



**ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2007**

# CORPORATE INFORMATION

**REGISTERED OFFICE:**

40 Main Street  
Georgetown  
Guyana  
South America

**AUDITORS:**

The Auditor General  
Audit Office of Guyana  
63 High Street  
Kingston  
Georgetown  
Guyana  
South America

**ATTORNEYS-AT-LAW:**

de Caires Fitzpatrick & Karran  
80 Cowan Street  
Kingston  
Georgetown  
Guyana  
South America

**BANKERS:**

Republic Bank (Guyana) Ltd.  
Promenade Court  
New Market Street  
North Cummingsburg  
Georgetown  
Guyana  
South America

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## CHAIRMAN'S LETTER

The calendar year 2007 marks the eighth report to the Shareholder of Guyana Power & Light Inc. ("GPL" or "Company"). This shareholders meeting follows on the previous one held in December 2007 in respect of the 2006 financial year.

2007 was another difficult year for GPL, with an after tax loss of G\$1.58 B on top of a loss of G\$1.08 B in 2006, a 46% increase, bringing losses over a 2 year period to over G\$2.6 B. This was largely on account of another year of increasing fuel prices without any concomitant tariff adjustment.

On the other hand the overall Guyanese economy continued to grow, with per capita growth totalling 5.3%. Correspondingly, GPL saw a 5.9% increase in generation and a 11.8% increase in sales, over 2006. The net increase in the customers totalled 7,833 partly on account of the expansion of the UAEP/GOG programmes.

### Loss Reduction/Cost Reduction

Loss reduction continued to show progress with a reduction of technical and commercial losses. At December 2007 losses were 33.9% compared to 37.6% in 2006 (using a 12 months rolling average as opposed to 6 months used in prior periods) resulting in a 3.7% reduction of total losses over 2006. The losses remain quite high with technical losses at end of 2007 estimated at 11.4% and 22.5% for commercial losses. Commercial losses are broken down into 3 main categories: electricity



**Winston Brassington**  
Chairman

theft; defective metering, and problems with the billing system.

These operational successes are to be measured against the continuing high cost of fuel imports that accounted for 65% of the Company's total expenditure in 2007. In December 2007, GPL experienced a peak price of US\$127.32 per barrel (41% increase over 2006's peak).

In absolute terms, GPL's fuel bill increased by G\$2 billion moving from G\$12.4 billion in 2006 to G\$14.5 billion in 2007, a 17% increase in fuel costs. Despite the significant fuel price increases, GPL has absorbed the costs and continue to maintain its tariff for all categories of customers in keeping with the Board's decision to stabilize tariffs and maintain the customer base while actively pursuing loss reduction.

### Renewable Energy

2007 saw GPL's continued efforts to pursue renewable energy resources through IPP involvement to meet its capacity and energy needs in the future. This included a 30MW bagasse cogenerated facility at Guysuco's sugar estate at Skeldon; 4MW wind power from a Wind Farm at Hope Beach and 100 MW Amaila Falls Hydroelectric Project (AFHEP) on the Kuribrong River.

Guysuco expects to commission its 30MW co-generation facility at the new Skeldon factory in the last quarter of 2008 while GPL is working closely with the Wind Farm Developer to advance the project.

Significant time was spent fruitlessly in 2007 to conclude arrangements for 25MW of interim thermal capacity but by December the Hydropower developer had signed an Exclusivity Agreement with a new equity partner who has significant experience not only in developing hydro projects but also in their operations and maintenance.

#### UAEP

The expansion of the distribution system, under the Inter-American Development Bank (IDB) Unserved Areas Electrification Programme (UAEP) - Phase 1, was completed in August 2006. By the end of the year, expansion of the network made available the supply of electricity to 15,171 households under this programme plus an additional 22,392 households under the Government of Guyana Additional Unserved Areas Electrification Programme (AUAEP), with only about 29.4% of the possible customer base accessing legal connection.

#### Regulatory Relations

GPL continued to pursue a good working relationship with the Office of the Prime Minister and the Public Utilities Commission throughout the year. The PUC and GPL have been able to expeditiously resolve most consumer complaints but engaged in several public hearings and meetings aimed to expedite the resolution of customers' complaints which have been pending for extended periods. Close relations between the OPM and GPL also persisted with the two entities working in concerted actions to develop and expand the electricity sector.

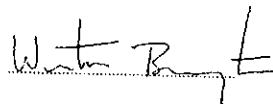
#### Management

The Company reinforced its commitment to strong corporate governance and continued with

management of six divisions - Finance, Commercial Services, Information Technology, Human Resources, Internal Audit and Projects Divisions. The former Deputy Chief Executive Officer, Ms. Martica Thomas who was appointed in September 2006 resigned office in November, 2007. To date this position still remains vacant along with the position of Chief Operations Officer.

