Chartered Accountants
& Business Advisors

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

FINANCIAL STATEMENTS

30 SEPTEMBER 2019

PKF

Chartered Accountants
& Business Advisors

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

INDEX

iGovTT
intelligent • integrative • innovative

National Information and Communication Technology Company Limited
Lord Harris Court, 52 Pembroke Street, Port of Spain
Republic of Trinidad and Tobago
TEL: (868) 627-5600 FAX: (868) 624-8001
www.igovtt.tt
www.facebook.com/iGovTT

STATEMENT OF MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- preparing and fairly presenting the accompanying financial statements of National Information and Communication Technology Company Limited, which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- ensuring that the company keeps proper accounting records;
- selecting appropriate accounting policies and applying them in a consistent manner;
- implementing, monitoring and evaluating the system of internal control that assures security of the company's assets, detection/prevention of fraud, and the achievement of company operational efficiencies;
- ensuring that the system of internal control operated effectively during the reporting period;
- producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the company will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Chief Executive Officer
Date: 18 December, 2019

Chief Financial Officer
Date: 18 December, 2019

Chartered Accountants
& Business Advisors

INDEPENDENT AUDITORS' REPORT

The Shareholder
National Information and Communication Technology Company Limited

Opinion

We have audited the financial statements of National Information and Communication Technology Company Limited, which comprise the statement of financial position as at 30 September 2019, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Information and Communication Technology Company Limited as at 30 September 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of National Information and Communication Technology Company Limited in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern; disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the company's financial reporting process.

Telephone: (868) 235-5063
Address: 111 Eleventh Street, Barataria, Trinidad, West Indies
Mailing Address: PO Box 10205, Eastern Main Road, San Juan

Partners: Renée-Lisa Philip Mark K. Superville

INDEPENDENT AUDITORS' REPORT (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit, 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PKF

Barataria
TRINIDAD
18 December 2019

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

ASSETS

	Notes	30 September 2019 ($)	30 September 2018 ($)
Current Assets:			
Cash and cash equivalents	5	108,772,761	114,903,172
Accounts receivable and prepayments	6	67,486,968	21,559,770
Taxation recoverable		317,199	324,912
Total Current Assets		176,576,928	136,787,854
Non-Current Assets			
Property, plant and equipment	7	8,792,922	8,071,220
Lease assets	8	5,961,952	-
Deferred tax asset	9	1,720,122	-
Total Assets		**193,051,924**	**144,859,074**

LIABILITIES AND SHAREHOLDER'S EQUITY

	Notes	2019 ($)	2018 ($)
Current Liabilities:			
Accounts payable and accruals	10	39,207,363	12,667,057
Deferred income	11	25,911,035	2,560,227
Lease liabilities	8	1,676,728	-
Total Current Liabilities		66,795,126	15,227,284
Non-Current Liabilities:			
Lease liabilities	8	4,057,014	-
Deferred tax liability	9	1,119,026	958,152
Total Liabilities		71,971,166	16,185,436
Shareholders' Equity:			
Contributed capital	12	5,393,923	5,393,923
Accumulated surplus		115,686,835	123,279,715
Total Shareholder's Equity		121,080,758	128,673,638
Total Liabilities and Shareholder's Equity		**193,051,924**	**144,859,074**

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2019 and signed on their behalf by:

Director

Director

(The accompanying notes form an integral part of these financial statements)

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 30 September 2019 ($)	2018 ($)
Income:			
Operating Income:			
Subvention	17	31,000,000	29,000,000
Project management fees		25,417	(161,005)
Tender fees		34,784	122,727
Symposium fees		365,455	-
Consulting fees		227,444	-
Project income	18	13,408,671	13,128,209
		45,061,771	42,089,931
Less: Operating costs	19	(13,779,664)	(12,619,086)
Operating surplus		31,282,107	29,470,845
Other income:			
Interest income		68	28
Other income		66,314	29,104
Total Income		31,348,489	29,499,977
Expenditure:			
Administrative expenses	20	32,370,979	40,206,918
Expected credit loss		7,180,236	-
Recoveries		(25,000)	(874,234)
Gain on foreign exchange translation		(19,773)	(6,954)
Total Expenditure		39,506,442	39,325,730
Net loss before taxation	23	(8,157,953)	(9,825,753)
Taxation		1,552,773	1,864,535
Total Comprehensive Loss for the year		**(6,605,180)**	**(7,961,218)**

(The accompanying notes form an integral part of these financial statements)

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

30 SEPTEMBER 2019

	Contributed Capital ($)	Accumulated Surplus ($)	Total Equity ($)
Balance as at 1 October 2017	5,393,923	131,240,933	136,634,856
Total Comprehensive Loss for the year	-	(7,961,218)	(7,961,218)
Balance as at 30 September 2018	5,393,923	123,279,715	128,673,638
Balance as at 30 September 2018	5,393,923	123,279,715	128,673,638
Expected credit loss - 1 October 2018 (IFRS 9 adjustment)	-	(987,700)	(987,700)
Revised balance as at 1 October 2018	5,393,923	122,292,015	127,685,938
Total Comprehensive Loss for the year	-	(6,605,180)	(6,605,180)
Balance as at 30 September 2019	5,393,923	115,686,835	121,080,758

