

Annual Report and Accounts

Guyana Water Inc



for the year ended

December 31, 2005

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Guyana Water Inc. will be held on March 4, 2009 at 14:00h at GWI Boardroom, Shelter Belt, Vlissengen Road & Church Street, Georgetown, when the following business will be transacted.

- (1) Chairman's Message.
- (2) To receive and to consider the Report of the Directors and Audited Accounts for the year ended December 31, 2005.
- (3) To re-appoint incumbent Auditors.
- (4) Any other Business.

By order of the Board.

Nigel Niles
Attorney-at-Law
Director of Corporate Services

VISION

To ensure an efficient, sustainable and financially viable water and sewerage sector delivering high quality of service to customers.

MISSION STATEMENT

To deliver safe, adequate and affordable water and ensure safe sewerage systems for improved public health and sustainable development.

OBJECTIVES

- To improve water supply to an adequate pressure and volume at all times, so that customers demand is met and revenue targets can be achieved;
- To improve delivered water quality working to Guyana National Bureau of Standards targets so that public health is improved and customers acceptability enhanced;
- To efficiently produce, treat and distribute water to customers in order to contain costs and minimize the increase of tariffs on the poor;
- To make water services readily available to new customers in order to satisfy increasing demand and to reduce capital;
- To reduce the impact of capital costs on tariff, fees and charges;
- To improve water supply services to the poor and to communities in the hinterland regions;
- To ensure the effective treatment and disposal of sewerage to support improved public health standards; and
- To achieve financial self-sufficiency so that long-term dependence on external funding is removed.

CORPORATE PROFILE

REGISTERED OFFICE 10 Fort Street, Kingston, Georgetown, Guyana.

BOARD OF DIRECTORS



Dr. William Wilson
Chairman



Komal Chand
Vice-Chairman



Michael Clark
Managing Director



Ramesh Dookhoo
Director



Claudette Moore
Director



Tarachand Balgobin
Director



John Da Silva
Director



Elizabeth Cox
Director



Hamilton Green
Director



John Seeram
Director

CORPORATE MANAGEMENT TEAM

The corporate management team under the new company comprised the Managing Director, five Heads of Departments and the Corporate Secretary as follows:

Managing Director	Mr. Michael Clark
Director of Finance	Mr. Tagenarine Parmesar
Director of Operations	Mr. Sizwe Jackson
Director of Customer Relations & Commercial Services	Mr. Alastair Hill
Director of Human Resources, Management & Development	Mr. Glendon Harris
Asset Development Team, Leader	Mr. Kevin Horn
Corporate Secretary	Mr. Nazir Bacchus

AUDITORS

Office of the Auditor General
63 High Street
Georgetown

ATTORNEYS-AT-LAW

Cameron & Shepherd
2 Avenue of the Republic
Georgetown

BANKERS

National Bank of Industry & Commerce Ltd.
38 Water Street
Georgetown, Guyana

Guyana Bank for Trade & Industry
47 Water Street
Georgetown, Guyana

1. **Chairman's Message**

Several major challenges confronted GWI during 2005 as the utility struggled to consolidate the gains of the first three years of existence. The expected internal challenges of an infant company undergoing transformation were compounded by the challenges of responding to the serious environmental threats imposed by the prolonged flooding of the coastland Region 4 (GWI Division 3) during the first half of the year. As a public utility, GWI was obligated to fulfill its role of ensuring adequate and safe water and sewerage services to the affected communities throughout this catastrophic event, while continuing to fulfill its obligations to its customers throughout the rest of the country. The Management and staff deserve much commendation for their performance to that crisis.

In striving to position itself towards achieving its vision and mission the Utility continued to experience many difficulties. The performance during the year, in terms of achieving its organizational targets, fell below expectations in most areas. The financial performance of the company was particularly disappointing. This was also the case in the area of Customer Relations and Commercial Services. Billing and collections were below targets, attributed mainly to ongoing problems with the existing computerized Billing system which caused severe delays to bill production. Despite the approval of a tariff increase by the Public Utility Corporation in July 2005, the Utility was unable to capitalise on this to enhance its financial position due to these problems. Further, our inability to fill critical senior vacancies coupled with cash flow problems also contributed significantly to this poor performance.

On the positive side, a new Managing Director, Mr. Michael Clarke, assumed duties at the beginning of the year and injected renewed vigour and enthusiasm to the company. There were also important appointments at the Executive Directorship level. The management of the company was restructured and operational changes implemented to ensure more effective functioning and improved service to customers. Relationships between the Board and Management also improved significantly facilitated by several important internal and external interventions.

The procurement process for the new billing system was well advanced and a suitable customer information and billing system (CIMBS) was recommended for acquisition by the end of the year. This, along with the implementation of a new accounting system, is anticipated to significantly enhance the quality and timeliness of billing and all associated accounting and customer relations matters during the next financial period. The company, its shareholders and customers could therefore look forward to improved performance and sustained development in 2006.

William Wilson (Dr.)
Chairman

2. *Overview of Guyana Water Sector Reform Programme*

The 2005 Floods negatively impacted the Water Sector Reform Programme. During the period January 2005 to July 2005 our efforts were concentrated on ensuring a safe delivery of potable water to the affected communities and reactivation of the wells disrupted during the country's worst natural disaster.

In the later half of 2005, we were able to execute a number of projects which will improve with supply services to areas under the Water Sector Reform Programme.

This report chronicles in detail our successes and challenges faced during 2005. It also highlights our plans for 2006.

3. *Administrative Structure*

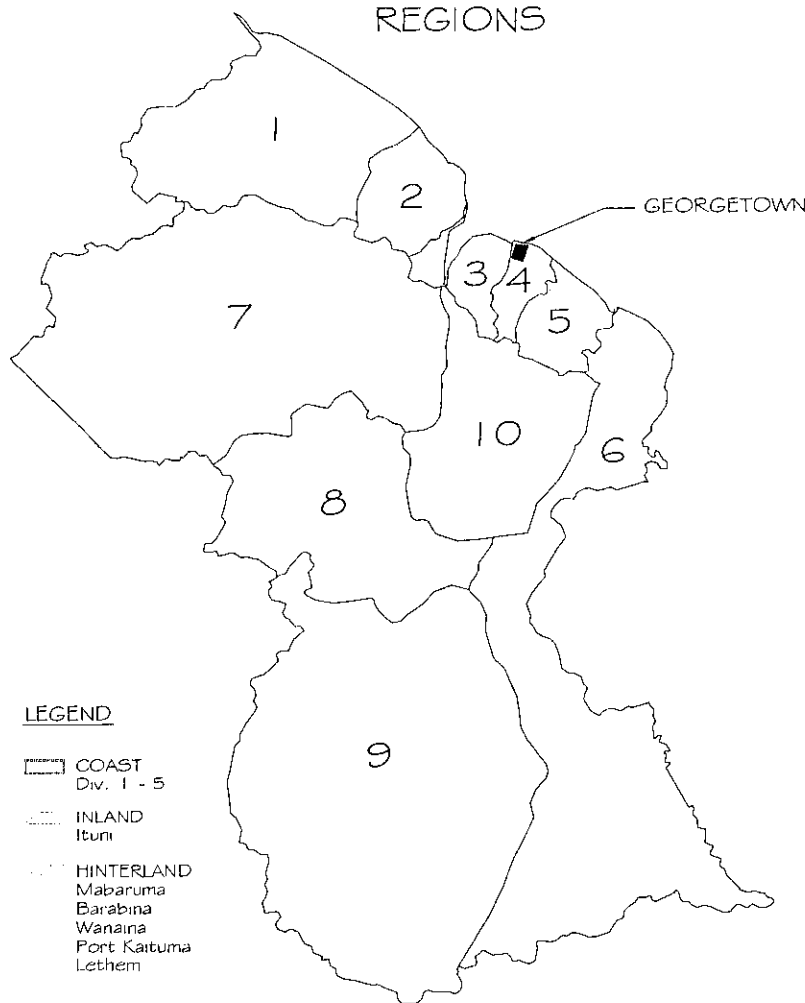
GWI is responsible for providing water and sanitation services to the entire country. The structure adopted to accomplish this objective subdivides the country into five administrative divisions. These are represented in the table below.

Administrative Division	Boundaries	No. of Consumers	Office Location
Division 1	Essequibo Coast Wakenaam Island	8,425	Anna Regina
Division 2	West Bank Demerara Bartica Leguan	24,381	Pouderoyen 1 st Avenue Enterprise
Division 3	Linden East Bank Demerara East Coast Demerara Georgetown	83,254	West Watooka Peter's Hall Bachelor's Adventure Shelter Belt
Division 4	West Berbice	14,845	Fort Wellington
Division 5	East Berbice	31,131	Chesney New Amsterdam
Hinterland	Regions 1, 7, 8, 9 Specific Amerindian Villages in Regions 2, 3, 4, 5, 6&10	1,065	Lethem Mabaruma




Figure 1 Shows the geographical boundaries for the five Administrative Divisions of Guyana Water Inc.

LOCATION MAP

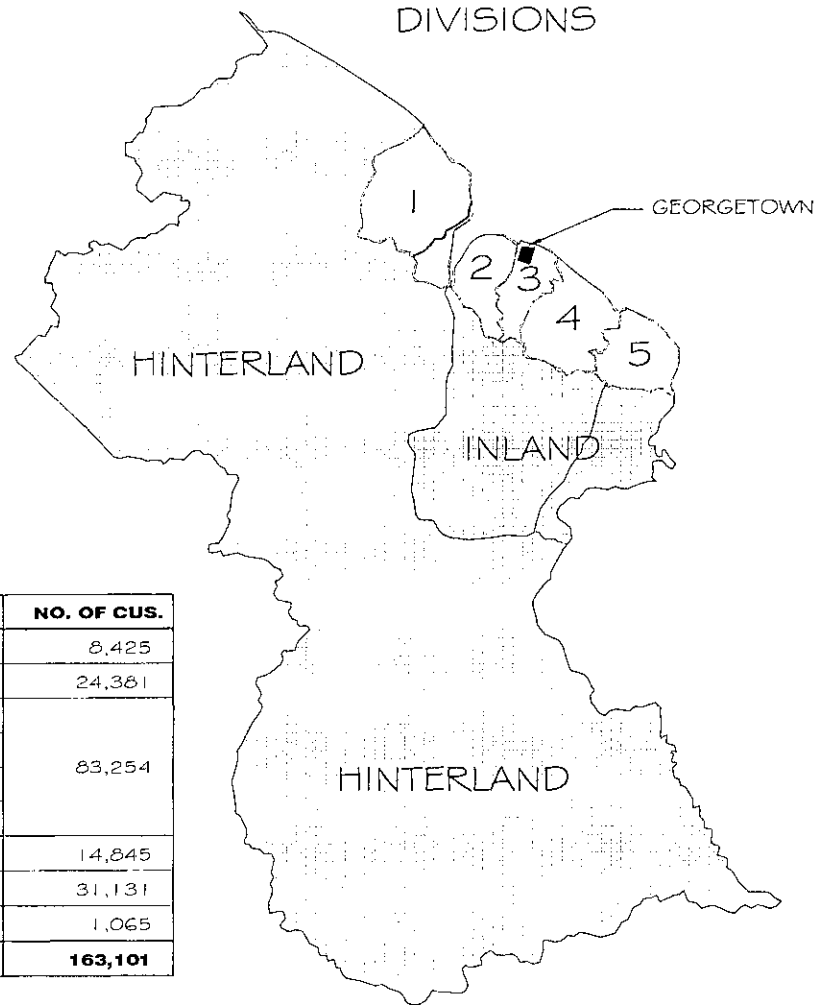
REGIONS



LEGEND

-  COAST
Div. 1 - 5
-  INLAND
Ituni
-  HINTERLAND
Mabaruma
Barabina
Wanana
Port Kaituma
Lethem

DIVISIONS



2005

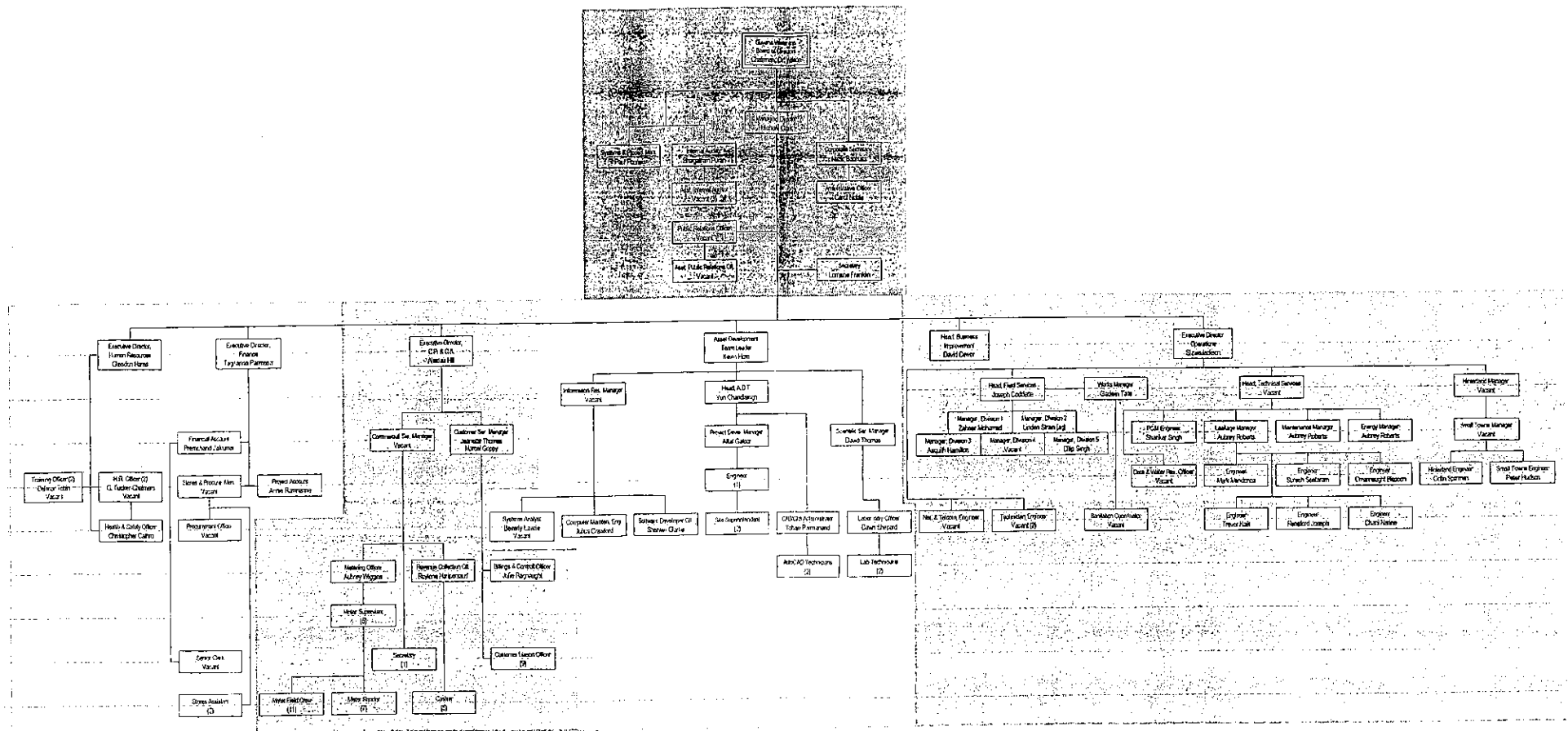
DIVISION	NO. OF CUS.
1	8,425
2	24,361
3 - LIN	83,254
3 - EBD	
3 - ECD	
4	14,845
5	31,131
INLAND	1,065
TOTAL	163,101

4. *Organizational Structure*

The organization structure, which was designed to ensure that the company achieves its objectives, consisted of:

- The Managing Director's Department, which included Public Relations.
- The Department of Operations with five (5) operating Divisions and Hinterland Support Unit.
- The Asset Development Team.
- The Department of Customer Relations & Commercial Services.
- The Department of Finance.
- The Department of Human Resources, Management and Development.
- The Department of Administration.

GUYANA WATER INC. 2005 MANAGEMENT STRUCTURE



5. *Managing Director's Report*

Operations:

Our major challenge in 2005 was to restore all our plants and distribution networks which were damaged by the January floods. It was estimated that the floods cost the company approximately one hundred and fifty eight million dollars (\$158M) of which electricity charges were a significant contribution.