On behalf of the Board I would like to thank Management and Staff for their dedication and commendable performance during the year. Despite the lack of capital investments, the quality of supply was sustained but with the vigorous pursuit of concessional financing and / or IPP involvement the Company will achieve the desired goal of providing a service of electricity that is technically, financially and environmentally sustainable. To all the stakeholders, my sincere gratitude for your continued support and patience demonstrated as the Company thrives to improve customer relations and deliver a service that is affordable and reliable.

In closing, I would also like to thank my fellow directors for 2007 - Mr. Narvon Persaud, Mr. Carvil Duncan and Mr. Desmond Mohamed for their continued cooperation and support during the year 2007. Mr. Desmond Mohamed was appointed director of the board with effect from November 27, 2007. The Board would also like to recognise the sterling efforts and contribution of the former Chairman Mr. Ronald Alli, who served as a member of the Board for the past 8 years until November 15, 2007.



Winston Brassington  
Chairman

# BOARD OF DIRECTORS



**Ronald Alli**  
Chairman until Nov. 15, 2007



**Winston Brassington**  
(Director/Chairman from  
Nov. 15, 2007)



**Narvon Persaud**  
(Director)



**Desmond Mohamed**  
(Director)



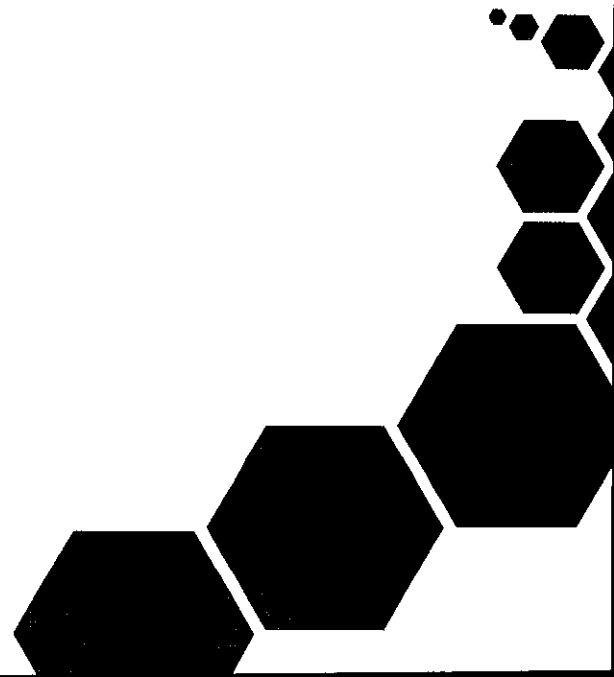
**Carvil Duncan**  
(Director)

## **GPL's Vision**

"Guyana Power & Light, Inc. aims to be Guyana's premier service provider meeting and exceeding where possible the expectations of its stakeholders."

## **GPL's Mission**

"To provide an expanding customer base with electricity services which are technically, financially and environmentally sustainable, achieving best practice and acceptable international norms, delivered by our people performing in accordance with Company values to the highest ideals of work excellence and integrity."



# MANAGEMENT TEAM

Key management personnel at December 2007 were



**Bharat Dindyal**  
Chief Executive Officer (ag)



**Martica Thomas**  
Deputy Chief Executive  
Officer



**Donna Tucker**  
Divisional Director –  
Human Resources



**Renford Homer**  
Divisional Director –  
Information Technology



**Samaroo Ramtahal**  
Divisional Director –  
Internal Audit



**Aeshwar Deonarine**  
Divisional Director -  
Finance



# MANAGEMENT TEAM

Key management personnel at December 2007 were



**Walchum Allen**  
Regional Manager  
Essequibo



**Neil Bollers**  
Legal & Regulatory Officer



**Kesh Nandlall**  
Divisional Director –  
Commercial Services



**Nigel Benfield**  
Regional Manager  
Berbice



**Colin Singh**  
Divisional Director-  
Projects



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Con

Ms. Martica Thomas, Deputy Chief Executive  
Officer resigned office in November, 2007

The Directors take pleasure in submitting their Annual Report and Audited Financial Statements for the year ended 31 December 2007.

### Principal Activities

The principal activities of the Company are to generate, distribute and sell electricity to the public. The Company is the main provider of electricity in Guyana with in excess of 137,700 customers.

Guyana Power & Light, Inc. is a fully integrated electricity generation, transmission and distribution utility. The primary objective of GPL is to provide its customers with a safe and reliable supply of electricity at a price that is least costly but economic, and to expand its service to as many new customers as possible. GPL is proud to take a leading role in the economic development of Guyana and the social well-being of its citizens.

### Development and Expansion Programme

In accordance with the Company's Licence, the Electricity Sector Reform Act 1999 and the Public Utilities Commission Act 1999, the Company prepared its Development and Expansion (D&E) Programme for the years 2007 to 2011.