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

STATEMENT OF CASH FLOWS

	For the year ended 30 September	
	2019 ($)	**2018** ($)
Operating Activities:		
Net loss before taxation	(8,157,953)	(9,825,753)
Adjustment for:		
Expected credit loss	7,180,236	-
Expected credit loss - 1 October 2018 (IFRS 9 adjustment)	987,700	-
Depreciation	1,436,281	1,666,621
Depreciation on RoUAs	1,640,065	-
Gain on disposal of property, plant and equipment	-	(63,449)
Interest portion of lease payment	64,685	-
	3,151,014	(8,222,581)
Changes in non-cash working capital:		
Net change in accounts receivable and prepayments	(55,082,834)	(523,648)
Net change in accounts payable and accruals	26,540,306	2,542,887
Net change in deferred income	23,350,808	(2,263,456)
Taxation paid (net)	1,238	(214,802)
Cash used in operating activities	(2,039,468)	(8,681,600)
Financing Activities:		
Proceeds from disposal of property, plant and equipment	-	343,719
Purchase of property, plant and equipment	(2,157,983)	(1,008,061)
Cash used in financing activities	(2,157,983)	(664,342)
Investing Activities:		
Interest portion of lease payments	(64,685)	-
Principal portion of lease payment	(1,868,275)	-
Cash used in investing activities	(1,932,960)	-
Net change in cash resources	(6,130,411)	(9,345,942)
Cash resources, beginning of year	114,903,172	124,249,114
Cash resources, end of year	**108,772,761**	**114,903,172**
Represented by:		
Cash and cash equivalents	**108,772,761**	**114,903,172**

(The accompanying notes form an integral part of these financial statements)

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

1. Incorporation and Principal Business Activity:

The National Information and Communication Technology Company Limited ("the company" or iGovTT) was incorporated in the Republic of Trinidad and Tobago on the 20 July 2009 and is wholly owned by the Government of the Republic of Trinidad and Tobago. The registered office is situated at Lord Harris Court, #52 Pembroke Street, Port-of-Spain.

The principal activity of the organisation is the execution and administration of enterprise-wide Information and Communication Technology (ICT) Strategies and Programmes for Ministry Departments, Divisions and Agencies. The objective is to ensure more effective alignment, coordination, integration, consistency, security, inter-operability and cost effectiveness of ICT-related projects and initiatives. It also managed ttConnect – a Government portal that allows the public to access a myriad of Government services.

2. Summary of Significant Accounting Policies:

a) Basis of Financial Statements Preparation -

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). They are stated in Trinidad and Tobago dollars, expressed in whole dollars and prepared on the historical cost basis.

b) Fair Value -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable:

- Level 1 inputs are considered the most reliable evidence of fair value and consist of quoted prices in active markets for identical assets or liabilities;
- Level 2 inputs are inputs (other than quoted prices within Level 1) that are either directly or indirectly observable. They are used when quoted prices for the identical asset or liability are not available; and
- Level 3 inputs are unobservable inputs and are used if little or no market activity occurs for the asset or liability.

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. **Summary of Significant Accounting Policies (Cont'd):**

c) **New Accounting Standards and Interpretations -**

The company has not applied the following new standards, revised standards and interpretations that have been issued but are not yet effective as they either do not apply to the activities of the company or have no material impact on its financial statements.

IFRS 1	First-time Adoption of Financial Reporting Standards - Amendments regarding the deletion of short-term exemptions for first-time adopters (effective for accounting periods beginning on or after 1 January 2018).
IFRS 2	Share-based Payment - Amendments regarding the classification and measurement of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018).
IFRS 4	Insurance Contracts - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding the application of IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective for accounting periods beginning on or after 1 January 2018).
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation (effective for accounting periods beginning on or after 1 January 2019).
IFRS 15	Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
IFRS 17	Insurance Contracts (effective for accounting periods beginning on or after 1 January 2022).
IAS 28	Investment in Associates - Amendments regarding the long-term interests in associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
IAS 40	Investment Property - Amendments regarding the transfer of investment property (effective for accounting periods beginning on or after 1 July 2018).

2. Significant Accounting Policies (Cont'd):

c) New Accounting Standards and Interpretations (cont'd) -

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).

IFRIC 23 Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).

d) Property, plant and equipment -

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separated items of property, plant and equipment.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Depreciation is provided using the reducing balance method (buildings straight-line method). The following rates considered appropriate to write-off the assets over their estimated useful lives are applied:

Buildings	-	2%	Furniture and Fittings	-	12.5%
Office Equipment	-	12.5%	Computers Equipment	-	25%
Motor Vehicles	-	25%	Leasehold Improvements	-	12.5%

No depreciation is provided on Work-in-Progress.

2. Significant Accounting Policies (Cont'd):

e) Financial Instruments -

Financial assets and liabilities are recognised on the company's Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

All recognised financial assets that are within the scope of International Financial Reporting Standard (IFRS) 9 are required to be subsequently measured at amortised cost or fair value on the basis of:

(i) the entity's business model for managing the financial assets; and
(ii) the contractual cash flow characteristics of the financial assets.

The company reassess its business models each reporting period to determine whether they have changed. No such changes have been identified for the current year.

Principal is the fair value of the financial asset at initial recognition. Interest is consideration for the time value of money and for credit and other risks associated with the principal outstanding. Interest also has a profit margin element.

Initial measurement

All financial instruments are initially measured at the fair value of consideration given or received.

The company measures fair values in accordance with IFRS 13, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company uses a fair value hierarchy that categorises valuation techniques into three levels:

2. Significant Accounting Policies (Cont'd):

e) Financial Instruments (cont'd) -

(i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Assets and liabilities are classified as Level 1 if their value is observable in an active market. The use of observable market prices and model inputs, when available, reduces the need for management judgement and estimation, as well as the uncertainty related with the estimated fair value.

(ii) Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs other than quoted prices that are observable for the asset or liability.

(iii) Level 3 inputs are unobservable inputs. Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data.

Subsequent measurement

Those financial assets such receivables, which are held within a business model with the sole objective of collecting contractual cash flows which comprise principal only, are subsequently measured at amortised cost. Gains/losses arising on remeasurement of such financial assets are recognised in profit or loss as movements in Expected Credit Loss. When a financial asset measured at amortised cost is derecognised, the gain/loss is reflected in profit or loss.