During the floods we operated our pump stations 24/7 so as to reduce the probability of contamination. Our post flood works included repairs to eight thousand (8,000) leaks.

Our average monthly production was 8,520 ml of water whilst average hours run was 53,387 hours. The company's energy consumption was 2,652 MWH. The average number of jobs completed was 25,208. During 2005 fifty two percent (52%) of the jobs done were repairing leakages. Twelve (12) sewerage pump stations were operated on a given day. The company monthly expenditure was \$193M. Electricity cost being astronomical accounted for 74% of our annual operating costs.

It is expected that in the 2006 year we will continue to concentrate our efforts on leakage detection and repairs and improving our response time to disruption and customer complaints. It is also envisaged that we will have twenty (20) sewerage pump stations in operations by the end of 2006.

Customer Services:

2005 was a year of consolidation in the Customer Relations and Commercial Services department. There had been hopes that the strong improvement in collections would continue but the floods at the beginning of 2005 swept them away as the dislocation spread to affect all areas of the national economy. However, overall collections in the year reached a total of \$1.44bn, some \$200m more than in 2004.

Billing followed the pattern of previous years and totalled just under \$2bn, slightly less than 2004 as some technical problems emerged at the end of the period to delay bill production.

Efforts to improve collections were initiated at the end of the summer in response to progressively falling revenues. Despite a well-publicised and countrywide disconnection campaign, collections improved only to deliver a marginal improvement over 2004 results. The difficulties of delivering a solution to this perennial problem have been well documented and appear to reflect a wider social issue rather than any specific failing within GWI, although the shortcomings of the billing systems inherited at the time of the merger do nothing to help the situation.

The new billing system which, after a comprehensive assessment process was recommended for acquisition at the end of the year. This is anticipated to make a difference to the quality and timeliness of billing and all associated accounting and customer relations matters during the second half of 2006. At a cost of around \$35m it represents a major investment for GWI and will form the bedrock of its future financial performance.

In support of the new billing system a major project to clean up and reconcile inaccurate financial and customer related information was commenced which should be completed in the spring. This has required the formation of a specific team dedicated to giving the new system the best possible start with reliable and accurate data.

A price increase was approved by the Public Utilities Commission in October, effective from July 1st, but this will not be possible until the new billing system is implemented due to the problems with the existing system. GWI fully intends to establish a harmonious and mutually-beneficial relationship with the PUC and to ensure it is fully appraised of GWI's efforts to deliver ever-improving levels of service to its customers at economic prices.

FINANCE

The year was another difficult one for the Finance Department. Staffing for critical senior vacancies coupled with cash flow problems presented many challenges throughout the year. While revenue exceed expenditure for the period resulting in a profit from operations of G422M, collections was far below targets.

Revenues for the period 1st January 2005 to 31st December 2005 were G\$3,275M. Income from tariffs was G\$1,968M, whilst other income totaled G\$1,307M. Other income included a payment of \$G800M from GOG towards GPL debt on behalf of GWI.

Expenditure for the same period was G\$2,853M, under the major categories of employment, G\$522M, electricity G\$1,726M, transport G\$73M, office and administration G\$56M, and other operating cost G\$476M.

Fixed and other assets amounted to G\$13,559M, whilst current assets totaled G\$2,124M. The bulk of the current assets figure is made up of debtors (\$2,020M). Current liabilities totaled G\$833M.

Total paid up capital was G\$3,463M, whilst capital grants at the end of the period were G\$11,377M. The net equity at the end of the financial year, taking into account a profit of G\$422M, was G\$11,730M.

At the end of the year, the implementation of a new accounting system is still in process. This along with appointment of a consultant to execute an action plan to address the discrepancies in the Fixed Asset Register remain outstanding.

Human Resources:

While the global employment figures reflected some level of stability the company continued to experience significant difficulties in recruiting professional skills to replace an average of 9 persons leaving each month. A relatively high vacancy level impacted on the level of overtime, the effectiveness in discrete areas of operations and the program of work. Some adjustment was made to the recruitment policy and a more creative approach generated some wins in filling key vacancies. Staff positions continued to remain vacant throughout the year and if departments are to realise its objectives and play its full part in the company's future developments it needs more success in its recruitment endeavours.

The challenges of increasing commitment and loyalty to the company remain formidable given the high level of certified illness (averaging 53% of total absences) and other manifestations that inhibit improved performance. The Cultural Change initiatives continued with the rolling out of the program of Workshops on Values and the agreement to recommend four value statements to the Board of Directors. Consistent with the Human Resources Development Strategy, Training continued to be the centrepiece of the change management strategy and included the design and adoption of a Training Policy that was the foundation for the adoption and implementation of the Annual Training Plan. Its implementation included the sponsorship of overseas technical training, the sponsorship of local generic training, the adoption of a guarantee system to obtain the benefits in training investments and the resuscitation of the Regrading and Reclassification training within the training plan.

Our commitment to providing a safe and healthy workplace in compliance with the Health and Safety at Work Act crystallised during the year with the setting up of a Joint Health and Safety Committee that has implemented a program of Risk Assessments and Hazard Identification as well as Procedural and Policy Development covering key areas of the company's business. The Department moved ahead with the acquisition of the HRMIS and the requisite training to support this and the Payroll aspect of the ABRA Suite. Very little change has

occurred in relation to settling the bargaining arrangements with the three unions seeking bargaining rights. Management successfully persuaded the three unions to approach internal negotiations as a single body and it is hoped to move this process on to its logical conclusion of a formal agreement amongst the unions to negotiate as one collective body.

An indicative succession plan was prepared and will be finalised for adoption and implementation after the conduct of an Assessment Development Centre that will be Donor supported. Salary increases of 7% were implemented for all categories and future changes will be mainly linked to the introduction of a Performance Management Scheme which will commence in January 2006.

Asset Development Team:

Coastal Water Supply

The coastal water supply programme received funding in the order of G\$230M in 2005. The programme focused on the provision of new services and improving service levels to customers who already have access to a service. The programme benefited approximately 55,000 residents throughout the coast in 2005 and made provisions for benefits to approximately 10,000 persons in 2006. Significant investment was made in upgrading the existing infrastructure of regions 2, 3, 5 and 6. A total of 19,600m of transmission mains were installed at a cost of G\$96M, benefiting approximately 26,572 persons. See table 1 for a summary of transmission main upgrade projects.

Investments were also made in the rehabilitation of critical aspects of the distribution systems in the form of actual works and procurement of materials. Procurement of needed materials, such as pipes and leak repair fittings totalled G\$11.4M. Table 2 summarises the distribution rehabilitation works, more specifically stream crossings. These projects did not directly benefit the population but merely added operational reliability to the system. Prior to rehabilitation, stream crossings were performing satisfactorily, but their poor physical condition suggested imminent failure.

Materials to support the company's metering programme and the installation of new connections were procured at a cost of G\$27.15M. These materials were subsequently used to facilitate the installation of revenue meters and service connections. Table 3 summarises the procurement and installation of service connections. Projects new to the capital programme were also implemented in 2005, in particular, the boreholes proving project, in which boreholes were partially rehabilitated and their capacities investigated. These projects were executed in region 6 and totalled G\$5.8M. Seven boreholes were rehabilitated benefiting approximately 12,500 persons.

Additional local funds were also secured through the Basic Needs Trust Fund (BNTF). Table 4 summarises funding accessed from BNTF. These projects provided for the installation of new distribution networks, but not service connections. The installations of service connections in these areas are funded under the 2006 Coastal Water Supply Programme.

Linden Water Supply

The Linden water supply programme received funding in the order of G\$16M in 2005. At the end of 2005 a total of G\$14M was spent benefiting approximately 3000 customers in the town. The programme focused mainly on the rehabilitation of the treatment plants. Although the installation of revenue meters was planned in 2005, it was not pursued on account of poor service levels. The installation of the reactivator internal at West Watooka was postponed until 2006 as a result of the unavailability of critical spares to allow security of supply during construction. Table 5 summarises the 2005 investments in the Linden Water Supply System.

International Donor Funded Projects

The following project funded by international donor agencies commenced in 2005:

- Georgetown II Programme funded by the World Bank
- Water Sector Consolidation Project funded by the IDB
- LBI Metering Project jointly funded by DfID and CDB

At the end of 2005, rehabilitation of the water supply network in some sections of Georgetown was in progress. Approximately 21km of pipelines were laid at a cost of G\$63M. The LBI metering suffered some setbacks on account of poor performance by the contractor. The contract was unfortunately terminated in June 2005. At the conclusion of the project, 2,601 meters were installed at an approximate cost of G\$40M. An additional 491 meters were installed in a pilot project which used local contractors at a cost of G\$5M. No actual construction works commenced under the Water Sector Consolidation Project.

Hinterland Water Supply

A total of G\$23M was allocated within the GoG Capital Budget for 2005 water supply projects in the Hinterland. Twelve months' contracts for the continuing operations and maintenance of the water supply systems in Mabaruma, Port Kaituma and Ituni were finalized to the value of \$28.02M under the Small Towns Project. The Basic Needs Trust Fund funded projects valued some G\$63.75M

Approximately 9000 persons benefited from the Hinterland programme in 2005 with an expenditure of around G\$14.3M. Most of the projects were maintenance oriented and as such extension of service was not significant in the Hinterland. Table 6 summarises the 2005 Hinterland Programme.

Public Relations:

The Public Relation Department was resuscitated in July 2005. This saw the resurgence of press releases, advisories in the print and electronic media and responses to the public's enquires and grievances. Year 2005 marked the launch of another disconnection campaign by the company. The department prepared a communication strategy which utilised posters, fliers, advisories in the media and tours to inform the customers of the company's activities. A campaign was also devised to combat the problem of illegal reconnections and tampering. Greater rapport was fostered between the company and the public.

Another strategy was designed to implement a community water education programme which will be launched in 2006. A proposal for GWI's website was submitted. This website is expected to improve communication between GWI and its customers, stakeholders and the media.

Internal communication to disseminate information continues throughout the company. GWI's newsletter was reintroduced and is produced quarterly and the reintroduction of the staff briefing group system would commence in June 2006. These sessions would be held on a monthly basis.

ANNEX

Table 1- Transmission main upgrade projects

Project	Outputs	Amount Spent (GYD \$M)	Customers Benefited	Estimated Population
Cullen to Zorg en Vlygt WSP	2,750m	10.3	603	2,350
Onderneeming to Good Hope WSP	3,700m	14.3	1,662	6,884
Walton Hall to Exmouth WSP	2,350m	10.4	217	897
Canal # 2 Water Supply	4,500m	15.7	1,665	6,455
No 7 to Cotton Tree transmission main	2,800m	24.6	1,358	5,445
Adventure Transmission main	3,500m	20.7	1,685	4,541
Totals	19,600m	96.1	7,190	26,572

Table 2 – Distribution rehabilitation works (stream crossings)

Project	Outputs	Amount Spent (GYD \$M)
Vreed-en-Hoop to Parika	150m DI	4.9
Industry to Mahaica	112m DI	4.4
Rosignol	184m DI	5.2
East Berbice	194m DI	4.0
Totals	640m DI	18.7

Table 3- Procurement & installation of service connections

Project	Outputs	Amount Spent (GYD \$M)	Customers Benefited	Estimated Population
Materials (Connections)	2700	21.1		
West Berbice (Revenue Meters)	1012	5.6	1,012	5,060
BNTF/SILWFC/SIMAP Areas (New Connections)				
• Area 'G' DeWillem/DeGroot en Klyn – Div. 2	139	0.8	139	551
• Area 'Y' Cummingslodge – Div. 3 ECD	360	2.8	360	1294
• Agricola East & West – Div. 3 EBD	247	1.9	247	968
• Houston/Mc Doom – Div. 3 EBD	232	1.9	232	889
• Land of Canaan – Div. 3 EBD	131	1.1	131	501
• Samatta Point, Golden Grove – Div. 3 EBD	239	1.9	239	973
• Fellowship to Abary – Div. 4	300	1.9	300	1198
• Adelphi/Goed Bananen – Div. 5	234	2.1	234	857
Sub-total (New connections)	1882	14.4	1882	7231
Eccles Water Supply Improvement	223	1.9	246	1230
Rosehall Water Supply Improvement Project	165	1.9	165	825
Totals		44.9	3,305	14,346

Table 4- Funding accessed from BNTF

Project Title	Outputs	Amount Spent (GYD \$M)	Anticipated Customers to Benefit	Anticipated Population to Benefit
Belle Vue Water Supply	1,504 m	2.7	169	626
Wine Bush Water Supply	455 m	1.2	10	39
DeKinderin Water Supply	940 m	2.1	164	689
Vergenoegen Water Supply	2,200 m	2.9	105	431
Canal #2 Water Supply	2,250 m	4.3	200	780
La Grange Water Supply	700 m	2.1	45	176
Mosquito Hall Water Supply	1,840 m	5.4	86	430
Meadow Bank Water Supply	6,061 m	10.6	360	1404
Lusignan Water Supply	705 m	2.3	69	263
Adelphi Water Supply	5,035 m	11.8	234	936
Abary to Fellowship Water Supply	7,640 m	25.6	300	1170
Glazier's Lust Water Supply	1,160 m	2.1	38	156
No. 4 Water Supply	1,030 m	1.6	50	205
Weldad to Profit Water Supply	5,600 m	13.6	300	1170
Skeldon Water Supply	7,900 m	21.1	461	1844
Totals	45,020 m	109 m	2,591	10,319

Table 5- 2005 investments in the Linden Water Supply System

Project Title	Amount Spent (GYD M)	Customers Benefited	Population Benefited
Installation of filter media, floodlight and flow meter at Amelia's Ward WTP	1.825	800	3200
Procurement of filter media for West Watooka WTP	0.52		
Provision of construction services at West Watooka WTP	0.29		
Installation of filter media, re-activator internal, flowmeters, and floodlights at West Watooka WTP	2.008	800	3200
Refurbishment of filters and storage tank at West Watooka WTP	0.7		
Installation of control panels, replacement of filters and upsizing of raw water transmission main at Wisroc WTP	5.45	1150	4600
Installation of Distribution and transmission lines in Speightland	3.212	200	800
Total	14.005	2950	11,800

Table 6 – 2005 Hinterland Program

Project	Amount Spent (GYD \$M)	Customers Benefited	Estimated Population
Mabaruma Settlement extension	1.1	60	270
Mabarauma Elevated Storage Tank Rehabilitation	0.3	230	1035
Maintenance of Port Kaituma system	1.3	150	750
Maintenance of Mathew's Ridge system	0.7	60	300
Maintenance of Moraikobai solar PV system	0.1	45	180
Maintenance of Siparuta, Orealla Systems	1.2	80	400
Installation of pump at Paruima	1.9	50	95
Well maintenance in Region 9	1.4	450	2250
Well upgrade St Ignatius	1.0	200	1200
Lethem well drilling	2.9	300	1800
Pump replacement Bon Success	0.6	70	70
Maintenance of Kato Solar PV systems	0.6	70	420
Installation of storage tanks Paramakatoi	0.7	45	270
Ituni system rehabilitation	0.5	500	125
Totals	14.3	2310	9165



Audit Office of Guyana

*P.O. Box 1002, 63 High Street, Kingstown, Georgetown, Guyana
Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.gov.gy>*

AG: 63/2006

14 June 2006

**REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF GUYANA WATER INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2005**

I have audited the financial statements of Guyana Water Incorporated as set out on pages 5 to 11 in accordance with the Audit Act 2004.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, and compliance with applicable laws, regulations and contractual clauses is the responsibility of the management of Guyana Water Incorporated. My responsibility is to express an independent opinion on these statements based on my audit and to report my opinion to you.

Basis of Opinion

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Disclaimer of Opinion arising from Limitation in Scope and Fundamental Uncertainties

Included in the Balance Sheet is the amount of \$8.111B which represents Fixed Assets. However, several plots of land, a number of buildings, equipment and furniture and fittings were stated in the fixed asset register with zero acquisition cost indicating that these items were not valued even though they are included in the fixed asset register. In addition, the cost and net book value of several items including buildings, machinery and office equipment was stated in the fixed asset register at \$1 even though these assets still have useful life. This also resulted in the amount of \$249.433M and \$2.853B representing depreciation and expenditure respectively being understated by unknown amounts.