The D&E Programme identified measures to address the immediate challenges facing the Company and focused on strategies to pursue loss reduction and renewable energy sources to stabilise power generation and meet the energy needs in the future.

Power Planning Associates of the United Kingdom was contracted on June 6, 2007 to provide Management Services over a period of two years under the Loss Reduction Investment Component of the UAEP. Three areas of non-technical losses were identified by the Consultant as requiring urgent attention: - Illegal connections; defective metering and the billing system. These contribute 11.04%; 11.29% and 6.46% of the losses respectively. Since that date losses were reduced to 33.9% at the end of 2007 with 11.4% being technical losses and 22.5% non-technical losses.

The dramatic increase in fuel prices heavily influenced the decision to accelerate hydropower development. Negotiations on the Amaila Falls Hydroelectric Project have progressed with Synergy Holdings bringing on board a new partner, Sithe Global. Commercial operation of this project is projected to be on or around 2013. In the interim, generation additions including the 13.5MW Wind Farm at Hope Beach, the 30MW co-generation facility at Guysuco/Skeldon Plant supplemented by 10MW HFO fired generation facility are expected to be realized. Despite initial projections that the HFO Plant would have achieved commercial operations by the second quarter of 2007, this was only realised on December 19, 2007. On the 29th March, 2007 the Guyana Windfarms Inc and GPL executed a Heads of Agreement.

In the last quarter of 2007 the Shareholder (Government) indicated that it would provide on concessional terms financing up to US\$25M under the PetroCaribe Agreement. Approximately

US\$3.8M of this was utilised on December 3, 2007 to purchase five (5) Caterpillar XQ2000 Power Modules (10MW) and four step-up transformers for the Demerara Interconnected System. These modules were all commissioned by December 20, 2007.

#### **Financial Results**

As at 31 December 2007, Net Loss after Taxation was \$1.58 billion with Retained Earnings at G\$2.4 billion.

#### **Share Structure**

At year-end, there were 55,074,228 Common shares plus one Special share issued, all owned by the Co-operative Republic of Guyana,

#### **Dividends**

No dividends were declared in 2007.

#### **Directors**

The following Directors served during the year:

Mr. Ronald Alli served as Chairman of the Board until November 15, 2007

Mr. Winston Brassington, Director, assumed Chairmanship on November 15, 2007

Mr. Narvon Persaud

Mr. Carvil Duncan

Mr. Desmond Mohamed was appointed Director on November 27, 2007

The Directors have had no interest in any contracts with the Company and did not enter into any arrangements to acquire shares or debentures of the Company throughout the year.

#### **Auditors**

Under law, the Auditor General is the auditor of the Company, who subcontracted the audit to PKF Barcellos Narine & Co., Chartered Accountants.

By Order of the Board

*L. Shiwnandan*

Lakshmi Shiwnandan  
Secretary

## HIGHLIGHTS OF OPERATIONAL ACTIVITIES AND ACHIEVEMENTS

In the year ended 31 December 2007, GPL achieved a 3.7% reduction in losses from the previous year, a 11.8% increase in sales and a sales collection rate of 95%. The weighted average price of fuel soared from US\$64 per barrel in 2006 to US\$86 per barrel in 2007, an increase of US\$22 per barrel, or 34.4% over the 2006 prices. Throughout the year the Company struggled with high fuel prices which created a serious cash flow problem resulting in delayed orders for network materials and metering supplies. This was coupled with the Company's shipping Contractor suddenly withdrawing their service at the end of October triggering a crisis with fuel supplies.

Although GPL experienced a \$1.58 billion financial loss for the year, primarily driven by the \$2.05 billion increase in total fuel costs for the year, the Company has absorbed the costs and continue to maintain its tariff for all categories of customers in keeping with the Board's decision to stabilize tariffs and maintain the customer base while actively pursuing loss reduction. However, GPL announced in December 2007 a 15% increase in tariffs effective 2008.

To mitigate against the financial losses, GPL intensified its collection drive and loss reduction campaign. Included among these was the introduction of new meter technology and installation standard for large industrial and commercial customers. ITRON meters, with local remote read capability, were introduced and 361 were installed during the year with overall billing increases of 11% over the previous year. In the last quarter of 2007, the Company intensified its energy conservation campaign in preparation for the increased demands of the Christmas season. This decision was necessary as despite the addition of 10MW capacity for the season, the high incremental generating cost, which is based entirely on diesel, necessitated appropriate action.