All other financial assets are subsequently measured at Fair Value Through Profit and Loss (FVTPL), except for equity investments, which the company has opted, irrevocably, to measure at Fair Value Through Other Comprehensive Income (FVTOCI). When a financial asset measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. When an equity investment measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but instead, transferred within equity.

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

e) **Financial Instruments (cont'd) -**

Reclassification

If the business model under which the company holds financial assets changes, the financial assets affected are reclassified accordingly from the first day of the first reporting period following the change in business model. Equity instruments which the company opted to treat at FVTOCI cannot be reclassified.

Impairment

Financial assets are amortised costs are impaired at one of two levels:

(i) Twelve-month Expected credit loss (ECL) – These are losses that result from default events that are possible within twelve months after the reporting date. Such financial assets are at 'Stage 1'.

(ii) Lifetime ECL - These are losses that result from all possible default events over the life of the financial instrument. Such financial assets are at 'Stage 2' or 'Stage 3'.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the twelve-month ECL.

ECL is a probability-weighted estimate of the present value of credit losses, measured as the present value of the difference between (i) the cash flows due to the company under contract; and (ii) the cash flows that the company expects to receive, discounted at the asset's effective interest rate.

Performing financial assets – Stage 1

For performing assets and those expected to perform normally, the loss allowance is the 12-month expected credit loss and is done immediately at initial recognition of asset.

Significant increase in credit risk – Stage 2

When an asset becomes 30 days past due, the company considers that a significant increase in credit risk has occurred and the asset is deemed to be at Stage 2 and the loss allowance is measured as the lifetime ECL.

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2019

2. **Significant Accounting Policies (Cont'd):**

e) **Financial Instruments (cont'd) -**

Credit-impaired financial assets – Stage 3

A financial asset is 'credit-impaired' when events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about one or more of the following events:

(i) significant financial difficulty of the Ministry, Division or Agency (MDAs)
(ii) a breach of contract such as a default or past due event;

There is a rebuttable presumption that financial assets that are in defaulted for more than one hundred and twenty (120) days are credit impaired. The company also considers a financial asset to be credit impaired if the client is unlikely to pay its credit obligation. To determine this, the company takes into account changes in the public sector. The company used its historical experience and forward-looking information that is available without undue cost or effort. If there has been a significant increase in credit risk the company will measure the loss allowance based on lifetime rather than twelve-month ECL.

Modification and Derecognition of Financial Assets

The company will continue to work with MDAs that are in financial difficulty in order to maximise collection and minimise the risk of default. When a financial asset is modified, the company assesses whether this modification results in derecognition of the original amount

In the case where the financial asset is derecognised, the new financial asset will have a loss allowance measured based on twelve-month ECL. If, however, there remains a high risk of default under the renegotiated terms, the loss allowance will be measured based on lifetime ECL.

When the modification does not result in derecognition, the company will measure loss allowance at an amount equal to lifetime ECL.

2. Significant Accounting Policies (Cont'd):

e) Financial Instruments (cont'd) -

Write-off

Receivables are written off when the company has no reasonable expectations of recovering the financial asset, for example, when the company determines or when the MDAs has written advising of their inability to settle. A write-off constitutes a derecognition event. Subsequent recoveries resulting from the company's enforcement activities will result in gains.

Financial liabilities

Since the company does not trade in financial liabilities, and since there are no measurement or recognition inconsistencies, all financial liabilities are initially measured at fair value, net of transaction costs and subsequently, at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount on initial recognition. Financial liabilities recognised at amortised cost are not reclassified.

Critical accounting judgements and key sources of estimation uncertainty

Business model assessment:
The company reassess its business models each reporting period to determine whether they continue to be appropriate and if there need to be a prospective change to the classification of financial assets. This assessment includes judgement regarding:

(i) how the performance of the assets is evaluated and measured; and
(ii) the risks that affect the performance of the assets and how these risks are managed.

Significant increase of credit risk:
The company computes twelve-month ECL for Stage 1 assets and lifetime ECL for Stage 2 or Stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. Assessing whether there has been a significant increase in credit risk requires judgement which takes into the account reasonable and supportable forward-looking information.

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. Significant Accounting Policies (Cont'd):

e) **Financial Instruments (cont'd) -**

Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Establishing groups of assets with similar credit risk characteristics:
When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. Judgement is required in determining whether and when to move assets between portfolios.

Valuation models and assumptions used:
The company uses various valuation models and assumptions in measuring the fair value of financial assets, as well as in estimating ECL. Judgement is applied in identifying the most appropriate valuation model for each type of asset, as well as in determining the assumptions to be used for each model.

Key sources of estimation uncertainty

Probability of default (PD):
PD is an estimate of the likelihood of default over a given period of time, the calculation of which includes historical data, assumptions and expectations of future conditions. PD constitutes a key input in measuring ECL.

Loss Given Default (LGD):
LGD is an estimate of the percentage loss arising on default, and is based on the difference between the contractual cash flows due and those that the company would reasonably expect to receive. LGD is a key input in measuring ECL.

Fair value measurement and valuation process:
In estimating the fair value of a financial asset or a liability, the company uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the company uses valuation models to determine the fair value of its financial instruments.

Exposure at Default (EAD):
EAD is an estimate of the total loss incurred when a customer defaults, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. EAD is a key input in measuring ECL.

2. **Significant Accounting Policies (Cont'd):**

e) **Financial Instruments (cont'd) -**

Credit risk

Credit risk is the risk that a MDAs will default on their contractual obligations resulting in financial loss to the company. Credit risk mainly arises from projects, because it represents the company's main income generating activity, credit risk is the principal risk for the company.