Further, the fixed assets schedule was overstated by \$6.086M when compared with the fixed assets register. As a result, the amount reflected in the financial statement was also overstated by

\$6.086M. In addition, supporting documentation was not seen for amounts totalling \$7.740M expended on the acquisition of assets for the year. As a result, the completeness, accuracy and validity of the amounts of \$8.111B, \$249.433M and \$2.853B representing fixed assets, depreciation and expenditure respectively, could not be satisfactorily determined.

Included in the Balance Sheet is the amount of \$55.244M shown as Stocks. However, stock schedules or stock count sheets in support of this amount were not presented for audit examination. In addition, the items in stock at year end were not subjected to a physical count and an estimated value was used to represent the amount reflected as stocks in the financial statements. As a result, the completeness, accuracy and validity of the amount shown as stocks could not be determined.

A comparison of the debtor's schedule and the financial statements revealed that the amount of \$2.020B shown as debtors in the financial statements was overstated by \$6.454M. In addition, the company continued to breach its financial regulations and did not prepare and submit an aged analysis of debtors for audit examination. Further, an examination of the debtors' schedule revealed that there were thirty (30) debtors with credit balances totalling \$3.014B. As a result, the completeness, accuracy and validity of the amount of \$2.020B shown as debtors could not be substantiated.

Included in the Balance Sheet is the sum of \$833.498M which represents creditors and accruals. Of this amount the sum of \$27.998M represents creditors. The Audit Office sought to independently confirm twenty (20) of these credit balances of which five (5) responses were received. All the responses received showed that they were owed more by GWI. Based on the confirmations received, the amount stated as trade creditors in the financial statements was understated by \$4.680M.

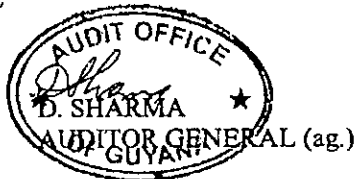
A detailed schedule in support of the amount of \$3.463B representing additional paid in capital was not presented for audit examination. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

An amount of \$ 245.727M was reflected on the financial statements as Long Term Liabilities. However, no supporting documentation was presented to substantiate the schedule presented in support of this amount. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

Included in the amount of \$11.377B shown as Capital Grants is the sum of \$1.416B representing capital grants received in 2005. However, the assets purchased were not recorded in the asset register. As a result, the completeness, accuracy and validity of the amount shown could not be satisfactorily determined.

An examination of the financial statements revealed that in some instances the comparative 2004 amounts differed from the audited 2004 amounts. However, no reason was stated for the restatement of these amounts. In the circumstance, the completeness, accuracy and validity of the amounts shown could not be verified.

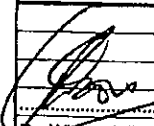
Because of the significance of the matters referred to in the preceding paragraphs, I am unable to form an opinion whether the financial statements present fairly, in all material respects the state of affairs of the Guyana Water Incorporated as at 31 December 2005, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

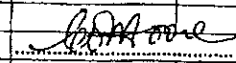


AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

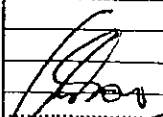
Guyana Water Incorporated
Balance Sheet As At December 31st 2005

31 Dec 2004	Notes	31 Dec 2005
8,352,692,905	Fixed Assets	8,111,000,090
3,986,987,474	Other Assets	5,448,185,556
	Current Assets	
100,946,338	Stocks	55,243,639
1,575,640,938	Debtors	2,019,672,001
7,524,845	Cash & Bank	49,682,906
<u>1,684,111,921</u>	Total Current Assets	<u>2,124,598,546</u>
	Less Current Liabilities	
1,012,150,135	Creditors & Accruals	833,497,681
<u>1,012,150,135</u>	Total Current Liabilities	<u>833,497,681</u>
671,961,786	Working Capital	1,291,100,865
245,727,438	Long Term Liabilities	245,727,438
<u>12,785,914,727</u>	Net Assets	<u>14,604,559,073</u>
	Financed By:-	
	Authorised Share Capital of 1,000,000 Ordinary Shares of \$100 each	
8,825,300	Issued Share Capital	8,825,300
3,463,412,331	Additional Paid In Capital	3,463,412,331
9,960,383,575	Capital Grants	11,376,586,123
12,785,914,727	Accumulated Profit/(Loss)	(244,284,681) 14,804,559,073
<u>(666,706,479)</u>		
<u>12,785,914,727</u>	Total Equity	<u>14,604,559,073</u>


 Dr. Willem Wilson
 Chairman
GUYANA WATER INC
CHAIRMAN


 Claudette Moore
 Director

PERMANENT SECRETARY
 Ministry of Housing & Water

Guyana Water Incorporated			
Income Statement For The Year Ended December 31, 2005			
31-Dec-04 \$		Notes	31-Dec-05 \$
	Operating Income		
2,069,610,381	Tariff	3	1,968,317,058
1,190,101,695	Other Income	4	1,307,141,995
3,259,712,076			3,275,459,053
	Operating Expenditure		
472,398,618	Employment Costs		521,392,230
1,504,994,805	Premises Costs		1,726,898,211
853,735,488	Supplies & Services		228,651,642
70,184,621	Transport Costs		73,489,120
71,571,010	Office & Administrative Costs		55,153,504
595,555,447	Other Costs	5	249,432,548
3,568,439,989			2,853,017,255
(308,727,913)	Profit/(Loss) from Operations		422,441,798
(308,727,913)	Net Profit/(Loss) before taxation		422,441,798
(308,727,913)	Net Profit/(Loss)		422,441,798
 Dr. William Wilson Chairmen		Claudette Moore Director	

Guyana Water Incorporated
Cash Flow Statement For The Year Ended December 31, 2005

	\$
<u>OPERATING ACTIVITIES</u>	
<u>Profit before taxation</u>	422,441,798
Adjustments to reconcile net profit to net cash provided by operating activities:-	
Depreciation	249,432,548
(Increase)/Decrease in Stocks	45,702,899
(Increase)/Decrease in Debtors	(444,031,063)
Increase/(Decrease) in Creditors & Accruals	(178,652,454)
Net Cash Inflows/ (Outflows) from Operating Activities	<u>94,893,528</u>
<u>INVESTING ACTIVITIES</u>	
Purchase of Fixed Assets	(7,739,733)
W-I-P Donor Funded Projects	(1,236,916,204)
W-I-P GoG Projects	(224,281,678)
Net Cash Outflows from Investing Activities	<u>(1,468,937,815)</u>
Net Cash Outflows before Financing	<u>(1,374,044,287)</u>
<u>FINANCING ACTIVITIES</u>	
External Funding	1,416,202,548
Net Cash Inflows from Financing	<u>1,416,202,548</u>
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	<u>42,158,261</u>
<u>Analysis of Increase/(decrease) in cash & cash equivalents</u>	
Cash and bank balance b/f	7,524,645
Cash and bank balance c/f	49,682,906
Change during the year	<u>42,158,261</u>

Notes to the Financial Statements

1. INCORPORATION AND BUSINESS ACTIVITIES

The Guyana Water Incorporated (GWI) was incorporated in Guyana on May 30, 2002 and has its registered offices at Lot 10 Fort Street, Kingston, Georgetown.

The company was formed out of a merger between Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners (GS&WC).

The principal activities of the company are as follows:

- The supply of potable water supply to the citizens of Guyana
- The provision of sewerage disposal services to the residents of Central Georgetown
- Operation and maintenance of the water and underground sewerage system in Guyana.
- Customers billing and collection of tariff for the services provided.

All of the company's customers are categorized as either non-metered or metered. The non-metered customers consist largely of domestic customers who are billed at a fixed annual charge. The metered customers are mainly institutional, commercial and industrial water users who are billed based on measured consumption. Customers who live within the area served by the central sewerage system are billed a separate charge for sewerage service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared under the historical cost convention, as modified for the recording at net book value; the assets transferred from the former GUYWA and GS&WC. The company's accounting policies conform to applicable accounting standards.

(b) Depreciation

No depreciation is provided for on land and construction work-in-progress. Other fixed assets are depreciated using the straight line basis, and various annual rates are applied to particular categories of assets, so as to write-off the cost of the assets over their estimated useful lives. The applicable annual rates used are:

<u>Asset Category</u>	<u>Est Life (years)</u>	<u>Dep Rate (%)</u>
Buildings	25 – 60	2 – 4
Mechanical & Electrical Plant	10 – 15	7 – 10
Motor Vehicles and Mobile Plant	5 – 10	10 – 20
Furniture and Fixtures	7	14
Other Office Equipment	5	20
Infrastructure Water	25 – 80	1 – 4
Infrastructure Sewerage	25 – 80	1 – 4
Computer Hardware	5	20
Computer Software	3	33

(c) **Stocks**

Stocks consist of spares and consumables and are valued at cost determined by the weighted average method.

(d) **Income and Expenditure Recognition**

The financial statements are prepared on the accrual basis. Income from tariff is recognized when billed while other income is recognized when the payment is received.

Expenditure is recorded when the invoice for the goods or services are received or when the goods or services have been received irrespective of when payment is made.

(e) **Trade Receivables**

Trade receivables (water and sewerage supply) are carried at original bill amounts less a provision for doubtful receivables based on a review of all outstanding amounts at year-end.

(f) **Foreign Currency Transactions**

Transactions denominated in a foreign currency are recorded in Guyana dollars using the exchange rate applicable at the transaction date. At the balance sheet date assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates ruling at that date.

Gains and losses resulting from the settlement of transactions and from the translation of foreign currency denominated assets and liabilities are recognized in the profit and loss account. However, in cases where the foreign currency was provided for specifically identified Donor funded project(s), the gains or losses are applied to the project(s).

(g) **Government Grants**

Grants from Governments and other Donor Agencies for expenditure on tangible assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relate. Grants of a revenue nature are credited to income in the period to which they relate or are received. This complies with the requirements of SSAP 4 (Revised).

(h) **Employee Benefits**

The company operates a contributory pension scheme for some of its employees who are on the fixed establishment. The company's contributions to the scheme are charged to the profit and loss account in the year to which they relate. The company is seeking to put in place a more comprehensive pension and medical scheme for all its employees.

Additionally, pensions and gratuities paid to long-serving employees who retire are charged to the profit and loss account in the period in which they are paid.

3 OPERATING INCOME - TARIFF

	\$
Measured water supply	683,118,239
Unmeasured water supply	1,153,104,521
Sewerage service	132,094,298
	1,968,317,058

4 OTHER INCOME

	\$
Government Grant-Revenue	1,264,186,638
Government Grant-Capital	
New Connection Charge	10,916,718
Miscellaneous Charges	32,038,639
	1,307,141,995

5 OTHER COSTS

	\$
Depreciation	249,432,548
Provision for Bad Debts	0
	249,432,548

6 DEBTORS AND PROVISION FOR UNCOLLECTIBLE ACCOUNT

	\$
Debtors -Water and Sewerage	3,682,315,294
- Others and Deposits	32,595,657
- Staff	6,988,467
	<u>3,721,899,418</u>
Less Provision for Bad Debts	1,702,227,417
Net Debtors	2,019,672,001

7 FIXED ASSETS

See schedule on page 4

8 STATEMENT OF CHANGE IN EQUITY

	Issued Capital	Additional Paid-in Capital	Retained Earnings	Capital Grants
	\$	\$	\$	\$
At 01/01/2005	8,825,300	3,463,412,331	(666,706,479)	9,960,383,575
Change in period				
Net Profit			422,441,798	1,416,202,548
At 31/12/2005	<u>8,825,300</u>	<u>3,463,412,331</u>	<u>(244,264,681)</u>	<u>11,376,586,123</u>

Fixed Assets and Depreciation

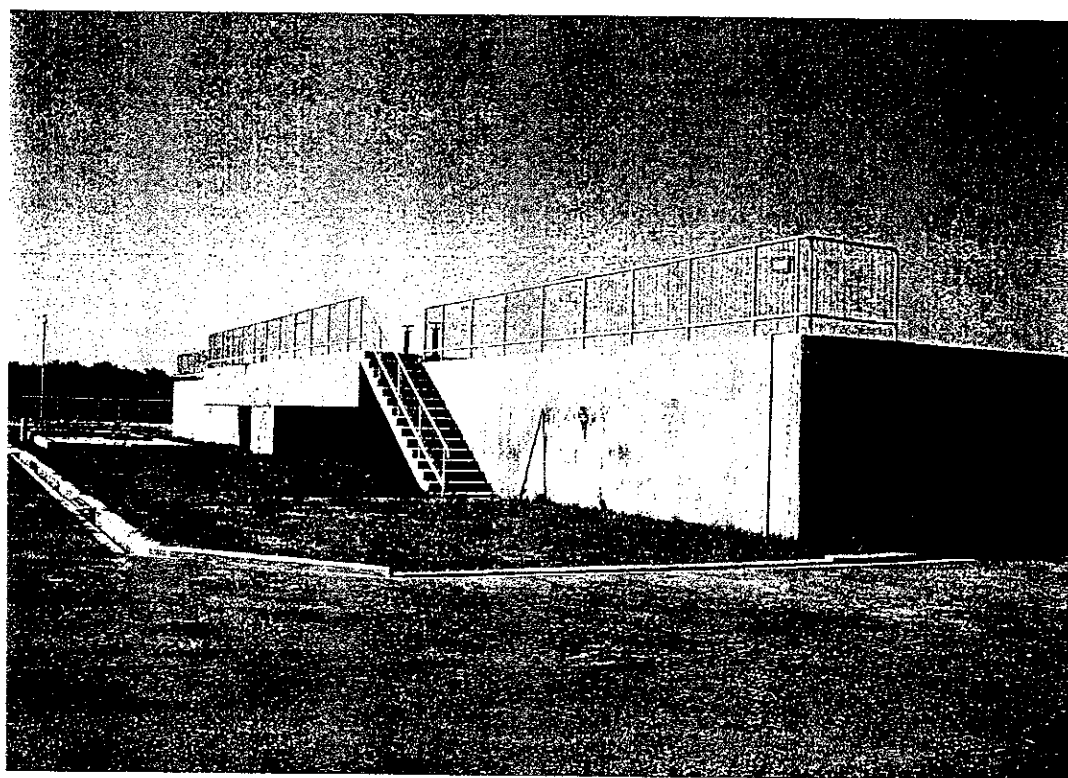
Particulars	Land	Buildings	Mech/Elect Plant	Vehicles & Mobile Plant	Furniture/Fixture & Equipment	Infrastructure Water	Infrastructure Sewerage	Computer Hardware & Software	Work in Progress	Total
Cost/Valuation										
At 1/1/2005										
GWI	248,037,440	2,144,293,210	59,539,994	14,434,864	15,609,838	925,308,520	16,880,955	21,263,756	15,400,068	3,460,768,445
Grants	0	1,235,949,453	426,577,570	21,071,249	2,223,582	3,829,723,881	0	66,212,349	3,786,986,406	9,368,744,490
Additions										
GWI	0	0	3,010,050	565,500	1,653,775	0	0	2,510,408	0	7,739,733
Grants	0	0	0	0	0	0	0	0	1,285,575,402	1,285,575,402
Transfers										
GWI	0	0	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0	0	0
At 31/12/2005 - GWI	248,037,440	2,144,293,210	62,550,044	15,000,164	17,263,613	925,308,520	16,880,955	23,774,164	15,400,068	3,468,508,178
At 31/12/2005 - Grants	0	1,235,949,453	428,577,570	21,071,249	2,223,582	3,829,723,881	0	66,212,349	5,072,561,808	10,854,319,892
Depreciation										
At 1/1/2005										
GWI	0	(144,813,232)	(51,680,420)	(7,782,129)	(8,039,076)	(160,310,847)	(871,460)	(25,328,520)	0	(398,605,684)
Grants	0	(40,817,046)	(53,766,449)	(4,960,439)	(788,692)	(148,727,301)	0	(26,789,945)	0	(275,827,872)
For the Year										
GWI		(69,777,829)	(41,460,281)	(4,231,589)	(2,567,507)	(106,841,647)	(182,537)	(24,371,058)	0	(249,432,548)
Grants	0	0	0	0	0	0	0	0	0	0
At 31/12/2005 - GWI	0	(214,391,181)	(93,120,701)	(12,813,718)	(10,606,583)	(267,152,494)	(1,053,997)	(49,699,578)	0	(648,038,232)
At 31/12/2005 - Grants	0	(40,817,046)	(53,766,449)	(4,960,439)	(788,692)	(148,727,301)	0	(26,789,945)	0	(275,827,872)
Net Book Value-31/12/2005										
GWI	248,037,440	1,929,902,029	30,579,897	2,986,446	6,697,030	658,156,026	15,826,958	(25,925,414)	15,400,068	2,820,489,940
Grants	0	1,195,132,407	374,811,121	16,110,810	1,434,890	3,681,004,580	0	39,422,404	5,072,561,808	10,378,482,020

Note

5,087,961,876 13,198,961,966

Annual Report and Accounts

Guyana Water Inc



for the year ended

December 31, 2006

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NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Guyana Water Inc. will be held on March 4, 2009 at 14:30h at GWI Boardroom, Shelter Belt, Vlissengen Road, Georgetown, when the following business will be transacted.