### Performance Highlights

Highlights of the Company's performance in 2007 were:

- ☒ Maintained a generally stable electricity supply
- ☒ Provision of power to the Providence Stadium for hosting of ICC Cricket World Cup 2007 plus construction of new network to facilitate supply to various new hotels and bed-and-breakfast facilities
- ☒ Installation of 10MW of additional generation in the Demerara system
- ☒ Reduction of system losses by a further 3.7% to 33.9%
- ☒ Completed 8,035 defective minor meter replacements & 5,949 interface reconfiguration
- ☒ Maintenance of the rate of collections at 95%
- ☒ Maintenance of tariffs at sustainable level
- ☒ Completion of 11,050 service connections under Phase I of UAEP and GOG AUAEP (5,774 UAEP plus 5,276 GOG)
- ☒ Network expansion supply under Government of Guyana AUAEP providing supply infrastructure for 22,392 new customers and 15,171 new customers under UAEP at a total cost of US\$7.8M.

### Operations Statistics

	UNITS	2007	2006 Restated	2005 Restated
Operating Revenue	G\$'000	19,860,645	18,057,196	16,706,484
Profits Before Tax	G\$'000	(2,362,164)	(1,581,267)	179,432
Fixed Assets	G\$'000	11,234,447	10,825,153	9,888,354
Total Capital & Reserves	G\$'000	8,190,927	9,771,018	10,846,863
Net Current Assets	G\$'000	2,596,203	3,385,041	4,377,688
New Capital Investment	G\$'000	2,541,774	2,830,695	1,344,380
Gross Generation	GWh	555	524	528
Billed Sales	GWh	351	314	298
Technical & Commercial Losses	%	33.9%	36.4%	40.1%
Annual Growth in Load	%	6.68%	-1.04%	2.5%
Number of New Connections		8,105	11,046	7,612
Gross Capacity	MW	143.66	133.7	119.2
Available Capacity	MW	124.46	113.6	104.8
Peak Demand	MW	94.8	88.4	87.5
Number of Employees		1,320	1,280	1,282
Employment Cost	G\$'000	2,551,254	2,363,172	2,211,993

### Key Customer & Sales Statistics

	Units	2007	2006	2005
Customers – Total	No.	137,721	129,888	127,076
Residential	No.	125,805	118,082	116,039
Commercial	No.	11,344	11,357	10,628
Industrial	No.	572	449	409
Sales – Total	G\$'000	19,860,645	17,741,546	16,458,737
Residential	G\$'000	8,040,737	7,309,160	7,262,867
Commercial	G\$'000	4,528,330	4,144,604	3,640,619
Industrial	G\$'000	7,291,578	6,287,782	5,555,251
Sales – Total	MWh	350,922	314,102	301,139
Residential	MWh	155,581	142,459	145,788
Commercial	MWh	70,345	64,371	59,024
Industrial	MWh	124,996	107,272	96,327

### Metering

The lack of financing during the year 2007 impeded the acquisition of various metering materials for the advancement of the metering programme. Notwithstanding, a total of 8,035 defective meter replacements and 5,949 interface reconfiguration were completed in 2007.

### Billing and Collections

During the year 2007, GPL continued its vigorous efforts to improve collections and effectively manage customer credit. Collections were maintained at an average 95% of billings.

In 2007 it was recorded that 81.84% of monthly bills had actual meter readings.

### Unserviced Areas Electrification Programme

- ☒ At the end of December 2006 grid extensions planned for Phase 1 of the Investment Component were 100% completed. While the number of residents in the newly electrified areas completing the requirements for service connection increased, the rate of uptake remained relatively low with 5,774 service connections completed at the end of December 2007, equating to 38% of the potential 15,171 connections/lots (funded under UAEP and through SIMAP). Of this, 1,518 service connections were completed during 2007.
- ☒ Several factors accounted for the relatively low rate of uptake as well as the widespread use of illegal connections in some of the recently electrified area:-
  - (i) inability of occupants to establish proof of legal occupancy as they had not completed paying for house lots and therefore could not receive letters of allocation;
  - (ii) inability or unwillingness of residents to finance the customer contribution and electrical installation;
  - (iii) imbedded culture that electricity should be a free service, thereby resulting in innovative ways to illegally abstract electricity.
- ☒ Preparatory works for the commencement of Phase 2 grid connection commenced with the identification of the remaining subprojects totalling 6,000 lots, reconciliation of remaining materials, acquisition of maps for the subprojects and development of system designs.

### Government of Guyana Additional Unserviced Areas Electrification Programme

- ☒ In addition to the UAEP project mentioned above, the Government of Guyana and the Central Housing and Planning Authority of the Ministry of Housing and Water had decided to fund network extension for 18,000 households.
- ☒ By the end of 2007, network expansion to supply 22,392 lots had been completed with 5,276 services actually connected. Of this amount 4,618 service connections were completed in 2007 alone.

### System Planning and Design

- ☒ The first quarter of 2007 saw a significant increase in workload with job requests from several entities stemming from Guyana's hosting of Cricket World Cup (CWC). Capital jobs were processed for the establishment of bulk supplies to the Providence Cricket Stadium and Buddy's International Hotel.