Credit risk management

The company's finance committee is responsible for managing the company's credit risk by:

(i) ensuring that the company has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the company's policies and procedures, International Financial Reporting Standards and relevant supervisory guidance.

(ii) identifying, assessing and measuring credit risk across the company, from an individual financial instrument to the portfolio level.

(iii) categorising exposures according to the degree of risk of default.

(iv) developing and maintaining processes for measuring ECL.

(v) providing guidance to promote best practice in the management of risk.

The internal audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

Significant increase in credit risk

The company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than one hundred and twenty (120) days past due, unless the company has reasonable and supportable information that demonstrates otherwise. The company has monitoring procedures to ensure that significant increase in credit risk is identified before default occurs.

NATIONAL INFORMATION AND COMMUNICATION TECHNOLOGY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. Significant Accounting Policies (Cont'd):

e) **Financial Instruments (cont'd) -**

Measurement of ECL

The key inputs used for measuring ECL are:

(i) probability of default (PD);
(ii) loss given default (LGD); and
(iii) exposure at default (EAD).

The company measures ECL on an individual basis, or on a collective basis for portfolios of accounts that share similar economic risk characteristics.

The following table reconciles the carrying amount of the financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 October 2018.

	IAS 39 carrying value 30/09/18 $	Reclassification $	ECL Remeasurement $	IFRS 9 carrying value 01/10/18 $
Accounts Receivable and prepayments	22,074,600	-	-	22,074,600
Expected credit loss	(514,830)	-	(987,700)	(1,502,530)
	21,559,770	**-**	**(987,700)**	**20,572,070**

2. **Significant Accounting Policies (Cont'd):**

g) **Government subvention -**

Grants from the Government of the Republic of Trinidad and Tobago are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all the attached conditions.

Unconditional grants related to the on-going operations of the company are recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the company.

Grants that relate to recurrent costs are deferred as liabilities and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs they are intended to compensate. Grants in excess of recurrent costs are deferred.

Grants that relate to capital costs are recognised in the Statement of Comprehensive Income as revenue on a systematic basis over the life of the asset.

h) **Stated capital -**

The stated capital consists of a **$5,000,010** capital investment by the Government of the Republic of Trinidad and Tobago.

During the fiscal year 2016 and 2017, there was a transfer of capital investment in accordance with Cabinet decision dated 23 April 2009 of vested assets, which instructed the company to treat said assets as stated capital. The company has recognised as a capital injection, the transfer of two motor vehicles for use in the operations of the company. The value of the capital injection is the fair value of the assets at the date of transfer. The value was determined by an external independent valuator. Although the initial transfer was for two motor vehicles and a building, the decision to transfer the building was rescinded on 13 July 2017 through Cabinet Minute Note 127.

i) **Finance leases -**

The leases entered into by the company which do not transfer substantially all the risk and benefits of ownership are classified as finance leases. The total payments made under finance leases are charged to lease liabilities and leases interest in accordance to IFRS 16.

j) **Provisions -**

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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2. **Significant Accounting Policies (Cont'd):**

k) Borrowings -

Borrowings are initially measured at transaction price (that is the present value of cash payable to the lender, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest rate method and is included in finance costs.

Borrowings costs are recognised in profit and loss in the period in which they are incurred.

l) Impairment -

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

m) Revenue Recognition -

Subvention

This pertains to grants from the Government of the Republic of Trinidad and Tobago ("GORTT") to fund the operations of the company and GORTT ICT-wide projects.

Project Management Fees

This pertains to fees for managing projects and consultation on ICT procurement performed for GORTT and state entities.

Other Income

This pertains to income from various sources including interest income and tender fees.

2. Significant Accounting Policies (Cont'd):

n) Foreign Currency Transactions -

Foreign currency transactions are translated at the exchange rates ruling at the date of the transactions and any gains or losses arising are taken into the Statement of Comprehensive Income. Assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago currency at rates of exchange ruling at the reporting date.

o) Comparative Information -

Where necessary, comparative amounts have been adjusted to conform with the changes in presentation in the current year.

3. Financial Risk Management:

Risk Management

The risk management process is an integral part of management and it is vital in the health and safety of employees and members of the public.

Risk management structure

The company's risk management structure assigns responsibilities to the following as outlined in the State Enterprises Performance Monitoring Manual.

Role of the Board

The Board of Directors, under the Companies Act 1995, directs the management of the business and affairs for the company. The Board performs a set of specific functions aimed at meeting the mission of the company. Its main responsibility lies in planning, monitoring and controlling the activities of the company so as to ensure optimal utilisation of its resources and the achievement of its corporate objectives. It ensures that policies and business decisions taken at the Board level are implemented. The Board also ensures that the policies and objectives of the company reflect the policies of GORTT. It is the Board's responsibility to ensure the company is staffed by competent senior management personnel, to set standards and to review managerial performance in the context of the company's objectives.

Role of Internal Audit

Internal audit is an independent, objective, assurance and consulting activity designed to add value and improve the company's operations. It helps the company to achieve its objectives by evaluating the effectiveness of risk management, control and governance processes.

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3. **Financial Risk Management (Cont'd):**

Risk Management (cont'd)

Role of the Finance Committee

This Committee is appointed by the Board to act in an advisory capacity. The Committee's primary duties and responsibilities are to formulate and recommend policies and procedures to the Board for approval. The Committee also continually reviews policies and procedures in light of economic and business conditions, to ensure relevance to the company and where needed, make recommendations for Board approval.