- (1) Chairman's Message.
- (2) To receive and to consider the Report of the Directors and Audited Accounts for the year ended December 31, 2006.
- (3) To re-appoint incumbent Auditors.
- (4) Any other Business.

By order of the Board.

Nigel Niles
Attorney-at-Law
Director of Corporate Services

VISION

To ensure an efficient, sustainable and financially viable water and sewerage sector delivering high quality of service to customers.

MISSION STATEMENT

To deliver safe, adequate and affordable water and ensure safe sewerage systems for improved public health and sustainable development.

OBJECTIVES

- To improve water supply to an adequate pressure and volume at all times, so that customers demand is met and revenue targets can be achieved;
- To improve delivered water quality working to Guyana National Bureau of Standards targets so that public health is improved and customers acceptability enhanced;
- To efficiently produce, treat and distribute water to customers in order to contain costs and minimize the increase of tariffs on the poor;
- To make water services readily available to new customers in order to satisfy increasing demand and to reduce capital;
- To reduce the impact of capital costs on tariff, fees and charges;
- To improve water supply services to the poor and to communities in the hinterland regions;
- To ensure the effective treatment and disposal of sewerage to support improved public health standards; and
- To achieve financial self-sufficiency so that long-term dependence on external funding is removed.

CORPORATE PROFILE

REGISTERED OFFICE 10 Fort Street, Kingston, Georgetown, Guyana.

BOARD OF DIRECTORS



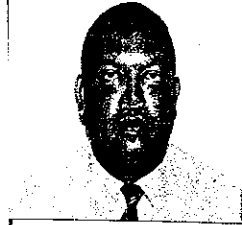
Dr. William Wilson
Chairman



Komal Chand
Vice-Chairman



Michael Clark
Managing Director



Ramesh Dookhoo
Director



Claudette Moore
Director



Tarachand Balgobin
Director



John Da Silva
Director



Elizabeth Cox
Director



Hamilton Green
Director



John Seeram
Director

CORPORATE MANAGEMENT TEAM

The corporate management team under the new company comprised the Managing Director, five Heads of Departments and the Corporate Secretary as follows:

Managing Director	Mr. Michael Clark
Director of Finance	Mr. Ravin Paltoo
Director of Operations	Mr. Sizwe Jackson
Director of Customer Relations & Commercial Services	Mr. Lancelot Mc Caskey
Director of Human Resources, Management & Development	Vacant
Asset Development Team, Leader	Mr. Kevin Horn
Corporate Secretary	Mr. Nazir Bacchus

AUDITORS

Office of the Auditor General
63 High Street
Georgetown

ATTORNEYS-AT-LAW

Cameron & Shepherd
2 Avenue of the Republic
Georgetown

BANKERS

Republic Bank Ltd.
38 Water Street
Georgetown, Guyana.

Guyana Bank for Trade & Industry
47 Water Street
Georgetown, Guyana

1. Chairman's Message

The past year brought into greater focus the strategic and operational development of Guyana Water Inc. Many of the challenges of the previous year still persisted; however, there were several significant developments during the year which served to improve the overall outlook of the company. Human Resources, Operations, Asset Development (capital works) and Customer Service were some of the areas where there were positive developments. These provided critical indicators to the progress of the utility in fulfilling its mission to provide improved quality and levels of service to its customers throughout the country.

There were concerted efforts between the Board and management to complete the 5-year Strategic Plan for GWI during 2006. This Plan is vital for the strategic development of the company and, based on the GWI Management Contract, was two years overdue. A final draft of the Plan was submitted by mid-year and was forwarded to the Minister of Housing and Water for consideration by Government. The overarching strategy of the plan was to harmonise the strategic targets and indicators with the GWI License whilst recognizing the realities confronting the utility.

The new Customer Information and Billing System (CIMBS) was finally procured and the contract signed early in the year. Installation and training was ongoing during the first half year. The system was commissioned around mid-year and implementation and roll-out proceeded on phased basis towards year-end. It was expected that the system would be fully operational in all Divisions by year-end and the benefits of improved billing and collections and all associated customer relations matters will be realised during next year.

Notwithstanding these developments, the financial performance of the company continued to be disappointing. Billing and collections were below targets and the accounting systems faltered due to failure of the newly installed accounting system compounded by staffing problems. This impacted negatively on all aspects of the company's financial operations and caused serious difficulties for the Board, Donors and the Auditors. The Board and Management continue to work with the various stakeholders to resolve this situation to develop a sound, professional and efficient Finance Department. The strengthening of the financial system is a top priority for the utility during the coming year.

GWI managed to improve its service delivery and levels of service to consumers through systems improvements and capital works. The Operations and Asset Development Teams vigorously prepared and executed numerous projects aimed at improving transmission and distribution systems and expanding services to previously un-served communities. Many areas benefited from improved water pressures through our leak detection and repair programmes. Several major investment projects were finalized for implementation in 2007, including the Japanese-funded Corriverton Water Supply Programme.

The Board anticipates that the coming year will bring significant improvements in the company's performance. GWI look forward to the continued support of all our customers and stakeholders in the future.

Dr. William Wilson
Chairman

2. Overview of Guyana Water Sector Reform Programme

Asset Development Team:

Coastal Water Supply

The Coastal Water Supply Programme received a final budgetary allocation of G\$285M in 2006. The programme focused on the upgrade of transmission mains and distribution networks, installation of new service connections, installation of revenue meters, procurement of service connection materials and development of new boreholes. The program benefited approximately 7,000 customers (a population of approximately 28,000) at a cost of G\$213M. Table 1, summarises the key outputs of the 2006 Coastal Water Supply Programme. The distribution of beneficiaries (population) by region is illustrated in Figure 1.

Corriverton Water Supply Programme

The Corriverton Water Supply Programme received a total budgetary allocation in May 2006 of G\$73M. The programme entailed preparatory works for the Japanese Grant Aid under which two water treatment plants will be constructed at Number 56 Village and Queenstown. Table 2 summarises the outputs of the programme for 2006.

These activities form part of the July 2006 exchange of notes between the Government of Japan and the Government of Guyana. The exchange of notes confirmed funding for the first phase of the project to the value of G\$1,102M. Of this total allocation for Phase 1 of the project, G\$44.5M was expended on the consultancy for design and supervision.

Phase 1 of the project extends from No. 51 Village to No. 74 Village and will benefit approximately 3,200 customers (14,000 residents) when completed in March 2008. Phase 2 of the project extends from No. 75 Village to Molson Creek and will benefit approximately 4,000 customers (19,000 residents) when completed in March 2009.

The activities completed in 2006 will therefore allow for approximately 7,200 customers (33,000 residents) to benefit from the project when it is completed in 2009.

Linden Water Supply

The Linden Water Supply Programme received a total budgetary allocation of G\$23M in 2006 of which G\$13.1M was expended and benefited approximately 2,800 customers (11,000 residents). The programme focused on the upgrade of distribution systems along with improvements in the reliability of production sources. Table 3 below summarises the main outputs of the 2006 Linden Water Supply Programme.

It was not possible to fully utilise budgetary allocations for this programme due to uneconomical proposals for the procurement of pumps project. This project accounted for 30% of the 2006 programme and was tendered three times in 2006.

Georgetown Water Supply and Sewerage Programme II

The Georgetown Water Supply and Sewerage Programme II received a final budgetary allocation of G\$701.2M in 2006. The programme focused on the upgrade of transmission mains and distribution networks, installation of new service connections, and installation of revenue meters initially in three (3) zones of the City; procurement of equipment and materials for the rehabilitation of the Shelter Belt water treatment plant; flood prevention measures at three (3) wells; and construction of a sludge pre-treatment facility at Tucville. The program benefited approximately 7300 customers (a population of approximately 29,200) at a cost of G\$528.1M. Table 4, summarises the key outputs of the 2006 Georgetown Water Supply and Sewerage Programme.

to the Chair of the Corporate Management Team Committee to have these adopted and implemented. A further three component program are now with the CMT sub-committee members for review these are the Hearing Protection Program, Respiratory Protection Program, and the Excavation Safety Program.

Chlorine Safety Review

Due to ongoing problems in convening the review team on a regular basis this process has been put on hold until the New Year when it is hoped that this important area of operations can be revisited effectively.

Personal Protective Equipment (PPE)

It is becoming apparent that some staff are not using the PPE issued to them. Whilst it is the responsibility of individuals to comply with safety and health requirements of the Company, it is also an important responsibility of Managers and Supervisors to ensure that this is happening. This obviously is not what is happening. Managers and Supervisors must ensure that anyone found in non-compliance is dealt with immediately, and that they set the standard by leading by "good" example.

Safety Training Programme

This is being developed alongside the Company Safety Program review, and Safety Training in support of those elements of the program which have been adopted shall commence in January 2007.

Conclusion

The Human Resources department will continue to play its role in recruiting the best staff to move this company forward. We will also continue to train staff for greater responsibilities and to deal with the n challenges that lay ahead.

HINTERLAND WATER SUPPLY:

- Basic Needs Trust Fund (BNTF) provided funding for the completion of projects at Mahdia, Region 8 (\$51.4M) and at Wanaina-Kokerite, Region 1(\$45.2). These projects were for new transmission and distribution of potable water within these communities. Other successfully completed water supply projects undertaken by BNTF were at Bamboo Creek, Kato, Kurukubaru, Tipuru and Monkey Mountain (Region 8) for a total sum of \$31.5M. In addition new solar powered systems were installed at Aishalton, Sand Creek and Yupukari in Region 9 and St. Cuthbert's in Region 4.
- Projects which were completed under the GoG Capital programme were :
 1. Procurement and installation of a new engine at Ituni (\$0.7M); Rehabilitation of the diesel engine at Culvert City- Region 9(\$0.6M);Rehabilitation of pump station at Port Kaituma (\$0.3M);Improvement of water supply system at Matthew's Ridge(\$2.3M)
 2. Under the Cabinet Outreach programme the water supply was improved in Hotoquai, Region 1 (\$1.0M); Installation of water supply system at Kartabo (Region 7); A new well was drilled at 47 Miles, Mabura (\$1.0M) and Rockstone (\$1.5M) in Region 10. Emergency works were complete at Annai (Region 9) for the Amerindian Heritage Month at \$0.3M.

3. Sixty contracts were signed with village water point caretakers in Region 9 who were to receive \$4,000 per month stipend each.
- Under the DFID Programme procurement of building materials commenced by the end of 2006.

PUBLIC RELATIONS:

In 2006, the newly resuscitated Public Relations Department continued with the execution of the communication strategy which was taken on board the previous year.

Guyana Water Incorporated emphasis on bridging the gap between customers and the water company was evident with frequent public relations activities such as regular alert and press releases in the mass media; visits and tours of our various treatment plants by students; and positive feed back from the customer service call center.

The introduction of a half hour television program entitled Customers Alert was introduced in August 2006 and immediately facilitated a forum for both customers and the water company to ventilate issues related to water.

The GWI website was launched in August 2006 and met its mandate in terms of improving communications between GWI and its customers, stakeholders and the media.

ANNEX

Project Type	Cost (G\$M)	Key Output	Customers	Population
Transmission	69.3	3.8km transmission mains	5,100	19,930
Distribution	18.25	4.6km distribution mains	525	2,068
Service connections	4.182	507 new connections	507	1,977
Revenue Meters	3.6	1035 meters installed	1,035	4,036
Procurement	52.9	Service connection, well construction and leak repair materials		
Well Construction	62.2	30% completion of 2 wells		
Supervision	3	Employment of Clerks of works		
Total	213		7,167	28,011

Table 1 – Summary of 2006 Coastal Water Supply Programme

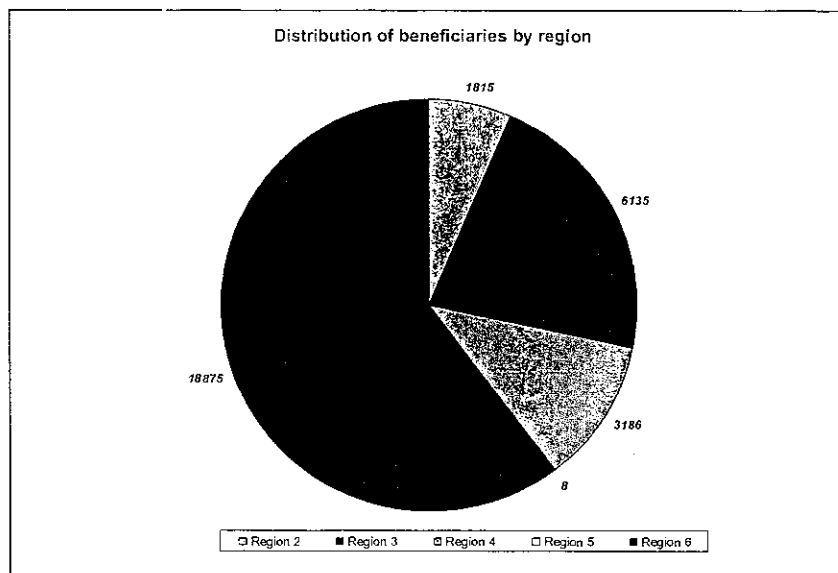


Figure 1 – Coastal Water Supply Programme Distribution of Beneficiaries (population) by region

Project Type	Expenditure	Key Output
--------------	-------------	------------

	(G\$M)	
Land acquisition	0.5	20,000m ² of land acquired
Site Clearance	4.3	30,000m ² of land cleared
Construction of fences	3.8	800m of fencing
Construction of access roads	3.3	200m of access road
Construction of access bridges	2.6	1 access bridge
Site electrification	2.1	Extension of electricity infrastructure
Procurement of materials and tools	3.1	Leak repair materials and small tools
Leakage Strategy	5.2	8 Leak Inspectors Employed, 1600 leaks found
Supervision	3.0	Employment of project staff and office support
Total	27.9	

Table 2 – Summary of 2006 Corriverton Water Supply Programme

Project Type	Expenditure (G\$M)	Key Outputs	Customers	Population
Treatment Plant Rehabilitation (West Watooka)	5.3	Improved plant performance	800	3,440
Distribution Upgrades	7.8	3km of distribution mains	2,000	7,800
Total	13.1		2,800	11,240

Table 3 – Summary of 2006 Linden Water Supply Programme

Project Type	Cost	Key Output	Customers	Population
--------------	------	------------	-----------	------------

	(GSM)			
Project Management	52.8	Employment of project staff, design work, and implementation of Environmental Management Programme	-	-
Central Ruimveldt & Sophia Iron Removal Plants	-	Construction of treatment facilities	-	-
Zone W2 Distribution Rehabilitation	277.0	55.0 km transmission and distribution mains, 2,225 service connections and revenue meters	2225	8900
Zone W4 Distribution Rehabilitation	71.1	31.2 km transmission and distribution mains, 2,275 service connections and revenue meters	2275	9100
Zone W14 Distribution Rehabilitation	80.2	40.6 km transmission and distribution mains, 1595 service connections and revenue meters	1595	6380
Agricola Trunk Main	26.5	3.0 km transmission mains	500	2000
Tucville Septage Receiving Station	7.6	3.5 km sewer mains and construction of septage receiving station	700	2800
Shelter Belt Refurbishment – Phase 1	12.3	Rehabilitation of raw water station, sedimentation tanks, dosing pumps and filters	-	-
Remedial Work/Flood Prevention	0.7	Raising of well heads at three pumping stations	-	-
Total	528.1		7,295	29,180

Table 4 – Summary of 2006 Georgetown Water Supply and Sewerage Programme II



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: 84/2007

31 July 2007

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF GUYANA WATER INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2006

I have audited the financial statements of Guyana Water Incorporated as set out on pages 4 to 11 in accordance with the Audit Act 2004.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, and compliance with applicable laws, regulations and contractual clauses is the responsibility of the management of Guyana Water Incorporated. My responsibility is to express an independent opinion on these statements based on my audit and to report my opinion to you.