Several consultations and meetings were held to arrive at designs and estimates to adequately cater for the needs of Bed and Breakfast projects.

- Ⓔ Designs and estimates were finalized for the complete replacement of the 2.3kV Timehri Distribution System with a 13.8kV network.

### Technical and Commercial Losses

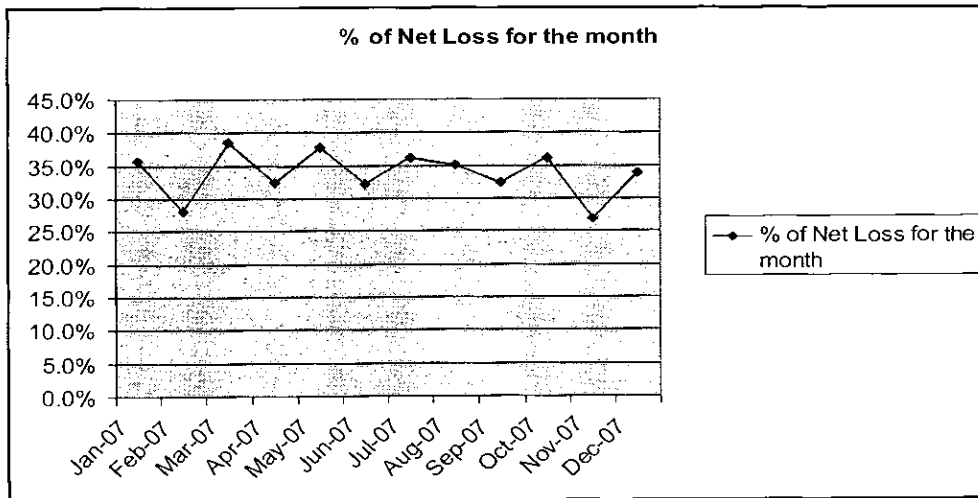
Overall system losses at the end of 2007, using a 12-month rolling average were 33.9% with technical losses estimated at 11.4% and commercial losses running at 22.5%, altogether 10 % below the 2006 figure.

### Loss Reduction - Commercial

The Loss Reduction Programme remained a key focus of the Company in 2007 and in the ensuing five year Development and Expansion Programme. Among the initiatives to reduce non-technical losses, the Company embarked on an aggressive initiative to identify and/or remove illegal connections, replace defective meters and prosecute cases for electricity theft.

- Ⓔ **Illegal Connections** - the Internal Audit and Fraud supported by armed security personnel continued its drive to stamp out illegal connections. Several day and night raids were conducted with a total of 13,637 illegal connections removed and 420 persons arrested for 2007. In addition the court has been taking a serious stance on this matter and some persons found culpable of this offence were fined while others received suspended sentences.
- Ⓔ **Replacement of Defective Meters** - GPL continued with its special project to ascertain the accuracy of billings, metering and service connections with the aim of reducing non-technical losses through corrective action. A total of 8,035 defective meters were replaced and 5,949 interface reconfigurations completed in 2007. Consumers found tampering and those with defective meters were back billed to the extent permitted by law. Additionally GPL introduced new metering technology primarily for its maximum demand customers along with a new installation standard that allow for automatic meter reading by a hand held computer.
- Ⓔ **Billing System** - Significant progress has been made in procurement of software for the new CIS system intended to reduce the losses attributable to the inefficiencies of the existing customer database. First Stage Bids were received from four (4) companies in October 2007 under a two stage process. In December, 2007, three (3) of the four (4) bidders completed individual 2-day demonstrations to an evaluating committee appointed by GPL.
- Ⓔ **Tariff "B" Investigations** - investigations of a target of 11,000 Tariff "B" installations resulted in the completion of 10,727 investigations for 2007.
- Ⓔ **Zero Consumption Investigations** - 6,576 accounts with three or more consecutive zero consumptions were identified for investigations of which 71% were successfully investigated.
- Ⓔ **Disconnection Rechecking Exercises** - 7,631 accounts of residential and business customers were checked for their disconnected status and it was found that 25% were illegally reconnected. No action taken included updating meter reading and balances, prosecution and removal of illegal connections.

### Overall System Losses: December 2006 - December 2007



#### Human Resources

The total number of employees at end December 2007 was 1,320 compared to 1,280 employees at end 2006.

#### Industrial Relations

Efforts to foster closer relationships with both unions i.e. NAACIE and GPSU continued throughout 2007. A decision was made by the Board to sever 250 employees in the first and second quarters of 2008 as a result of the Company's modernisation programme.

#### Salary Awards

The Company offered increases in wages and salaries for its employees of up to 9% in 2007. However this matter was taken to conciliation.