The following table summarises the carrying amounts and fair values of the company's financial assets and liabilities:

	2019	
	Carrying Value ($)	**Fair Value ($)**
Financial Assets		
Cash and cash equivalents	108,772,761	108,772,761
Accounts receivable and prepayments	67,486,968	67,486,968
Financial Liabilities		
Accounts payable and accruals	39,207,362	39,207,362
Lease liabilities	5,733,742	5,733,742

	2018	
	Carrying Value ($)	**Fair Value ($)**
Financial Assets		
Cash and cash equivalents	114,903,172	114,903,172
Accounts receivable and prepayments	21,559,770	21,559,770
Financial Liabilities		
Accounts payable and accruals	12,667,057	12,667,057

The company is exposed to interest rate risk, credit risk, liquidity risk, currency risk, operational risk, compliance risk and reputation risk. The risk management policies employed by the company to manage these risks are discussed below:

a) **Interest Rate Risk -**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company is exposed to interest rate risk through the effect of fluctuations in the prevailing levels of interest rates on interest bearing financial assets and liabilities.

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3. Financial Risk Management (Cont'd):

a) Interest Rate Risk (cont'd) -

Interest Rate Sensitivity Analysis

The company's exposure to interest rate risk is summarised in the table below, which analyses assets and liabilities at their carrying amounts categorised according to their maturity dates.

2019

	Interest Rate ($)	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and cash equivalents	0.08%	108,764,761	-	-	8,000	108,772,761
Accounts receivable and prepayments	0.00%	-	-	-	67,486,968	67,486,968
		108,764,761	-	-	67,494,968	176,259,729
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	39,207,362	39,207,362
Lease liabilities	7.50%	1,676,728	4,057,014	-	-	5,733,742
		1,676,728	4,057,014	-	39,207,362	44,941,104

2018

	Interest Rate ($)	Up to 1 year ($)	1 to 5 years ($)	Over 5 years ($)	Non-Interest Bearing ($)	Total ($)
Financial Assets						
Cash and cash equivalents	0.08%	114,895,172	-	-	8,000	114,903,172
Accounts receivable and prepayments	0.00%	-	-	-	21,559,770	21,559,770
		114,895,172	-	-	21,567,770	136,462,942
Financial Liabilities						
Accounts payable and accruals	0.00%	-	-	-	12,667,057	12,667,057
		-	-	-	12,667,057	12,667,057

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3. **Financial Risk Management (Cont'd):**

b) **Credit Risk -**

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the future cash inflows from financial assets on hand at the reporting date. The company relies on its policies and guidelines on trade debtor management, which establishes the policies governing the granting of credit to customers and provides a comprehensive framework for prudent risk management of the credit function. These guidelines communicate the company's credit philosophy; provide policy guidelines to team members involved in granting credit; establish minimum standards for credit analysis, documentation, decision making and post-disbursement administration; and create the foundation for a sound credit portfolio.

The company's debtor' portfolio is managed and consistently monitored by management and where necessary, provisions have been established for potential credit losses on delinquent accounts.

Cash balances are held with high credit quality financial institutions and the company has policies to limit the amount of exposure to any single financial institution.

The company also actively monitors global economic developments and government policies.

The maximum exposure to credit risk at year end was:

	30 September	
	2019 ($)	2018 ($)
Trade receivables, net	1,527,907	14,728,951
Cash	108,772,761	114,903,172
	110,300,668	**129,632,123**

Credit risk
The aging of trade receivables at year-end was:

	2019 ($)	2018 ($)
Current	1,594,735	1,384,208
1-30 days due	-	178,275
31-90 days due	13,197	5,481,698
Over 90 days due	8,202,326	8,199,600
	9,810,258	**15,243,781**

Impairment losses in the sum of **$8,083,779** were recognised for trade receivables in 2019 (2018: Nil).

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3. **Financial Risk Management (Cont'd):**

c) **Liquidity Risk -**

Liquidity risk is the risk that arises when there is a mismatch in the maturity of assets and liabilities. Although an unmatched position can enhance profitability, it also increases the risk of losses. To minimise such losses, the company maintaining sufficient cash and other highly liquid current assets and has credit facilities available.

Liquidity Gap

The table below, which analyses assets and liabilities based on the remaining period from the reporting date to the contractual maturity date, summarises the company's exposure to liquidity risk:

2019

	Up to 1 year ($)	1 to 5 years ($)	Over 5 Years ($)	Total ($)
Financial Assets				
Cash and cash equivalents	108,772,761	-	-	108,772,761
Accounts receivable and prepayments	67,486,968	-	-	67,486,968
	176,259,729	-	-	176,259,729
Financial Liabilities				
Accounts payable and accruals	39,207,362	-	-	39,207,362
Lease liabilities	1,676,728	4,057,014	-	5,733,742
	40,884,090	4,057,014	-	44,941,104

2018

	Up to 1 year ($)	1 to 5 years ($)	Over 5 Years ($)	Total ($)
Financial Assets				
Cash and cash equivalents	114,903,172	-	-	114,903,172
Accounts receivable and prepayments	21,559,770	-	-	21,559,770
	136,462,942	-	-	136,462,942
Financial Liabilities				
Accounts payable and accruals	12,667,057	-	-	12,667,057
	12,667,057	-	-	12,667,057

3. Financial Risk Management (Cont'd):

d) Currency Risk -

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the company's measurement currency. The company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar. The company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

e) Operational Risk -

Operational risk is the risk that derives from deficiencies relating to the company's information technology and control systems, as well as the risk of human error and natural disasters. The company's systems are evaluated, maintained and upgraded continuously.

f) Compliance Risk -

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state. The risk is limited to the extent of monitoring controls applied by the company.

g) Reputation Risk -

The risk of loss of reputation arising from the negative publicity relating to the company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the company. The company applies a strategy of public relations exercises to minimise this risk.