Basis of Opinion

The audit was conducted in accordance with Generally Accepted Auditing Standards, including those of the International Organization of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Qualified of Opinion arising from Limitation in Scope and Uncertainties

Included in the Balance Sheet is the amount of \$377.605M shown as Stocks. However, in several instances the unit price and total value of items of stock were not recorded on the stock count sheets. In addition, bin cards and stock ledgers were not maintained for the period under review. Further, the Goods Received Book was not written up for the period 13 June 2006 to 31 December 2006. As a results, the completeness, accuracy and validity of the amount shown as stocks could not be determined.

The company continued to breach its financial regulations and did not prepare and submit an aged analysis of debtors for audit examination. Further, an examination of the debtors' schedule revealed that there were 1,664 debtors with credit balances totalling \$281.064M. As a result, the completeness, accuracy and validity of the amount of \$1.544B shown as debtors could not be substantiated.

The amount of \$204.435M is shown in the Balance Sheet as Cash & bank. However, the company did not maintain a cash book and general ledger for the period under review. In addition, certified bank reconciliation statements were not prepared and submitted for audit examination. In the circumstance, the completeness, accuracy and validity of the amount shown as cash & Bank could not be verified.

Included in the Balance Sheet is the sum of \$1.288B which represents creditors and accruals. A schedule in support of this amount was not submitted for audit examination. Notwithstanding this, a Statement of Account was presented indicating that the company is indebted to the Guyana Power & Light Inc. in the sum of \$821M. As a result, the completeness, accuracy and validity of the amount shown as creditors and accruals could not be determined.

The amount of \$3.463B shown in the Balance Sheet represents additional paid in capital. It was observed that the sum of \$3.372B was transferred from Guyana Water Authority at the time of incorporation. However, a schedule in support of the difference of \$91.066M was not presented for audit examination. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

Long Term Liabilities in the financial statements is shown as a nil balance. However, no evidence was seen to indicate that the amount of \$245.727M shown in the 2005 statements was paid in full. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

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 present fairly in all material respects the financial position of the Guyana Water Incorporated as at 31 December 2006, and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards.


D. SHARMA
AUDITOR GENERAL (ag.)

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

Guyana Water Inc.
Balance Sheet
As at December 31, 2006

31/12/2005	Notes	31/12/2006
8,111,000,090	<i>Fixed Assets</i> 7	12,863,078,983
5,448,185,556	<i>Other Assets</i> 7	1,853,537,273
	<i>Current Assets</i>	
55,243,639	Stocks	377,604,906
2,019,672,001	Debtors 6	1,543,888,799
<u>49,682,906</u>	Cash & Bank	<u>204,435,129</u>
<u>2,124,598,546</u>	<i>Total Current Assets</i>	<u>2,125,928,834</u>
	<i>Less Current Liabilities</i>	
<u>833,497,681</u>	Creditors & Accruals	<u>1,287,935,197</u>
1,291,100,865	<i>Working Capital</i>	837,993,637
245,727,438	<i>Long Term Liabilities</i>	
14,604,559,073	<i>Net Assets</i>	15,554,609,893
	<i>Financed By:-</i>	
	Authorised Share Capital of 1,000,000 Ordinary Shares of \$100 each	
8,825,300	Issued Share Capital	8,825,300
3,463,412,331	Additional Paid in Capital	3,463,412,331
11,376,586,123	Capital Grants 8	12,943,580,418
0	Revaluation Reserve	104,171,132
14,604,559,073	Accumulated Profit/(Loss) 8	<u>(965,379,288)</u>
<u>(244,264,681)</u>	<i>Total Equity</i>	15,554,609,893
14,604,559,073		

Mr. Ramesh Dookhoo
Vice Chairman

Ms. Claudette Moore
Director
PERMANENT SECRETARY
MINISTRY OF HOUSING & WATER

Guyana Water Inc.
Income Statement
For the year ended December 31, 2006

31-Dec-05		Notes	31-Dec-06
\$			\$
	<u>Operating Income</u>		
1,968,317,058	Tariff	3	1,474,380,338
1,307,141,995	Other Income	4	1,376,740,270
<u>3,275,459,053</u>			<u>2,851,120,608</u>
	<u>Operating Expenditure</u>		
521,392,230	Employment Costs		608,262,124
1,726,898,211	Premises Costs		1,805,398,820
226,651,642	Supplies & Services		158,883,912
73,489,120	Transport Costs		130,221,363
55,153,504	Office & Administrative Costs		69,492,203
249,432,548	Other Costs	5	799,976,793
<u>2,853,017,255</u>			<u>3,572,235,215</u>
422,441,798	Profit/(Loss) from Operations		(721,114,607)
<u>422,441,798</u>	<i>Net Profit/(Loss) before taxation</i>		<u>(721,114,607)</u>
422,441,798	<i>Net Profit/(Loss)</i>		<u>(721,114,607)</u>

Mr. Ramesh Dookhoo
Vice Chairman

Ms. Claudette Moore
Director
PERMITS & LICENSING
MINISTRY OF HOUSING & WATER

Guyana Water Inc.
Cash Flow Statement
For the year ended December 31, 2006

31/12/2005 \$		31/12/2006 \$
	OPERATING ACTIVITIES	
422,441,798	(Loss)/Profit before taxation	(721,114,607)
	Adjustments to reconcile net profit to net cash provided by operating	
249,432,548	Depreciation	379,976,793
45,702,699	Loss on disposal of fixed assets	(10,199,780)
(444,031,063)	(Increase)/Decrease in Stock	(475,783,202)
(178,652,454)	(Decrease)/Increase in Debtors	245,727,438
	Increase/(Decrease) in Creditors & Accruals	
<u>94,893,528</u>	Net Cash Inflows/ (Outflows) from Operating Activities	<u>(581,393,358)</u>
	INVESTING ACTIVITIES	
(7,739,733)	Purchase of Fixed Assets	(60,892,985)
(1,461,198,082)	W-I-P Donor and GoG Funded Projects	461,721,185
<u>(1,468,937,815)</u>	Net Cash Outflows from Investing Activities	<u>400,828,200</u>
<u>(1,374,044,287)</u>	Net Cash Outflows before Financing	<u>(180,565,158)</u>
	FINANCING ACTIVITIES	
1,416,202,548	External Funding- GoG	218,214,375
<u>1,416,202,548</u>	Net Cash Inflows from Financing	<u>218,214,375</u>
<u>42,158,261</u>	NET MOVEMENT IN CASH AND CASH EQUIVALENTS	<u>37,649,217</u>
	<i>Analysis of increase/(decrease) in cash & cash equivalents</i>	
7,524,645	Cash and bank balance b/f	49,682,906
49,682,906	Cash and bank balance c/f	204,435,129
<u>42,158,261</u>	Change during the year	<u>154,752,223</u>

Guyana Water Inc.
Notes to the Financial Statements
For the year ended December 31, 2006

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The Guyana Water Incorporated (GWI) was incorporated in Guyana on May 30th, 2002 and has its registered office at Lot 10 Fort Street, Kingston, Georgetown.

The company was formed out of a merger between the Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners (GS&WC).

The principal activities of the company are as follows: -

The supply of potable water to the citizens of Guyana.

The provision of sewerage disposal services to the residents of Central Georgetown.

Operation and maintenance of the water and underground sewerage system in Guyana.

Customer billing and collection of tariffs for the services provided.



All customers of the company's customers are categorized either as non-metered or metered. Non-metered customers consist largely of domestic customers who are billed at fixed annual charges. The metered customers are mainly institutional, commercial and industrial water users who are billed based on measured consumption. Customers who receive potable water and live within an area served by the central sewerage system are billed separately for sewerage services.

2. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared under the historical cost convention, as modified for the recording at net book value; the assets referred to were transferred from the former GUYWA and GS&WC companies. The company's accounting policies conform to applicable accounting standards.

(b) Depreciation



No depreciation is provided for construction work-in-progress. Other fixed assets are depreciated using the straight line basis, and various annual rates are applied to particular categories of assets, to write-off the cost of the assets over their estimated useful lives. The applicable annual rates used are:

Asset Category	Estimated Life (Years.)	Depreciation Rate (%)
Buildings	25-60	2-10
Mechanical & Electrical Plant	10-15	7-10
Motor Vehicles and Mobile Plant	5-10	10-20
Furniture and Fixtures	7	14
Other Office Equipment	5	20
Infrastructure Water	25-80	1-10
Infrastructure Sewerage	25-80	1-10
Computer Hardware	5	20
Computer Software	3	33

Guyana Water Inc.
Notes to the Financial Statements
For the year ended December 31, 2006

(c) Stock

Stock consist of spares and consumables that are valued at cost determined by the weighted average method.

(d) Income and Expenditure Recognition

The financial statements are prepared on the accrual basis. Income from tariffs are recognized when billed while other income is recognized when the payment is received.

Expenditure is recorded when the goods or services are received and invoiced irrespective of when payment is made.

(e) Trade Receivables

Trade receivables (water and sewerage supply) are carried at original bill amounts less a provision for doubtful receivables based on a review of all outstanding amounts at year-end.

(f) Foreign Currency Transactions

Transactions denominated in a foreign currency are recorded in Guyana dollars using the exchange rate applicable at the transaction date. At the balance sheet date assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates at that date.

Gains and losses resulting from the settlement of transactions and from the translation of foreign currency denominated assets and liabilities are recognized in the profit and loss account. However, in cases where the foreign currency was provided for specifically identified Donor funded project(s), the gains or losses are applied to the project(s).

(g) Government Grants

Grants from Governments and other Donor Agencies for expenditure on tangible assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. Grants of a revenue nature are credited to income in the period to which they relate or are received. This complies with the requirements of SSAP 4 (Revised).

(g) Employees Benefits

The company operates a contributory pension scheme for some of its employees who are on the fixed establishment. The company's contributions to the scheme are charged to the profit and loss account in the year to which they relate. The company is seeking to put in place a more comprehensive pension and medical scheme for all its employees.

Additionally, pensions and gratuities paid to long-serving employees who retire are charged to the profit and loss account in the period in which they are paid.

Guyana Water Inc.
Notes to the Financial Statements
For the year ended December 31, 2006

	2006	2005
	\$	\$
3. OPERATING INCOME- TARIFF		
Measured water supply	595,667,689	683,118,239
Unmeasured water supply	836,114,731	1,153,104,521
Sewerage service	42,597,918	132,094,298
Total	<u>1,474,380,338</u>	<u>1,968,317,058</u>
 4. OTHER INCOME		
Government Grant	1,334,694,519	1,264,186,638
New Connection and Reconnection Charges	20,862,364	10,916,718
Miscellaneous Charges	20,214,490	32,038,639
Interest Income	968,897	-
Total	<u>1,376,740,270</u>	<u>1,307,141,995</u>
 5. OTHER COSTS		
Depreciation	379,976,793	249,432,548
Provision for Bad Debts	420,000,000	-
Total	<u>799,976,793</u>	<u>249,432,548</u>
 6. ACCOUNTS RECEIVABLE		
Trade Receivables	3,433,677,190	3,682,315,294
Other Receivables and Deposits	3,978,715	32,595,657
Staff Receivables	18,460,311	6,988,467
Provision for Bad Debts	(1,912,227,417)	(1,702,227,417)
Total	<u>1,543,888,799</u>	<u>2,019,672,001</u>
 7. FIXED ASSETS		
See schedule on page 11		

Guyana Water Inc.
Notes to the Financial Statements
For the year ended December 31, 2006

8. STATEMENT OF CHANGES IN EQUITY

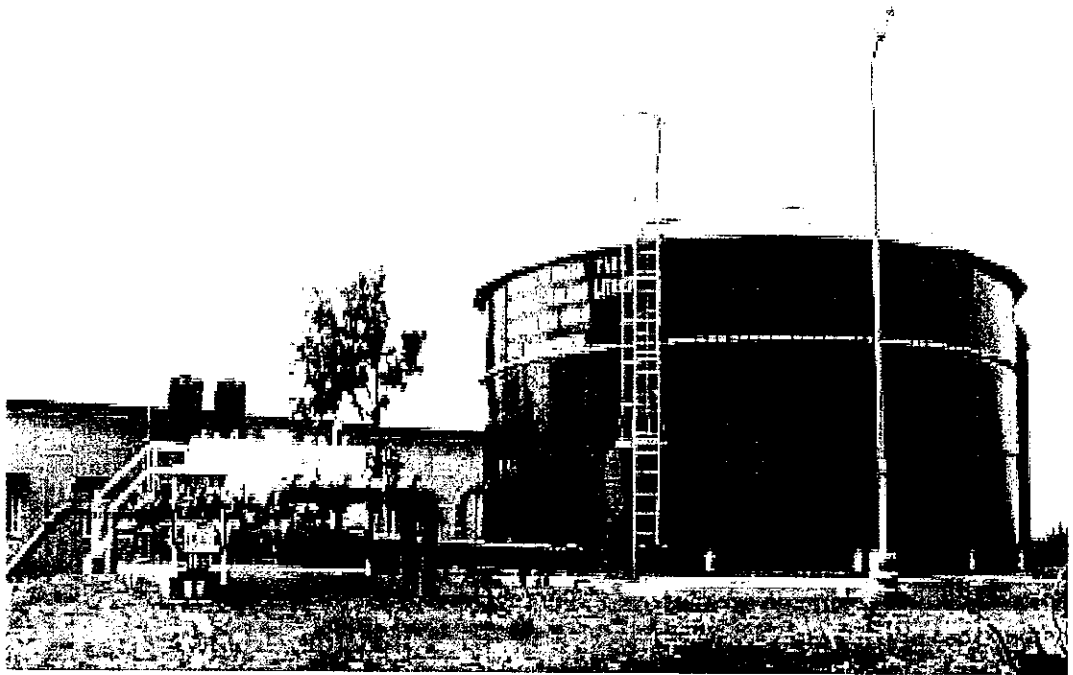
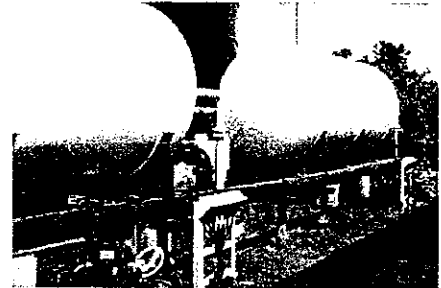
Particulars	Issued Share Capital \$	Additional Paid In Capital \$	Retained Earnings \$	Capital Grants \$
As at January 1, 2006	8,825,300	3,463,412,331	(244,264,681)	11,376,586,123
Change in period	-	-	-	1,566,994,295
Net Loss			(721,114,607)	
As at December 31, 2006	8,825,300	3,463,412,331	(965,379,288)	12,943,580,418

GWI
Fixed Assets and Depreciation Schedule

Particulars	Land	Buildings	Mech/Elect Plant	Vehicles & Mobile Plant	Furniture / Fixture & Equip	Infrastructure - Water	Infrastructure - Sewerage	Computer Hardware & Software	TOTAL Fixed Assets	Work in Progress	GRAND TOTAL
Cost / Valuation	\$	\$	\$	\$	\$	\$	\$	\$		\$	\$
Cost / Valuation at 1/1/2006	804,609,465	609,770,955	727,708,509	76,202,018	48,784,785	11,168,498,381	29,744,092	91,016,259	13,556,334,464	394,745,200	13,951,079,664
Additions	-	-	16,190,614	12,420,500	9,078,950	3,246,600	-	67,265,558	108,202,222	1,458,792,074	1,566,994,295
Transfer											
Cost / Valuation at 31/12/2006	804,609,465	609,770,955	743,899,123	88,622,518	57,863,735	11,171,744,981	29,744,092	158,281,817	13,664,536,686	1,853,537,274	15,518,073,959
Particulars	Land	Buildings	Mech/Elect Plant	Vehicles & Mobile Plant	Furniture / Fixture & Equip	Infrastructure - Water	Infrastructure - Sewerage	Computer Hardware & Software	TOTAL Depreciation	Work in Progress	GRAND TOTAL
Depreciation											
Accumulated Depreciation at 01/01/2006	-	55,338,822	72,770,851	15,240,404	6,279,284	248,013,408	1,853,602	21,984,539	421,480,910	-	421,480,910
Depreciation for the year 2006	-	13,834,706	72,770,851	15,240,404	6,279,284	248,013,408	1,853,602	21,984,539	379,976,794	-	379,976,794
Accumulated Depreciation at 31/12/2006	-	69,173,528	145,541,702	30,480,808	12,558,568	496,026,816	3,707,204	43,969,078	801,457,704	-	801,457,704
NBV - 31/12/2006	804,609,465	540,597,427	598,357,421	58,141,710	45,305,167	10,675,718,165	26,036,888	114,312,739	12,863,078,982	1,853,537,274	14,716,616,255

Annual Report and Accounts

Guyana Water Inc



for the year ended

December 31, 2007

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Notice of Meeting

Notice is hereby given that the Annual General Meeting of Guyana Water Inc. will be held on March 4, 2009 at 15:00h at GWI Boardroom, Shelter Belt, Vlissengen Road & Church Street, Georgetown, when the following business will be transacted.