#### Financial Performance

##### Results

GPL's Net Loss after Taxation was \$1.58 billion in 2007 up from a \$1.08 billion loss in 2006. The major contributing factor was the significant fuel price increases which resulted in total expenditure of \$14.5 billion for the year. This increase was marginally offset by increases in revenue of \$2.1 billion (11.9%). Fuel expenditure accounted for 65% of Total Expenditure in 2007.

##### Revenue Overview

GPL's revenue consists mainly of sales of electricity and related charges to its customers. The 2007 sales revenue was G\$19.8 billion, an increase of 11.9% (\$2.1B) over 2006.



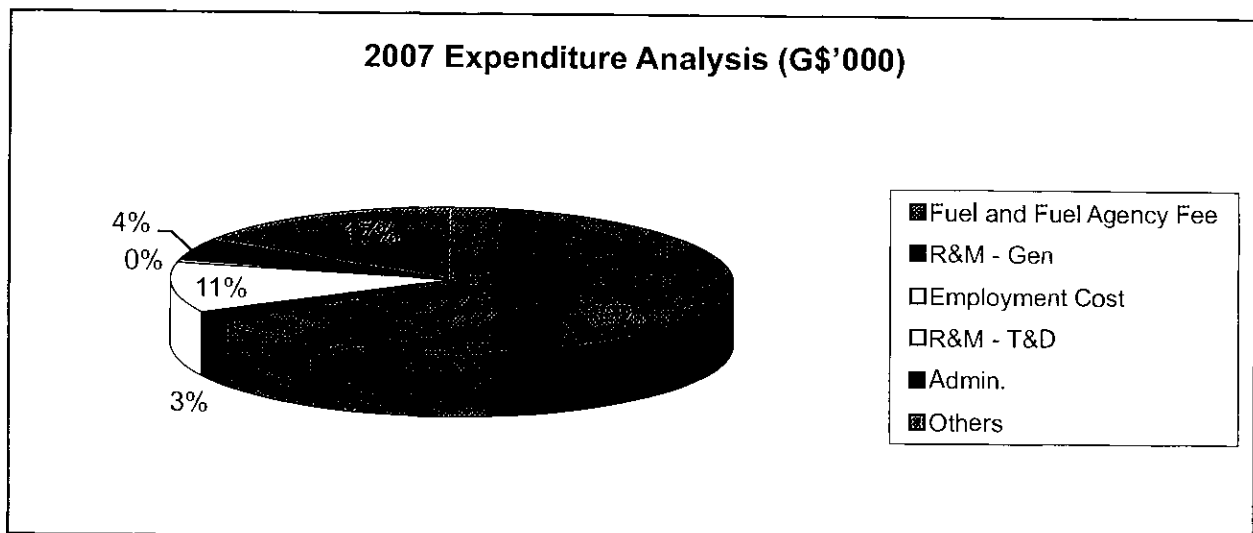
The table below presents the gross sales data for the last three years.

#### Gross Sales 2005 to 2007

Tariff	Year 2007 Actual MWh	Year 2006 Actual MWh	Year 2005 Actual MWh	Year 2007 Gross Sales G\$M	Year 2006 Gross Sales G\$M	Year 2005 Gross Sales G\$M
A - Residential	155,581	142,459	145,789	8,040,737	7,309	7,263
B - Commercial	70,345	64,371	59,024	4,528,330	4,145	3,641
C - Small Industrial	32,513	29,472	27,005	1,979,699	1,795	1,603
D - Large Industrial	86,181	73,429	66,599	5,023,219	4,290	3,835
E - Public Lighting	6,302	4,371	2,722	288,660	203	117
<b>Total</b>	<b>350,922</b>	<b>314,102</b>	<b>301,139</b>	<b>19,860,045</b>	<b>17,742</b>	<b>16,459</b>

#### Operating Expenses

Total expenses, including finance charges, for 2007 were 14.8% over 2006 due primarily to a 17% increase in Fuel and Freight costs; 30% increase in generation costs excluding fuel and 8% increase in employment costs. Fuel and Freight costs moved up to 65% of total expenditure from 63% in 2006. These increases were a direct result of the 35% increase in the average price of fuel which rose to US\$86.46 per barrel in 2007 over US\$64 in 2006. The other major categories of expense included Employment costs and Generation maintenance, as illustrated in the following chart:-



#### Debt Financing

There was no borrowing in the year under review except for US\$3.8M under the PetroCanada

### Capital Expenditures

- Ⓔ GPL invested G\$2542 million in various capital projects in 2007 which were financed from internally generated funds and by the Government of Guyana compared with G\$2,831 million in the previous year.
- Ⓔ On the 3rd December, 2007 five (5) Caterpillar XQ2000 Power Modules (10MW) and four step-up transformers were purchased in the sum of US\$3.8M for the Demerara Interconnected System.