4. Critical Accounting Estimates and Judgments:

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4. Critical Accounting Estimates and Judgments (Cont'd):

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates and assumptions concerning the future.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of assets

Management assesses at each reporting date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property, plant and equipment

Management exercises judgement in determining (i) whether future economic benefits can be derived from expenditures to be capitalised; and (ii) the useful lives and residual values of these assets.

iii) Provisions

The recognition of provisions involves assumptions about the probability, amount and timing of an outflow of resources embodying economic benefits. A provision is recognised to the extent that an outflow of resources embodying economic benefits is probable and a reliable estimate can be made.

iv) Contingent liabilities

Management applies its judgement to the facts and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. Such judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

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4. Critical Accounting Estimates and Judgments (Cont'd):

v) Revenue

The organisation recognises revenue when the value can be reliably measured and when it is probable that future economic benefit will flow to the organisation.

vi) Income taxes

Estimates are required in determining the charge for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due.

Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax liabilities in the period in which such determination is made

5. Cash and Cash Equivalents:

	30 September	
	2019 ($)	2018 ($)
Cash in hand	8,000	8,000
Cash at bank – iGovTT	103,188,140	109,466,863
Cash at bank – ttConnect	5,576,621	5,428,309
	108,772,761	114,903,172

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6. Accounts Receivable and Prepayments:

	30 September 2019 ($)	30 September 2018 ($)
Trade receivables	9,810,258	15,243,781
Provision for expected credit loss	(8,282,351)	(514,830)
	1,527,907	14,728,951
Deferred expenses	26,047,821	1,869,972
VAT recoverable	5,478,499	4,823,958
Microsoft Enterprise Agreement	33,574,110	-
Managed services – Tobago Regional Health Authority	711,639	-
Other receivables	146,992	136,889
	67,486,968	21,559,770

Provision for Expected Credit Loss

	2019 ($)	2018 ($)
Balance at beginning of year	514,830	1,389,064
Expected credit loss - 1 October 2018 (IFRS 9 adjustment)	987,700	-
Revised balance at beginning of year	1,502,530	1,389,064
Write-off of debts previously provided for	(375,415)	-
Expected credit loss	7,180,236	-
Recoveries	(25,000)	(874,234)
Balance at end of year	8,282,351	514,830

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7. Property, Plant and Equipment:

	Furniture and Fittings ($)	Office Equipment ($)	Computer Equipment ($)	Motor Vehicles ($)	Leasehold Improvements ($)	Work in Progress ($)	Total ($)
Cost							
Balance as at 1 October 2018	285,340	3,558,880	6,767,946	2,430,574	6,000,935	170,956	19,214,631
Additions	63,900	206,818	1,427,299	52,200	-	407,766	2,157,983
Reclassifications	-	-	-	11,330	-	(11,330)	-
Balance as at 30 September 2019	349,240	3,765,698	8,195,245	2,494,104	6,000,935	567,392	21,372,614
Accumulated Depreciation							
Balance as at 1 October 2018	112,185	2,052,417	5,049,989	1,769,130	2,159,690	-	11,143,411
Charge for the year	39,203	215,781	523,869	177,273	480,155	-	1,436,281
Balance as at 30 September 2019	151,388	2,268,198	5,573,858	1,946,403	2,639,845	-	12,579,692
Net Book Value							
Balance as at 30 September 2019	197,852	1,497,500	2,621,387	547,701	3,361,090	567,392	8,792,922
Balance as at 30 September 2018	173,155	1,506,463	1,717,957	661,444	3,841,245	170,956	8,071,220

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7. Property, Plant and Equipment (Cont'd):

	Furniture and Fittings ($)	Office Equipment ($)	Computer Equipment ($)	Motor Vehicles ($)	Leasehold Improvements ($)	Work in Progress ($)	Total ($)
Cost							
Balance as at 1 October 2017	5,834,726	3,404,126	6,732,302	2,653,825	-	150,796	18,775,775
Additions	35,399	154,754	41,598	340,000	416,150	20,160	1,008,061
Reclassifications	(5,584,785)	-	-	-	5,584,785	-	-
Disposals	-	-	(5,954)	(563,251)	-	-	(569,205)
Balance as at 30 September 2018	285,340	3,558,880	6,767,946	2,430,574	6,000,935	170,956	19,214,631
Accumulated Depreciation							
Balance as at 1 October 2017	1,740,868	1,816,470	4,301,349	1,907,038	-	-	9,765,725
Charge for the year	21,891	235,947	750,117	149,550	509,116	-	1,666,621
Reclassifications	(1,650,574)	-	-	-	1,650,574	-	-
Disposals	-	-	(1,477)	(287,458)	-	-	(288,935)
Balance as at 30 September 2018	112,185	2,052,417	5,049,989	1,769,130	2,159,690	-	11,143,411
Net Book Value							
Balance as at 30 September 2018	173,155	1,506,463	1,717,957	661,444	3,841,245	170,956	8,071,220
Balance as at 30 September 2017	4,093,858	1,587,656	2,430,953	746,787	-	150,796	9,010,050

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8. Lease Assets/Liabilities:

With the introduction of IFRS 16, leases that were previously recorded as operating leases were evaluated to establish if they were right-of-use assets (RoUAs). Opting for the modified retrospective approach, these RoUAs were measured at the amount equal to their equivalent lease liabilities as shown in the table below. The lease liabilities were measured as the present value of the remaining lease payments – discounted using an incremental borrowing rate of 7.50% at the date of initial application of 1 October 1 2018 (Source: Central Bank of Trinidad and Tobago).

Subsequent to the initial application, depreciation was provided on a straight-line basis over the expected term of the RoUAs. Lease payments were apportioned to an interest element as well as a payment against the discounted lease liabilities.

