inc. did not implement and maintain a master and sectional inventory during the year of audit. As a result, the completeness, accuracy and validity of the amount of \$727.499M representing fixed assets, could not be satisfactorily determined.

The sum of \$232.170M is shown in the balance sheet as Accounts Receivable. However, an approved, documented policy to substantiate the amount of \$86.684M shown as inactive debtors was not presented. It was noted that this amount remained unchanged since 2007. As a result, the completeness, accuracy and validity of the amount shown as Accounts Receivable could not be determined.

Despite repeated requests, a policy for the provision and write off of bad and doubtful debts approved by the Board of Directors was not presented for audit verification. However, it was noted that the provision of \$86.684M remained unchanged over the years. In addition, a total of one thousand and twenty-one (1,021) debtors account reflected credit balances totalling \$32.545M as at 31 December 2009.

The sum of \$42M is stated in the income statement as depreciation charges for the year. However, it was noted that the Company charged a fixed amount and failed to comply with the rates stated in note 5(b) to the financial statements. As a result, the amount stated as depreciation is understated and the amounts stated as fixed assets and net profit are overstated.

Except for any adjustments which might have been shown to be necessary as a result of the matters referred to in the preceding paragraphs, in my opinion, the financial statements give a true and fair view of the financial position of the National Communications Networks Inc as at 31 December 2009, and of its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

NATIONAL COMMUNICATIONS NETWORK INC
BALANCE SHEET
as at December 31, 2009

	Notes	Jan-Dec 2009	Jan-Dec 2008
ASSETS		<u>G\$</u>	<u>G\$</u>
Non-current assets			
Fixed assets	9	727,498,637	733,753,377
		<u>727,498,637</u>	<u>733,753,377</u>
Current assets			
Inventory		5,867,345	5,109,614
Goods in transit		76,255,952	26,241,012
VAT Receivable		1,052,643	2,049,085
Accounts Receivables	10	232,170,301	214,879,196
Other receivables	11	1,336,046	996,457
Deposits		7,470,896	5,095,080
Cash and Cash Equivalents	12	7,935,672	22,708,133
		<u>332,088,854</u>	<u>277,078,577</u>
TOTAL ASSETS		<u><u>1,059,587,491</u></u>	<u><u>1,010,831,954</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital		35,000,000	35,000,000
Reserves		554,536,331	554,536,331
Capital Subvention		133,279,828	124,249,409
Retained Earnings		260,605,629	185,684,553
		<u>983,421,788</u>	<u>899,470,293</u>
Current liabilities			
Accounts Payable	13	48,933,288	84,294,832
VAT Payables		7,387,823	4,835,368
Payroll Deductions Payable	14	778,489	3,165,357
Provision for Taxation	15	18,834,104	18,834,104
Loan Creditor	16	232,000	232,000
		<u>76,165,704</u>	<u>111,361,661</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,059,587,492</u></u>	<u><u>1,010,831,954</u></u>

.....
Director

.....
Director

NATIONAL COMMUNICATIONS NETWORK INC
INCOME STATEMENT
for the period ending December 31, 2009

	Notes	Jan-Dec 2009 G\$	Jan-Dec 2008 G\$
Net Operating Revenues	5	455,369,444	427,421,359
Cost of Sales	6	41,405,573	23,610,963
Gross Profit		<u>413,963,871</u>	<u>403,810,396</u>
Operating Expenses	7	412,851,768	425,720,046
Depreciation	9	42,000,000	42,000,000
Net Operating Profit		<u>(40,887,897)</u>	<u>(63,909,650)</u>
Interest and Other Income		61,808,973	53,595,076
Income from Subvention	8	54,000,000	50,000,000
Net Profit		<u><u>74,921,076</u></u>	<u><u>39,685,426</u></u>

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