### Renewable Sources of Energy

Three main sources of renewable energy considered by the Company were:

- Ⓔ 30 MW bagasse co-generated power from Guysuco's sugar estate at Skeldon. GPL and Guysuco entered into an Interim Agreement on 4th December 2007 for the purchase and sale of electrical power from HFO capacity on an interim basis pending the finalization of a Power Purchase Agreement for the sale of surplus electrical energy from the co-generation facility.
- Ⓔ 4MW firm wind power capacity from a 13.5MW Wind Farm to be constructed at Hope Beach on the East Coast of Demerara. GPL and Delta Caribbean continued to be in negotiations for the purchase of energy from a Wind Farm to be constructed by Delta. The parties executed a Heads of Agreement on the 29th March 2007.
- Ⓔ 100MW Amaila Falls Hydroelectric Project on the Kuribrong River. The Amaila Falls project was the subject of extensive review during the year but the absence of confirmed financing and unresolved technical issues continued to be the primary hurdles.

# STATEMENT OF RESPONSIBILITIES AND APPROVAL

## Financial Statements

The Electricity Sector Reform Act 1999 Section 40 requires that the audited Financial Statements be prepared in accordance with Sections 153 to 186 of the Companies Act 1991 and the Schedules thereto.

The management of GPL is responsible for the integrity and objectivity of the financial information presented in the Financial Statements. These Statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act 1991. In preparing the Financial Statements, appropriate accounting policies have been used and consistently applied. Reasonable and prudent judgment and estimates have been made and all accounting standards considered applicable have been followed.

The Auditor General has audited the financial statements as prepared by Management and upon completion of such examination has expressed his opinion in the following statements to shareholders.

## Corporate Governance

GPL supports the principles of corporate governance outlined in recommended best practices. The Company seeks to comply with best practices in so far as it is considered appropriate.

The Board comprises five non-executive members, including the Chairman, appointed by the Government of Guyana. The roles of the Chairman and the Chief Executive Officer are separate.

The Board has overall responsibility for the Company's systems of financial control and for monitoring their effectiveness. These systems are designed to provide reasonable but not absolute assurance against material misstatement or loss. In order to discharge that responsibility in a manner which ensures compliance with laws and regulations, the Board through the appointment of executive managers, has established an organizational structure with clear operating and reporting procedures, lines of responsibility and delegated authority.

The systems of internal financial control include the following:

- ⊗ Comprehensive budgeting systems with an annual budget approved by the Board.
- ⊗ Monthly consideration of actual results compared with budgets.
- ⊗ Clearly defined responsibilities and financial controls.

Additionally, the Board has four main sub-committees which focus on areas of paramount importance for exemplary corporate governance. These are:

- (a) Audit Sub-Committee
- (b) Technical Sub-Committee
- (c) Tender Board Sub-Committee
- (d) Commercial Sub-Committee

All of the Committees comprise three members of the Board, with each Committee a different member.

The Audit Sub-Committee is chaired by Mr. Desmond Mohamed. This Committee reviews and discusses with the Internal Audit Manager and the external Auditors, the Company's internal accounting controls, internal audit function, choice of accounting policies, internal and external audit programmes, statutory Auditors' report, financial reporting and other related matters. The committee also decides on the remuneration payable to the external independent auditor.

The Technical Sub-Committee, chaired by Mr. Narvon Persaud, deals with all aspects of the Company's technical operations and related projects. In spite of the Company's financial constraints, the Committee strives to ensure that technical operations are optimal to deliver reliable power to customers. It also endeavours to ensure projects relating to power supply are implemented efficiently and diligently.

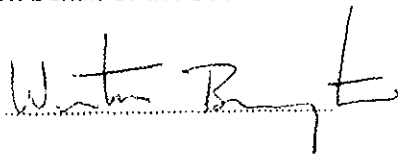
The Tender Board Sub-Committee, chaired by Mr. Carvil Duncan, focuses on ensuring that the Company develops and maintains a transparent and sound annual procurement plan, which adheres not only to the Company's policies and procedures but also the Procurement Act and to those of International Donor Agencies, including IDB.

The Commercial Sub-Committee, chaired by Mr. Winston Brassington, focuses on all aspects of commercial activities of the Company including Commercial Services, Billing and Revenue Management, and sets policies thereon. It strives to improve the quality of customer service in delivering timely and reliable responses to customers. A paramount focus of the Committee is developing initiatives set on reducing commercial losses and electricity theft.

#### **Going Concern**

The financial returns are prepared on a going concern basis and the Board, after making appropriate enquiries, is satisfied that GPL has adequate resources to continue its operations for the foreseeable future.