Lease Assets	Property ($)	Office Equipment/ Fixture ($)	Total ($)
Cost			
Balance as at 1 October 2018	-	-	-
Restatement	7,280,559	321,458	7,602,017
Additions for the period	-	-	-
Balance as at 30 September 2019	7,280,559	321,458	7,602,017
Accumulated Depreciation			
Balance as at 1 October 2018	-	-	-
Charge for the period	1,453,231	186,834	1,640,065
Balance as at 30 September 2019	1,453,231	186,834	1,640,065
Net Book Value			
Balance as at 30 September 2019	**5,827,328**	**134,624**	**5,961,952**
Lease Liabilities			
Balance as at 1 October 2018	-	-	-
Restatement	7,280,559	321,458	7,602,017
Payments	(1,679,452)	(188,823)	(1,868,275)
Balance as at 30 September 2019	**5,601,107**	**132,635**	**5,733,742**
Current portion	1,558,465	118,263	1,676,728
Non-current portion	4,042,642	14,372	4,057,014
	5,601,107	**132,635**	**5,733,742**

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9. Deferred Taxation:

	30 September 2019 ($)	30 September 2018 ($)
Balance at beginning of year	958,152	901,023
Effect on Statement of Comprehensive Income	(1,559,248)	57,129
Balance at end of year	(601,096)	958,152

Deferred taxation is attributable to the following items:

	2019 ($)	2018 ($)
Lease liabilities	**(1,720,122)**	-
Property, plant and equipment	**1,119,026**	**958,152**
Balance at end of year	(601,096)	958,152

10. Accounts Payable and Accruals:

	30 September 2019 ($)	30 September 2018 ($)
Trade payables	705,069	8,583,980
Accruals	3,929,021	2,979,558
Project expense - Microsoft	33,574,110	-
Other	999,163	1,103,519
	39,207,363	12,667,057

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11. Deferred Income:

	30 September 2019 ($)	30 September 2018 ($)
Advance Payments -		
Balance at beginning of the year	2,560,227	4,823,683
Advanced billings	1,806,364	-
Transfer to Statement of Comprehensive Income	(3,847,029)	(2,263,456)
Balance as at end of the year	519,562	2,560,227
Microsoft Agreement -		
Balance at beginning of the year	-	-
Increases	33,574,110	-
Amortisation during the year	(8,182,637)	-
Balance as at end of the year	25,391,473	-
	25,911,035	2,560,227

12. Contributed Capital:

	30 September 2019 ($)	30 September 2018 ($)
Authorised		
Unlimited number of shares at no par value		
Issued and outstanding		
10 shares at no par value	10	10
Issued and fully paid		
5,000,000 shares at no par value	5,000,000	5,000,000
Share application *	393,913	393,913
	5,393,923	5,393,923

* This relates to assets vested in the company by GORTT. This forms part of the company's contributed capital as instructed by Cabinet decision dated 23 April 2009.

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13. Related Party Transactions:

As the company is wholly owned by GORTT, and given its mandate, these are the significant transactions entered into with other government-controlled entities (Ministries and State Agencies):

- Contracts for Procurement
- Contract Management for enterprise wide government agreements for government ministries.

Key management personnel

Key management personnel receive compensation in the form of short-term, employee benefits and post-employment benefits.

	30 September 2019 ($)	30 September 2018 ($)
Short-term benefits:		
Directors	558,335	561,000
Executive Management	6,111,611	6,089,181
Post employment benefits:		
Executive Management	204,362	1,325,258
	6,874,308	7,975,439

GORTT itself is not considered a related party.

14. Fair Values:

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

Current Assets and Liabilities

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

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15. Capital Risk Management:

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholder, whilst providing value to the clients. The company's overall strategy remains unchanged from previous years.

The capital structure of the company consists of equity attributable to its shareholder, and comprises stated capital and accumulated surplus.

16. Operating Leases:

	30 September 2019 ($)	30 September 2018 ($)
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	1,936,560	1,952,400
Between one and five years	7,746,240	7,809,600
	9,682,800	**9,762,000**

During the year, **$14,400** (2018: **$1,920,969**) was recognized as an expense in the Statement of Comprehensive Income in respect of operating leases.

In accordance with IFRS 16, amounts paid to lessors during the year were discounted and allocated between Interest and Lease Liabilities. See **Note 8**.

17. Subvention:

	30 September 2019 ($)	30 September 2018 ($)
Subventions received during the year – iGovTT	24,000,000	21,000,000
Subventions received during the year – ttConnect	7,000,000	8,000,000
Recognised in Statement of Comprehensive Income	(31,000,000)	(29,000,000)
Balance, end of the year	-	-

Funding for the operations of the company is provided through Government subventions. During the year, the company received subventions for recurrent expenditure in the sum of **$31,000,000** (2018: **$29,000,000**).

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18. Project Income:

	30 September 2019 ($)	30 September 2018 ($)
Advance Payments	3,297,110	8,431,097
Microsoft Agreement	10,111,561	4,697,112
	13,408,671	13,128,209
iGovTT	13,408,671	12,870,209
ttConnect	-	258,000
	13,408,671	13,128,209

19. Operating Costs:

	30 September 2019 ($)	30 September 2018 ($)
Contracted Services - Local	10,332,693	3,934,556
Contracted Services - Foreign	3,446,971	8,684,530
	13,779,664	12,619,086

Operating costs comprise expenses incurred by the company in engaging service providers with respect to the physical infrastructure, software and maintenance services associated with the provision of ICT services to the GORTT, for projects such as Government Wide Area Network (GovNeTT), Single Electronic Window (SEW), Portal, Microsoft and others.