- (1) Chairman's Message.
- (2) To receive and to consider the Report of the Directors and Audited Accounts for the year ended December 31, 2007.
- (3) To re-appoint incumbent Auditors.
- (4) Any other Business.

By order of the Board:

Nigel Niles
Attorney-at-Law
Director of Corporate Services

VISION

To ensure an efficient, sustainable and financially viable water and sewerage sector delivering high quality of service to customers.

MISSION STATEMENT

To deliver safe, adequate and affordable water and ensure safe sewerage systems for improved public health and sustainable development.

OBJECTIVES

- To improve water supply to an adequate pressure and volume at all times, so that customers demand is met and revenue targets can be achieved;
- To improve delivered water quality working to Guyana National Bureau of Standards targets so that public health is improved and customers acceptability enhanced;
- To efficiently produce, treat and distribute water to customers in order to contain costs and minimize the increase of tariffs on the poor;
- To make water services readily available to new customers in order to satisfy increasing demand and to reduce capital;
- To reduce the impact of capital costs on tariff, fees and charges;
- To improve water supply services to the poor and to communities in the hinterland regions;
- To ensure the effective treatment and disposal of sewerage to support improved public health standards; and
- To achieve financial self-sufficiency so that long-term dependence on external funding is removed.

CORPORATE PROFILE

REGISTERED OFFICE 10 Fort Street, Kingston, Georgetown, Guyana.

BOARD OF DIRECTORS



Dr. Cyril Solomon
Chairman



Ramesh Dookhoo
Vice-Chairman



Karan Singh
Chief Executive



Dharamkumar Seeraj
Director



Komal Chand
Director



Tarachand Balgobin
Director



Harry Chand Tulsi
Director



Elizabeth Cox
Director



Mildred Akpan
Director

**Debra Montouth-
Hollingsworth**
Director

Corporate Management Team

The corporate management team under the new company comprised the Managing Director, five Heads of Departments and the Corporate Secretary as follows:

Chief Executive	Mr. Karan Singh
Director of Capital Investment & Planning	Mr. Sizwe Jackson
Director of Operations	Mr. Yuri Chand Singh
Director of Finance	Mr. Ravin Paltoo
Non Revenue Water Manager	Mr. Altaf Gafoor
Head of Human Resources	Ms. Gale Doris
Director of Customer Relations and Customer Services	Vacant
Corporate Secretary	Nazir Bacchus

AUDITORS

Office of the Auditor General
63 High Street
Georgetown

ATTORNEYS-AT-LAW

Cameron & Shepherd
2 Avenue of the Republic
Georgetown

BANKERS

Republic Bank Ltd.

38 Water Street
Georgetown, Guyana.

Guyana Bank for Trade & Industry

47 Water Street
Georgetown

1.

Chairman's Message

The year 2007 was an exciting one for the Guyana Water Incorporated, (GWI), as the corporation sought to transition to a higher level of efficiency, sustainability and financial viability. The beginnings of improvements could be detected in spite of the upheavals caused by the transition.

The truncation of the company's relationship with the management contractor, Severn Trent Water International (STWI) created a management vacuum which was filled by a team of young managers supported by the Board of Directors. The management team was constrained to take action to reassure the donor community as a consequence of an external audit report that made several recommendations for the improvement of the enterprise and threatened the funding of several projects.

Identifying the need for a plan of action that would guide the water and sewerage sector to its short, medium and long term goals, the Corporation consulted key GWI officials and stakeholders advocating the need for fundamental reform of the operations of the enterprise. The key elements of the reform were identified as:

- The reduction of Non Revenue Water
- The Improvement of Collections
- The Metering of Customers
- The Rationalized Use of Boreholes and
- The Improvement of Sewerage Disposal
- Improved Customer Service and Public Image

As a result of the consultations the corporation arrived at the instrument named "The Turnaround Plan," the road map to guide GWI to greater efficiency, sustainability and financial viability. The foci of the Plan are:

- Improved Governance
- Human Resource Development and Institutional Strengthening
- Improved Application of Information Technology
- Improved Financial Management Financial Integrity and
- The Consolidation of Present Operation

The plan placed emphasis on improving the present distribution network by reducing leaks and re-establishing pressure zones, improving the commercial operations of billings and collections and extracting greater efficiencies from pumping systems in the short to medium term.

For the furtherance of the plan a new Board of Directors and a Managing Director with a wealth of experience in the water sector going back to GUYWA, the antecedent of GWI, were appointed in August and September consecutively. These appointments gave a boost to the image and performance of the company.

Though too early there are signs of improvement in the fortunes of the company. The Donor community has expressed greater confidence in the corporation as the recommendations of the audit have been addressed. Suspended funding has been resumed and the Donors including DFID, the EU and IDB have committed funds to support the Turnaround Plan.

The road ahead will not be easy for much work still has to be done to take the corporation to an acceptable level of performance. The customers will develop greater confidence in the corporation as product availability and quality improve and the shareholders will become satisfied as the operating efficiencies improve and capital projects are better managed.

This has been an exciting year for the company but more is yet to come. The corporation will continue pursuit of the goals of the Turnaround Plan and the achievement of the Millennium Development Goal that pertains to the universal availability of potable water. The institutional changes that are consonant with the advancement of the corporation will be pursued assiduously.

On behalf of the corporation I should like to express sincerest gratitude to everyone who contributed to the achievements of the corporation in 2007 and look forward to continuing to work together with you for the benefit of the customers and Guyana in the years ahead.

Dr. Cyril Solomon
Chairman, Board of Directors

2. **Overview of Guyana Water Sector Reform Programme**

Asset Development Team

Coastal Water Supply:

The Coastal Water Supply Programme received a final budgetary allocation of G\$240M in 2007. The programme focused on the upgrade of transmission mains and distribution networks, installation of new service connections, installation of revenue meters, procurement of service connection materials and development of new boreholes. The program benefited approximately 20,900 customers (a population of approximately 79,420) at a cost of G\$222M. Table 1, summarizes the key outputs of the 2007 Coastal Water Supply Programme.

Corriverton Water Supply Programme:

The Corriverton Water Supply Programme received a total budgetary allocation in 2007 of G\$702.6M. The programme entailed preparatory works for the Japanese Grant Aid under which two water treatment plants will be constructed at Number 56 Village and Queenstown. Table 2, summarizes the outputs of the programme for 2007. A total of \$3.8M was spent on the Treatment Plant; 8000 meters were installed and 4km of transmission main was constructed.

Linden Water Supply:

The Linden Water Supply Programme received a total budgetary allocation of G\$30M in 2007 of which G\$28.45M was expended. The programme focused on the upgrade of distribution systems along with improvements in the reliability of production sources. Table 2, summarizes the main outputs of the 2007 Linden Water Supply Programme.

3. Administrative Structure

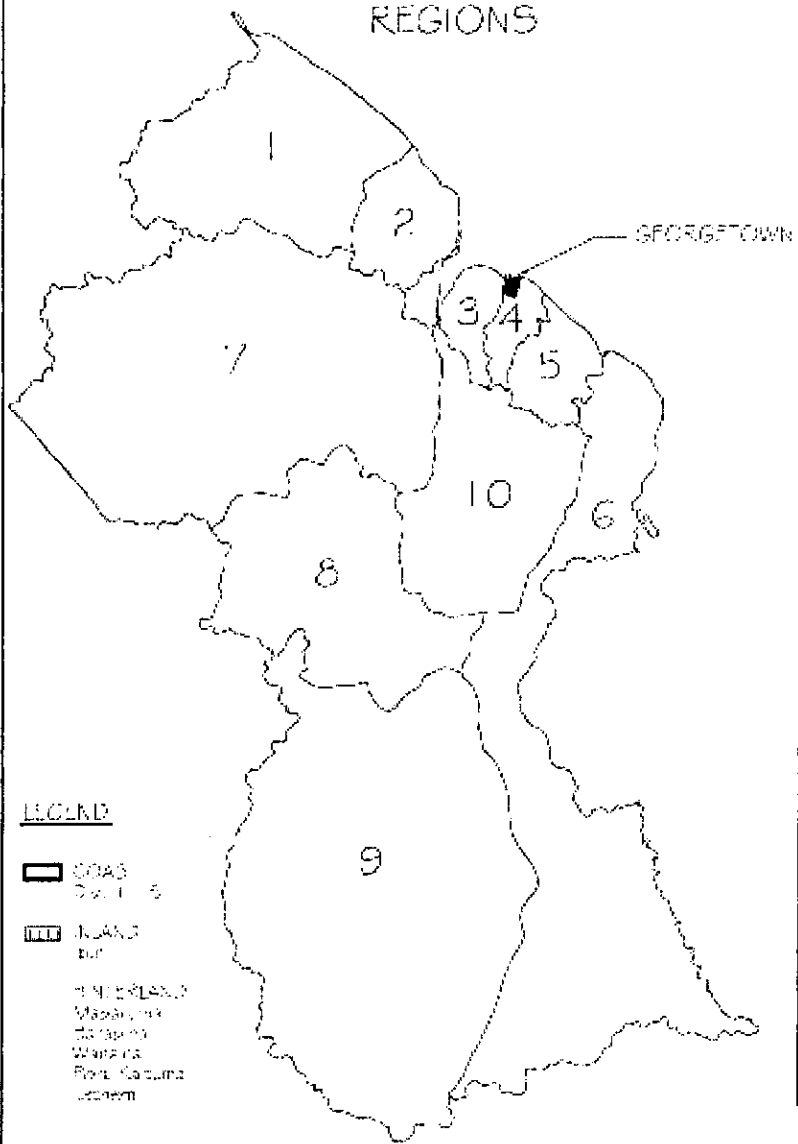
GWI is responsible for providing water and sanitation services to the entire country. The structure adopted to accomplish this objective subdivides the country into five administrative divisions. These are represented in the table below.

Administrative Division	Boundaries	No. of Consumers	Office Location
Division 1	Essequibo Coast Wakenaam Island	11,946	Anna Regina
Division 2	West Bank Demerara Bartica Lecuan	21,759	Pouderoyen 1 st Avenue Enterprise
Division 3	Linden East Bank Demerara East Coast Demerara Georgetown	5,136 12,656 29,906 35,069	West Watooka Peters Hall Bachelors Adventure Sheller Belt
Division 4	West Berbice	12,864	Fort Wellington
Division 5	East Berbice	30,820	Chesney New Amsterdam
Hinterland	Regions 1, 7, 8, 9 Specific Amerindian Villages in Regions 2, 3, 4, 5, 6 & 10	976	Lethem Mabaruma

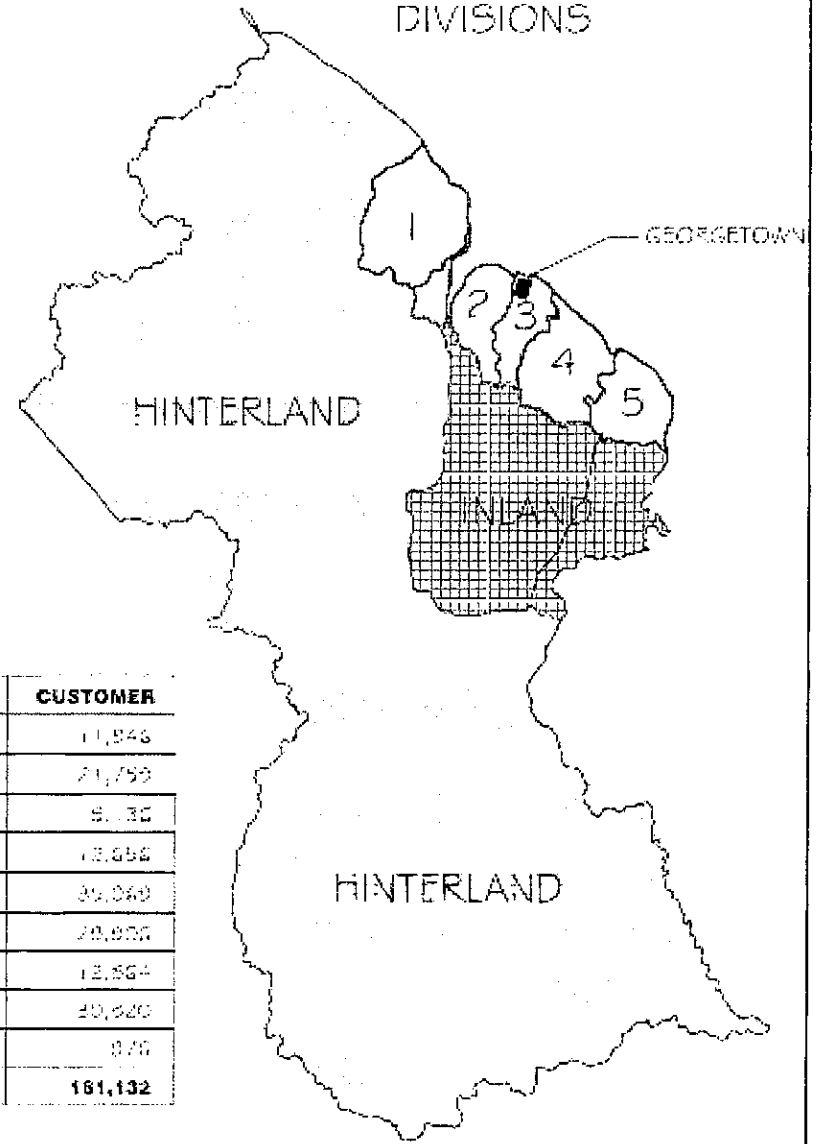
Figure 1 Shows the geographical boundaries for the five Administrative Divisions of Guyana Water Inc.

LOCATION MAP

REGIONS



DIVISIONS



2007

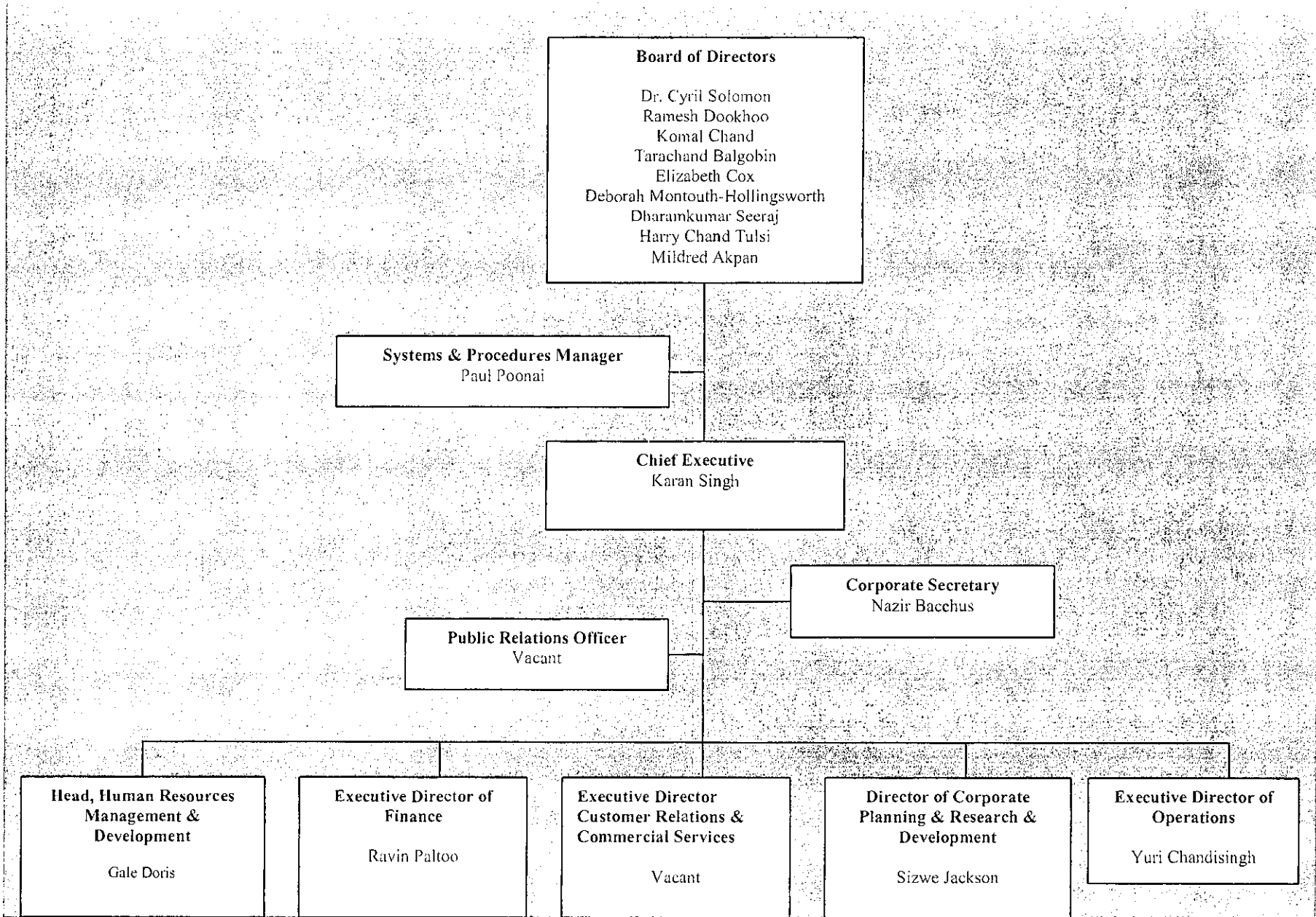
DIVISION	CUSTOMER
1	11,846
2	21,759
3 - HB	9,132
3 - CB	13,856
3 - CF	39,060
3 - CD	20,922
4	13,864
5	20,240
ISLAND	876
TOTAL	181,132

Prepared by: Nehun Ramnarain

4. **Organisational Structure**

The organization structure, which was designed to ensure that the company achieves its objectives, consisted of:

- The Managing Director's Department, which included Public Relations.
- The Department of Operations with five (5) operating Divisions and Hinterland Support Unit.
- The Asset Development Team.
- The Department of Customer Relations & Commercial Services.
- The Department of Finance.
- The Department of Human Resources, Management and Development.
- The Department of Administration.



5.

Chief Executive's Report

Operations:

Our major challenge for 2007 lay in the reduction of Non Revenue Water (NRW) through repairing of leaks, mostly on customers' service connections, but also on our transmission and distribution networks, many of which were caused by agencies engaged in drainage infrastructural and road construction works. This continues to be a major concern, particularly since works are indiscriminately undertaken without prior notification, often resulting in the loss of millions of gallons of water and depriving consumers of a vital service.

Another major and continuing frustration lies in the frequent service disruptions and instances of equipment destruction resulting from the poor quality of grid power provided by our sister utility, the GPL. The destruction of motors for both potable water and sewerage applications caused by voltage unbalances alone is in the order of over \$12 million, for which the GPL has refused to compensate us.

Our average monthly production was 9,428 ml of water whilst average hours run was 55,600 hours. The company's energy consumption was 3,018 MWH. The average number of jobs completed was 26,957. During 2007 seventy five percent (75%) of the jobs done were repairing leakages. Ten (10) sewerage pump stations were operated on a given month. The company had an average monthly expenditure of \$255M with Electricity and Premises costs accounting for 61% of our annual operating costs.

Leakage detection and repair supported by the introduction of contractors for increased productivity will become the focal point for 2008

Customer Relations & Customer Services:

With the implementation of the Hi-Affinity Billing system in July, 2006, the company was able to issue \$3.034bn in bills for 2007, which represents an increase of \$1.22bn from 2006. Un-metered customers accounted for 54% of the bills issued, while the remaining 45% of bills were issued to metered customers. The company was able to collect \$2.253bn, which was an improvement of 44% when compared to last year's performance. Key Accounts collections accounted for 39% of the total monies collected for 2007 and this is followed by Division 3 – GT which collected 27% of the total amount. GWI had achieved 92% of its annual target with respect to collections for 2007 and was able to achieve 96% of its target for billings.

Prior year billings accounted for 21% of the bills issued in 2007. With the implementation of the Hi-Affinity Billing system, there were data quality issues with respect to customer data captured. As a result of this, a data cleansing exercise was undertaken by the Capital Investment and Planning Department. This project will result in more bills being issued by the company.

At the end of this year, disconnection jobs were contracted out and resulted in marginal improvement in collections for the company. Government payments accounted for 39% of the total amount of monies collected by the company.

Finance:

The year was another difficult one for the Finance Department. Staffing for critical senior vacancies presented many challenges throughout the year. While revenue exceed expenditure for the period resulting in a loss from operations of G11M.

Revenues for the period 1st January 2007 to 31st December 2007 were G\$2,821M. Income from measured water supply was G\$1,188M, whilst income from unmeasured water supply totaled G\$1,633M. Government subvention was \$1,117M.

Expenditure for the same period was G\$4,600M, under the major categories of employment, G\$632M, premises (inclusive of electricity) G\$1,874M, transport G\$140M, administrative expenses G\$83M, and other operating cost G\$1,536M.

Fixed and other assets amounted to G\$17,294M, whilst current assets totaled G\$3,297M. The bulk of the current assets figure is made up of debtors (\$2,320M). Current liabilities totaled G\$703M.

Total paid up capital was G\$3,463M, whilst capital grants at the end of the period were G\$15,298M. The net equity at the end of the financial year, taking into account a loss of G\$11M, was G\$4,591M.

Human Resources:

The year 2007 had been a challenging year for the Human Resources Department. Several transitions took place. The Severn Trent management contract came to an end in February and a local management team was appointed to hold the fort until the appointment of a new Managing Director.

The management team was comprised of the following persons:

Sizwe Jackson – Asset Development Team Leader

Yuri Chandisingh – Director of Operations (ag)

Ravin Paltoo – Director of Finance

Savitri Jetoo – Scientific Services Manager

Beverly Fields – IT Manager (ag)

Gale Doris – Head, Human Resources

The Team's responsibility was to strategize an interim plan that would move the Company forward. During Severn Trent's sojourn several things went wrong and the Company's performance was rated as poor to the extent that the Donor agencies had withdrawn their funding.

Policies and Procedures were not adhered to and accountability was not seen as important. With the management team in place work begun to correct the situation and to deal with the several problems that resulted from the merger. These had to be dealt with immediately.

The Disciplinary policy and Procedures was reviewed and ratified by the Board of Directors. It was implemented and fully circulated to all at GWI. The implementation of the disciplinary policy saw a number of persons being disciplined for various offences ranging from habitual tardiness to corrupt practices.

Vacation leave was also regularized to correct anomalies that were created by the merger.

An Exit Interview Policy was established and implemented; however very few persons give us the opportunity to have an exit interview with them when they decided to resign.

The attrition rate for the year was high but efforts are being made to stem the exodus of staff. What has been observed is that most persons who left voluntarily were leaving for the Caribbean or further a field. Those whose services had to be dispensed with were found to be involved in corruption of some form or the other.

During the year staff members were given salary increases ranging from 5% to 7% which was in accordance with their present grade.

There has been no change with regards to the relationship between the three Unions and Management. The Management /Union relationship is still a sore point. However work will continue to have this relationship regularized during 2008.

There are still much to be done in the Human Resources department; these are presently being addressed.

Early in the New Year it is hoped that a Training Coordinator would be engaged since Training is important for the further development of staff. A succession plan would be developed to streamline upward mobility for staff members with potential. This will definitely assist in retaining staff members once they can identify a career path.

It is also hoped that the Human Resource Information system would be implemented in the New Year. This will allow the HR department to continue to move in the direction of improved efficiencies which will be of benefit to all at GWI.

Hinterland Water Supply:

- BNTF completed the rehabilitation of the Lethem water distribution system which included extension of the network and erecting of a new pump station at Bon Success. The project cost was \$45.0M.
- Under the DFID Programme 10 wells were completed in Region 1 using GWI drilling crews.
- Under the Guyana Micro Projects programme six installations with solar pumping systems were completed.
- G\$20.0M was budgeted for under GoG Capital Programme. \$11.0M was spent in the procurement of transportation services, materials and submersible pumps for Regions 1 and 9; completed one borehole at Whyaka / Mainstay (Region 2) and one borehole in St.

Ignatius Village (Region 9). Five wells were cleaned in Laluni and one well was cleaned in St. Cuthbert's Region 4.

Public Relations:

The Public Relations Department in 2007 was not able to sustain the momentum for 2006, due to the fact that two Public Relations Officers were changed during the period. This resulted in the Customer Alert, television programme, being suspended for the latter part of 2007. The absence of the Internal Communications Officer also affected the publication of Water Link, GWI'S quarterly newsletter, for the latter part of 2007.

These factors caused the GWI's Public Relations department efforts to be restricted in terms of its strategic and tactical executions. The Chief Executive and other officers of the company give relevant comments to the media bridging the communication gap when it was necessary.

Public Relations remain vital to the administration function of the GWI and as such must be seen as a vehicle not only in terms of disseminating information and dealing with customer comments, but as a medium to market the company in the competitive utility environment.

ANNEX

Project Type	Cost (G\$M)	Key Output	Customers	Population
Metering	18.020	525 Meters & Boxes	1,300.000	4,940.000
Distribution	15.909	900m 100mm	2,000.000	7,600.000
Transmission	80.194	1.5km 200mm, 3.3km 250mm, 6.2km 250mm	5,500.000	20,900.000
SC Upgrades	13.900	100.000	0.000	0.000
Leak Repair	19.775	0.000	4300.000	16340.000
DMA	3.100	0.000	0.000	0.000
Well	48.812	0.000	9000.000	34200.000
Mat.	17.332	0.000	0.000	0.000
Supervision	4.888	6 Clerk of Works	0.000	0.000

Table 1 – Summary of 2007 Coastal Water Supply Programme

Project Type	Expenditure (G\$M)	Key Outputs
Procurement of Pumps	3.334	1 pump
Distribution Upgrades	25.114	6km of distribution mains
Total	28.449	

Table 2 – Summary of 2007 Linden Water Supply Programme



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: 60/2008

6 August 2008

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE GUYANA WATER INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

I have audited the financial statements of Guyana Water Incorporated as set out on pages 4 to 16 in accordance with the Audit Act 2004.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, and compliance with applicable laws, regulations and contractual clauses is the responsibility of the Management of Guyana Water Incorporated. My responsibility is to express an independent opinion on these statements based on my audit and to report my opinion to you.

Basis of Opinion

The audit was conducted in accordance with Generally Accepted Auditing Standards, including those of the International Organization of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guyana Water Incorporated as at 31 December 2007, and the results of its operations for the year then ended in conformity with International Financial Reporting Standards and the Companies Act 1991.

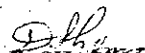
Without qualifying my opinion, I draw attention to the following:

(i) The sum of \$2.320B is shown in the Balance Sheet as Accounts Receivable. An examination of the related records revealed several differences. However, it was noted that the Company is engaged in an ongoing exercise to examine its customer database and, at the completion of this exercise these differences will be resolved.

(ii) Included in the Financial Statements is the sum of \$650.717M shown as other adjustments. Audit checks have revealed that this is in effect a suspense account. In the circumstance, and after the conclusion of the present exercise to investigate and reduce this account, one or more accounts would have to be restated.

(iii) The amount of \$3.463B shown in the Balance Sheet represents additional paid in capital. It was observed that the sum of \$3.372B was transferred from Guyana Water Authority at the time of incorporation. However, there is no schedule to support the difference of \$91.066M as reflected in the Balance Sheet. This matter has been forwarded to the Board of Directors and its conclusion would determine the final amount to be reflected on the financial statements.

(iv) The amount of \$376.071M is shown in the Balance Sheet as cash & cash equivalents. The Company did not maintain a cash book during the period, as a result, full reliance could not be placed on the amounts shown as cash book balance in the certified bank reconciliation statements which were prepared and submitted for audit examination.


D. SHARMA
AUDITOR GENERAL (ag.)

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA


Guyana Water Inc.
Balance Sheet
As at December 31, 2007

	Notes	2007 G\$	Restated 2006 G\$
Non-current assets			
Property, plant & equipment	3	13,551,186,549	14,658,703,110
Intangible assets			
Capital work-in-progress	4	3,743,139,193	1,471,865,463
Deferred tax assets			
Total non-current assets		<u>17,294,325,742</u>	<u>16,130,568,573</u>
Current assets			
Inventories		600,695,905	706,030,754
Accounts receivable	5	2,320,163,542	1,640,661,026
Cash & Cash Equivalents		376,070,647	168,755,201
Total current assets		<u>3,296,930,094</u>	<u>2,515,446,981</u>
Total assets		<u>20,591,255,836</u>	<u>18,646,015,554</u>
Current liabilities			
Accounts payable		83,245,874	1,029,059,931
Bank Overdraft	7	620,355,811	72,063,337
Total current liabilities		<u>703,601,685</u>	<u>1,101,123,268</u>
Total liabilities		<u>703,601,685</u>	<u>1,101,123,268</u>
Net assets		<u>19,887,654,151</u>	<u>17,544,892,286</u>
Capital and reserves			
Grants & External Funding			
External funding - GOGH C/Part		7,995,887,757	7,676,882,957
External funding - DFID		1,806,511,521	1,256,741,069
External funding - World Bank		1,793,066,913	1,649,998,629
External funding - EIB		336,636,672	336,636,672
External funding - IDB		1,160,067,981	494,345,489
External funding - CDB		1,338,975,602	1,338,975,602
External funding - EU		190,000,000	190,000,000
External Funding - JICA		676,027,414	-
Shareholders' equity			
Share capital		8,825,300	8,825,300
Additional paid-in-capital		3,463,412,331	3,463,412,331
Revaluation reserve		1,892,205,988	1,892,205,980
Accumulated deficit		(773,958,318)	(763,131,742)
Total Shareholders' equity		<u>19,887,654,151</u>	<u>17,544,892,286</u>

The notes on pages 5 to 12 form an integral part of these financial statements.

Signed for and on behalf of the Board of Directors,


Chairman


Director

Guyana Water Inc.
Statement of income
For the year ended December 31, 2007

	2007	Restated
Notes	G\$	2006 G\$
Operating revenue		
Measured water supply	1,187,926,127	806,424,537
Unmeasured water supply	1,633,293,614	1,236,918,092
Sewerage	42,597,918	42,597,918
	<u>2,821,219,741</u>	<u>1,085,940,547</u>
Operating revenue less treatment and distribution costs	<u>1,821,219,741</u>	<u>1,085,940,547</u>
Employment costs	632,067,895	608,262,124
Depreciation	1,185,044,899	438,749,750
Directors fees	679,000	873,000
Administrative expenses	82,776,262	68,492,163
Management fees	9,411,392	96,417,514
Premises Costs	1,874,485,762	1,805,398,820
Bad debts	350,661,648	894,891,815
Transport cost	139,826,228	138,221,363
Supplies and services	324,836,536	158,883,912
	<u>4,600,000,622</u>	<u>4,202,238,461</u>
Operating loss	(1,778,780,881)	(2,116,289,914)
Add Other income	1,117,237,789	1,376,740,270
Add Other adjustment	650,716,516	(107,743,265)
Net loss before taxation	<u>(10,826,576)</u>	<u>(847,292,909)</u>
Taxation		
Net loss after taxation	<u>(10,826,576)</u>	<u>(847,292,909)</u>
Loss per share G\$ - Outstanding		

The notes on pages 5 to 12 form an integral part of these financial statements.

Guyana Water Inc.
Statement of changes in shareholders equity
For the year ended December 31, 2007

	Notes					2007
		Share capital	Revaluation Reserve	Capital reserves	Retained earnings	Total
		G\$	G\$	G\$	G\$	G\$
At December 31, 2005		8,825,300	104,171,132	3,463,412,331	(965,379,288)	2,611,029,475
Prior year period adjustment			1,817,639,798		1,049,540,455	2,867,180,253
As at December 31, 2005 restated		8,825,300	1,921,810,930	3,463,412,331	84,161,167	5,478,209,728
Profit for the year restated	12			-	(847,292,909)	(847,292,909)
Changes in revaluation			(29,604,950)			(29,604,950)
As at December 31, 2006 (restated)		8,825,300	1,892,205,980	3,463,412,331	(763,131,742)	4,601,311,868
Profit for the period		-		-	(10,826,576)	(10,826,576)
At December 31, 2007		8,825,300	1,892,205,980	3,463,412,331	(773,958,310)	4,590,485,192

The notes on pages 5 to 12 form an integral part of these financial statements.