20. Administrative Expenses:

	30 September 2019 ($)	30 September 2018 ($)
iGovTT (**Note 21**)	26,002,417	33,802,064
ttConnect (**Note 22**)	6,368,562	6,404,854
	32,370,979	40,206,918

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21. Administrative Expenses - iGovTT:

	30 September 2019 ($)	30 September 2018 ($)
Advertising	43,459	21,061
Audit fees	150,809	210,000
Bank charges	11,339	14,058
Board expenses	56,387	59,595
Building maintenance	434,083	2,467,500
Depreciation	1,436,281	1,666,621
Depreciation (RoUAs)	858,844	-
Director expenses	558,335	561,000
Electricity	269,869	245,567
Employee assistance programme	15,690	-
Equipment repairs and maintenance	64,261	44,866
Functions	12,670	-
Gain on disposal	(200)	(63,449)
Insurance	115,517	127,910
Janitorial	455,331	458,513
Lease interest	33,828	-
Legal fees	115,220	241,402
Meeting expenses	17,196	8,872
Minor equipment	633	-
Motor vehicle expenses	36,345	30,754
NIS – Employer's contributions	1,031,819	1,129,206
Office expenses	172,136	136,717
Postage	2,072	1,439
Printing and stationery	64,034	47,597
Professional fees	529,507	1,480,189
Publications	23,957	41,439
Publicity and promotion	157,542	16,415
Recruitment expense	35,229	171,808
Rental – equipment	-	112,446
Rental – property	-	780,000
Salaries and wages	17,159,867	22,063,996
Short-term employment	52,577	112,623
Security	419,317	421,682
Specialised ICT equipment	4,109	37,824
Staff and organisational development	37,966	62,636
Software licences	284,537	192,955
Subscriptions	9,531	10,427
Telephone	418,666	543,999
Training	410,050	84,282
Travel and accommodation – Local	3,224	5,231
Travel and accommodation – Foreign	15,189	9,021
Transportation and storage	5,236	136,329
Uniforms	19,000	-
Utilities	15,704	12,933
Workshops and seminars	445,251	96,600
	26,002,417	33,802,064

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30 SEPTEMBER 2019

22. Administrative Expenses - ttConnect:

	30 September	
	2019 ($)	2018 ($)
Advertising	4,231	-
Building maintenance	59,879	96,467
Depreciation (Right of Use Assets)	781,222	-
Electricity	125,731	123,388
Equipment repairs and maintenance	12,021	2,030
Insurance	22,334	25,937
Lease interest	30,857	-
Janitorial	317,251	303,024
Meeting expenses	2,225	(1,045)
Motor vehicle expenses	7,540	23,326
NIS – Employer's contributions	250,013	282,796
Office expenses	78,719	71,148
Postage	17,500	225
Printing and stationery	38,485	72,821
Professional fees	-	(600)
Publicity and promotion	53,367	30,934
Rental – equipment	-	112,294
Rental – property	100	916,229
Salaries and wages	3,742,966	3,706,520
Security	519,669	524,853
Staff and organisational development	1,800	-
Software licences	31,035	58,102
Telephone	186,177	51,501
Training	78,340	-
Travel and accommodation – Local	6,300	4,904
Transportation and storage	800	-
	6,368,562	6,404,854

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NOTES TO THE FINANCIAL STATEMENTS

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23. Taxation:

	30 September 2019 ($)	30 September 2018 ($)
Business Levy	(4,317)	(912)
Green Fund Levy	(2,158)	(456)
Deferred taxation	1,559,248	(57,129)
Adjustment for prior year tax payable	-	1,923,032
	1,552,773	1,864,535
Net loss before taxation	(8,157,953)	(9,825,753)
Theoretical tax calculated at 30%	2,447,386	2,947,726
Expenses not deductible for tax purposes	79,190	14,728
Business Levy	(4,317)	(912)
Green Fund Levy	(2,158)	(456)
Change in Corporation tax rate from 25% to 30%	-	(180,205)
Tax losses impaired	(2,601,230)	(2,839,378)
Lease liabilities	1,720,122	-
Other	(86,220)	1,923,032
	1,552,773	1,864,535

The Ministry of Finance – Inland Revenue division issued an opinion dated 3 July 2018 which states that subventions and project payments from Ministries were not subject to Corporation Tax, Business Levy and Green Fund Levy. As a result, the tax returns for the income tax years 2013 to 2017 were refiled with the Board of Inland Revenue resulting in a total tax recoverable of **$43,291,588**.

24. Contingencies:

Contingent liabilities:

Details and estimates of maximum amounts of contingent liabilities are as follows:

a) Gratuities are payable to eligible employees pursuant to fulfilment of the following two criteria:

i) The employee must be in the employed with the company to the end of employment contract; and

ii) The employee's performance assessments during the contract period must have been deemed satisfactory.

At the close of the financial year, the estimated gratuity payable equates to **$5,528,321** (2018: **$4,196,389**) for its existing staff complement of **108** (2018: 109) staff members.

b) Legal Claims -

- A former employee who was assigned to the Corporate Communication Unit, contract was terminated on the grounds of negligently dealing with company funds submitted a claim on 24 May 2016. Legal advice obtained indicates that it is unlikely any significant liability will arise and the company is not mindful to settle given the nature of the termination.

- A former employee who was assigned to the Operations Unit, whose contract of employment was not renewed, submitted a claim on 15 September 2017. A conciliation meeting was held on 4 October 2017, which was unsuccessful. The matter remained unresolved and is to be referred to the Industrial Court.

- Nineteen (19) ttConnect employees submitted a claim on 15 March 2018 on the ground of outstanding gratuity, vacations and sick leave during the period in which the Unit was not assigned to the company. The company attended a conciliation meeting on 26 March 2018, which was unresolved and an extension of time for conclusion of the matter was granted to 30 April 2018. The company has since retained legal counsel in this matter. The company awaits the extended date for the conciliation meeting from the Ministry of Labour and Small Enterprise Development (MOLSED).