Guyana Water Inc.
Statement of cash flows
For the year ended December 31, 2007

	2007	Restated 2006
Notes	G\$	G\$
Cash flows from operating activities		
Net profit/(loss) before taxation	(10,826,576)	(847,292,909)
Adjustments for:		
Depreciation	1,185,044,899	438,789,750
Other Adjusting entries		
Interest payable	-	-
Interest receivable		
Amortization - advances customer financed projects		
Operating profit before working capital changes	1,174,218,323	(408,503,159)
Decrease/(increase) in inventories	105,334,849	(650,787,115)
(increase) / decrease in accounts receivable	(679,502,316)	379,010,975
(Decrease) in accounts payable	(945,814,857)	(58,165,188)
Cash generated from operations	(345,763,404)	(730,444,487)
Interest paid		
Taxes paid		
Net cash inflows from operating activities	(345,763,481)	(738,444,487)
Cash flows from investing activities		
Interest received		
Additions to work in progress	(2,348,802,868)	(789,540,850)
Net cash used in investing activities	(2,348,802,868)	(789,540,850)
Cash flows from financing activities		
Repayment of long-term borrowings		
Customer deposits		
External funding	2,353,588,441	1,566,994,295
Net cash flow from financing activities	2,353,588,441	1,566,994,295
Net cash inflow/(outflow)	(340,977,028)	47,008,958
Cash and bank at January 1,	96,691,864	49,682,906
Cash and bank at December 31,	(244,285,164)	96,691,864
Cash and bank as shown in balance sheet	(244,285,164)	96,691,864

The notes on pages 8 to 15 form an integral part of these financial statements.

Guyana Water Inc.
Notes on the financial statements
For the year ended December 31, 2007

1. Incorporation and principal activities

The Guyana Water Incorporated was incorporated in Guyana on May 30, 2002 under the Companies Act, 1991. The company was formed out of a merger between the Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners (GS & WC). The principal activities of the company are as follows:

- The supply of potable water to The citizens of Guyana.
- The provision of sewerage disposal services to the residents of Central Georgetown.
- Operation and maintenance of the water and underground sewerage system in Guyana.
- Customer billing and collection of tariffs for the service provided.

2. Statement of accounting policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards. The financial statements have been prepared under the historical cost convention except for the measurement at fair value revaluation of property, plant and equipment.

In the current year, the Company adopted the new and amended standards and interpretations which came into effect including IFRS 7: Financial Instruments: Disclosures and the Capital Disclosures amendment to IAS 1: Presentation of Financial Statements. The adoption of these standards and interpretations did not have an impact on the Company's accounting policies but resulted in enhanced disclosures.

At the date of authorisation of these financial statements, IFRS 8: Operating Segments was in issue but not yet effective. Additionally there are several interpretations and amendments to existing Standards which are not yet effective. The directors anticipate that the adoption of these Standards and interpretations will have no material impact on the financial statements of the Company.

(b) Foreign Currencies

Items included in the financial statements are measured using the a currency of the primary economic environment in which the company operates. The financial statements are presented in Guyana dollars, which is the company functional currency. Transaction involving foreign currencies are translated into prevailing rate at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of the monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(c) Property, plant and equipment

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

Expenditure on assets, which will benefit the company economically for a period greater than the current financial accounting period, is capitalised and written off over the useful life of the assets.

Individual assets or groups of items making up a single identifiable asset of value less than \$10,000 are not capitalised but are expensed in the accounting period in which the costs are incurred.

The capitalised asset value of purchased assets is measured at the full cost of bringing the assets to working condition for the intended use. Self constructed assets are stated at the accumulated cost of purchased elements together with the element of internal cost incurred in constructing the asset. These elements include materials, labour, consultancy fees, overheads (direct and indirect) and other additional costs. Finance costs that are directly attributable to the construction of tangible assets are capitalised as part of the cost of those assets. Capitalisation of finance costs ceases when the asset is brought into use.

Subsequent expenditure on existing assets is capitalised where the expenditure provides an enhancement of the economic benefits of the asset in excess of the previously assessed standard of performance.

Assets are reviewed from impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Guyana Water Inc.
 Notes on the financial statements
 For the year ended December 31, 2007

(d) Depreciation

Depreciation on all property, plant & equipment is charged on a straight-line basis. The rates used are expected to write off the value of the assets over their useful economic lives. The annual depreciation rates used as per asset classification are as follows:

	Estimated life (years)	Depreciation rate
Land	Unlimited	
Buildings	25 - 60	2 - 10
Mechanical and electric	10 - 15	7 - 10
Motor vehicles and mol	5 - 10	10 - 20
Furniture and fixture	7	14
Other office equipment	5	20
Infrastructure water	25 - 80	1 - 10
Infrastructure sewerage	25 - 80	1 - 10
Computer hardware	5	20
Computer software	3	33

Depreciation is not charged on work in progress. The useful life of assets capitalised from work in progress commences when the assets involved have been completed and are put into use in the company.

Guyana Water Inc.
Notes on the financial statements
For the year ended December 31, 2007

2. Statement of accounting policies continued

(e) Leased assets

Fixed assets acquired under finance leases are included in the balance sheet at their equivalent capital value and are depreciated over their expected useful lives. The corresponding liabilities are recorded as a liability and the interest element of the finance lease payments is charged to the statement of income on an annuity basis. Operating lease rentals are charged to income on a straight-line basis over the lease

(f) Turnover

Turnover comprises billed sales of water and services to customers. Rates payable by customers are determined by reference to the company's licence.

(g) Provision for bad and doubtful debts

Provision is made in these financial statements for amounts included in accounts receivable of which the eventual cash realisation is considered remote. The provision has been determined by reference to specific accounts and groups of accounts as at December 31, 2007.

(h) Taxation

Tax shown charged against profits for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income and net property for the year, using tax rates in effect at the balance sheet date, and any adjustments to tax payable in respect of previous years. Corporation tax assessed on or charged to GWI was limited to a rate of 35% of chargeable profits, while property taxes were limited to the rates in effect on 9th April 1998.

The company is currently seeking to have these remissions re-instated.

Deferred taxation is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates as per the company's agreements with the Government of Guyana. Deferred tax assets are recognised for tax losses carried forward to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. See note on contingent liability.

(i) Inventories - maintenance spares

Maintenance spares are stated at the lower of cost, as determined on a weighted average basis, and net realisable value. Provision is made for obsolete, slow moving and defective stocks.

(j) Advances - customer financed projects

The non-refundable amounts contributed by the Government of Guyana in respect of the, are accounted for as deferred income which is subsequently amortised over the same period that the related asset is depreciated.

Guyana Water Inc.
 Notes on the financial statements
 For the year ended December 31, 2007

2. Statement of accounting policies continued

(k) Employee benefits

The company operates a defined pension scheme for its employees who are on the fixed establishment. The company's pension cost are charged to the profit and loss account as incurred. The company is seeking put in place a more comprehensive pension and medical scheme for all of its employees. Additionally, pensions and gratuities paid to long-serving employees who retire are charged to the profit and loss

(l) Comparative information

Where necessary, comparative information has been adjusted to conform with changes in the presentation in the current year and to reflect the change in accounting policy as described in note 24.

3 See attachment

Restated

4 Capital work-in-progress	1007	2006
	G\$	G\$
At January 1,	1,471,865,463	437,141,600
Costs during the year	2,348,802,069	1,501,119,078
Transfers to property, plant & equipment	(77,528,339)	(467,095,215)
Amounts written-off	-	-
At December 31,	3,743,139,193	1,471,865,463

5. Accounts receivable

Restated

	1007	2006
	G\$	G\$
Customer accounts	4,954,673,479	4,045,237,399
Provision for bad and doubtful debts	(2,777,104,087)	(2,427,142,439)
	<u>2,176,869,391</u>	<u>1,618,094,960</u>
Other accounts receivable	143,294,150	22,566,066
Total	2,320,163,542	1,640,661,026

Provision for bad and doubtful debts

There is an ongoing exercise to examine customer database, which will be completed in 2009 and will result in a more accurate gross receivables and reduce the need for large provisioning for bad debt and doubtful debts.

5.1. Retained accounts receivable

Trade receivables (water and sewerage supply) are carried at original bill amount less a provision for doubtful receivables based on a review of all outstanding amounts at year end.

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6. Board members' fees	Fees		Expenses		2007	Restated
	G\$	G\$	G\$	G\$	2006	G\$
Notes relevant	679,000	-	-	679,000	-	873,000
Total	679,000	-	-	679,000	-	873,000

7. Accounts payable	2007	Restated
	G\$	G\$
Trade creditors	67,379,971	-
Creditors - Payroll	15,865,903	34,354,198
Creditors - Electricity	-	982,032,259
Other accruals	-	12,673,474
Total	83,245,874	1,029,859,931

8. Stated / Issued capital (as appropriate)

Authorised:	100,000,000	100,000,000
8.1 Issued:	8,825,300	8,825,300
	<u>8,825,300</u>	<u>8,825,300</u>
8.2 Stated capital		
Issued and fully paid sh	8,825,300	8,825,300
	<u>8,825,300</u>	<u>8,825,300</u>

The company is authorised to issue a maximum of 1,000,000 ordinary shares at a minimum issue price of G\$108 each. All issued shares are held by the Government of Guyana.

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	2007	Restated 2006
	G\$	G\$
9. Net profit before taxation is stated after charging:		
Employment Costs		
Gross salaries	550,068,172	537,933,870
Employer NIS	28,805,430	27,713,232
Pension Costs	53,194,293	42,615,022
	<u>632,067,895</u>	<u>608,262,124</u>

10. Contingent Asset / Liability

- (a) In addition to the matters referred to below, the Company is a defendant or plaintiff in several matters for which the ultimate liability or asset of the Company, if any, has not been determined.
- (b) The company has not been filing tax returns as required by the serviced tax Acts. The company has been assessed for Property Tax in excess of \$300 million. Discussions are currently underway with the government for an exemption from all taxes.

11. Earnings per Share

The calculation of Earnings per share is calculated by dividing the net profit for the period, after deduction of preferred dividend liability, by the weighted average number of common shares outstanding during the period.

	2007	2006
Net loss after taxation	(10,826,576)	(847,292,909)
Net profit/(loss) attributable to ordinary shareholders	<u>(10,826,576)</u>	<u>(847,292,909)</u>
Weighted average number of ordinary shares	8,825,300	8,825,300
Loss per share in dollars	(1.23)	(96.01)

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12. Prior Period Adjustment

Note an adjustment and effect.

	G\$
Net Assets as previously reported as at December 31, 2006	15,662,812,114
Understatement in Property, Plant and Equipment	
Property, Plant and Equipment	5,671,616,272
Accumulated Depreciation	(3,875,992,144)
Overstatement in Work-in-progress	(381,671,811)
Understatement in Inventories	328,425,848
Understatement in Accounts Receivables	96,772,227
Overstatement in Cash and Cash Equivalents	(107,743,265)
Overstatement in Current Liabilities	258,875,266
Net assets as restated as at December 31, 2006	<u>17,653,094,587</u>
<i>Understatement in Property, Plant and Equipment and Overstatement in Work-in-progress</i>	5,671,616,272
These adjustments are primarily as a result of the following:	
- overstatement of value of assets transferred from work-in-progress	(381,671,811)
- increase in value of assets based on a valuation exercise carried out by management	
- consequential adjustments to depreciation	
<i>Understatement in Inventories</i>	
These adjustments are primarily as a result of the following:	
- 50% of inventories were valued	328,425,848
<i>Understatement in receivables</i>	
These adjustments were made as a result of the following:	
- financial statements were understated when compared with debtors schedule	96,772,227
- customer accounts were duplicated	
- no service customer were billed	
<i>Overstatement in Cash and Cash Equivalents</i>	
These adjustments were made as a result of the following:	
- reconciliation was done each bank account	(107,743,265)
<i>Overstatement in current liabilities</i>	258,875,266
These adjustments were made as a result of the following:	
- verification of individual balance	
Net Loss as previously reported as at December 31, 2006	(721,114,697)
Understatement in Income	611,560,209
Understatement in Administrative Cost	(96,290,474)
Understatement in Depreciation	(58,812,957)
Understatement in Provisions	(474,891,815)
Adjustment	(107,743,265)
Net Loss as restated as at December 31, 2006	<u>(847,292,909)</u>
<i>Understatement in Income</i>	
These adjustments were made as a result of the following:	
- Income is now accounted for on an accrual basis rather cash as previously reported	611,560,209
<i>Understatement in Administrative Cost</i>	
These adjustments were made as a result of the following:	
- Management fees now accounted for	(96,290,474)
<i>Understatement in Depreciation</i>	
These adjustments were made as a result of the following:	
- financial statements were understated when compared with Fixed assets schedule	(58,812,957)
<i>Understatement in Provisions</i>	
These adjustments were made as a result of the following:	
- financial statements were understated when compared with debtors schedule	(474,891,815)
- customer accounts were duplicated	
- no service customers were billed	

13. Financial Instruments and financial risk management

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and credit risk. Management seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to appropriately identify, evaluate and manage these risks.

(a) Foreign currency risk

Currency risk is the risk that the value of an monetary asset or liability fluctuate because of changes in foreign exchange rates. Management accepts the risk and would take the gain or loss on the transaction to the income statement.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. High risk accounts are monitored and pursued to maximise collection. Principal classes of gross trade receivables as shown in note 4 are as follows:

	2007 G\$
Unmetered	3,453,584,769
Metered	1,492,776,813
Ancillary	8,311,897
	<u>4,954,673,479</u>

(c) Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the company will encounter difficulty in raising funds to meet its commitments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the management of the company aims at maintaining flexibility in funding by keeping committed lines of credit available. All financial assets and liabilities as shown on the balance sheet are contractually payable within one year of the balance sheet date. The company also receive subvention funds from the government to settle liabilities as they fall due.

(d) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount and timing. The company manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse

14. Other Adjustments

Accounts payables adjustment	1,292,351,623
Unreconciled bank difference	51,849,117
Accounts receivable and income adjustment	(695,157,258)
Inventory provision adjustment	1,673,034

Total	<u>650,716,516</u>
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Accounts payables adjustment

These adjustment were made as result of the following:

- amount owed to GPL was paid by the government however a formal statement has not been received	1,292,351,623
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Unreconcile bank difference

These adjustment were made as result of the following:

- Unreconciled differences resulting from unposted payments	51,849,117
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Accounts receivable and income adjustment

These adjustment were made as result of the following:

- financial statements were understated when compared with debtors schedule	(695,157,258)
- customer accounts were duplicated	
- no service customers were billed	

Attachment - Note 3

Guyana Water Inc
Fixed Assets 2007

	Land	Buildings	Mechanical Electrical plant	Motor vehicles mobile plant	Furniture, fixture & equipment	Infrastructure water	Infrastructure sewerage	Hardware and software	Other assets	Net assets	Net capitalised assets
Cost Jan 1 2007	804,609,465	616,138,360	3,141,096,202	94,397,518	81,513,224	14,174,979,576	73,332,405	370,886,288	1,471,865,463	20,808,018,421	19,336,152,958
Additions			30,014,716	35,886,136	7,215,168			4,410,319	2,271,273,730	2,348,802,069	77,528,339
Disposals											
Total Assets	804,609,465	616,138,360	3,171,110,918	130,283,654	88,728,392	14,174,979,576	73,332,405	374,496,527	3,743,139,193	23,156,820,490	19,413,681,297
Acc dep		35,432,971	313,518,820	18,879,504	10,638,411	4,117,411,299	71,525,036	110,043,808		4,677,449,848	4,677,449,848
Dep 2007		35,432,971	318,538,092	26,057,131	11,370,038	684,758,584	77,112	108,810,973		1,185,044,901	1,185,044,901
Total accumulated dep'n for 2007		70,865,942	632,056,912	44,936,635	22,008,449	4,802,169,883	71,602,148	218,854,781			5,862,494,749
NBV	884,609,465	545,272,418	2,539,054,006	85,347,019	46,719,943	9,372,809,693	1,738,257	155,641,746	3,743,139,193	17,294,325,741	13,551,186,548