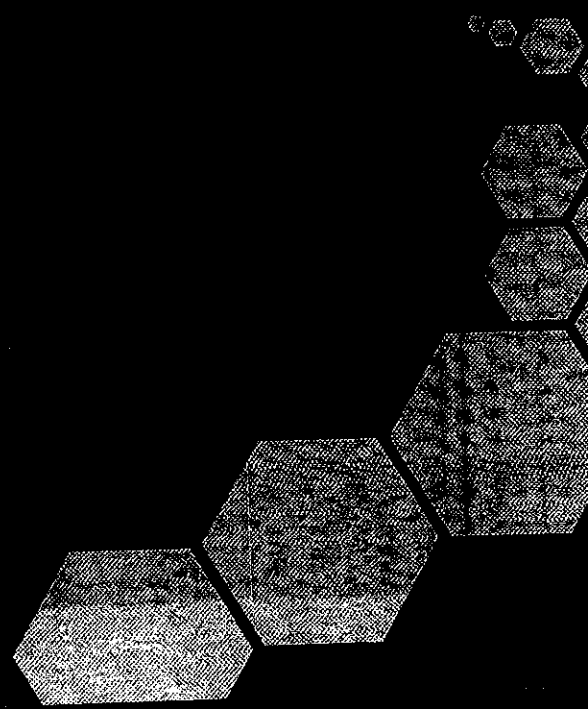
On behalf of the Board



Winston Brassington  
Chairman

**APPENDIX 1**

**AUDITED FINANCIAL STATEMENTS**





*Audit Office of Guyana*

*P. O. Box 1662, 63 High Street, Kingston, Georgetown, Guyana*

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

AG: 65/2008

14 August 2008

**REPORT OF THE AUDITOR GENERAL**  
**TO THE MEMBERS OF THE BOARD OF DIRECTORS**  
**OF THE GUYANA POWER AND LIGHT INC.**  
**ON THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Chartered Accountants, PKF, Barcellos Narine & Co. have audited on my behalf the financial statements of Guyana Power and Light Inc. for the year ended 31 December 2007, as set out on pages 4 to 28. The audit was conducted 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 obligations, is the responsibility of Management. My responsibility is to express an independent opinion on the statements based on these assertions 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.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, work papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards and the Companies Act 1991.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA

REPORT OF THE AUDITORS TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
GUYANA POWER & LIGHT, INC.

We have audited the accompanying financial statements of Guyana Power & Light Inc. which comprise the statement of financial position as at December 31, 2007 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

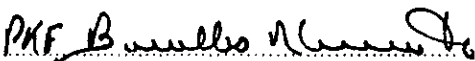
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Audit Office Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2007 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
PKF, BARCELLOS, NARINE & CO

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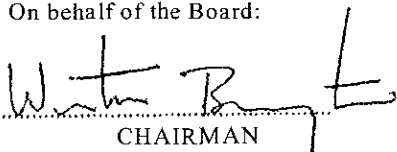
Fax (592) 226 5340 Email [bnpkf@networksgy.com](mailto:bnpkf@networksgy.com) [www.pkf.com](http://www.pkf.com)


PKF Barcellos Narine & Co. 106 Lamaha Street Georgetown · Guyana

GUYANA POWER & LIGHT, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007

ASSETS	Notes	2007 G \$ 000	2006 G \$ 000
<b>Non Current Assets</b>			
Tangible Fixed Assets	2	11 234 447	10 825 153
Work in Progress	3	991 478	1 144 365
Deferred Tax	4(a)	<u>1 059 073</u>	<u>517 643</u>
		13 284 998	12 487 161
<b>Current Assets</b>			
Taxes Recoverable		9 828	9 828
Inventories	5	2 121 953	1 904 644
Receivables	6	2 608 440	2 158 516
Deposit Accounts	7	345 337	201 222
Related Parties	8(a)	155 848	208 537
Cash Resources		<u>39 485</u>	<u>312 496</u>
		5 280 891	4 795 243
<b>Total Assets</b>		<u>18 565 889</u>	<u>17 282 404</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	9	9 999 361	9 999 361
Promissory Note	10	621 000	621 000
Accumulated Deficit		<u>(2 429 434)</u>	<u>(849 343)</u>
		8 190 927	9 771 018
<b>Non Current Liabilities</b>			
Related Party	8(b)	783 109	-
Grants and Customer Financed Projects	1(k) & 11	4 427 577	3 355 965
Provision for Decommissioning	12	242 900	242 900
Customer Deposits	13	855 580	712 291
Defined Benefit Pension	14	387 500	311 400
Deferred Tax	4(b)	-	284 805
Loan	15	<u>993 608</u>	<u>1 171 907</u>
		7 690 274	6 079 268
<b>Current Liabilities</b>			
Related Parties	8(c)	428 385	297 328
Loan	15	168 993	163 558
Payables	16	1 787 903	715 989
Taxation		<u>299 407</u>	<u>255 243</u>
		2 684 688	1 432 118
<b>Total Equity and Liabilities</b>		<u>18 565 889</u>	<u>17 282 404</u>

On behalf of the Board:

  
CHAIRMAN

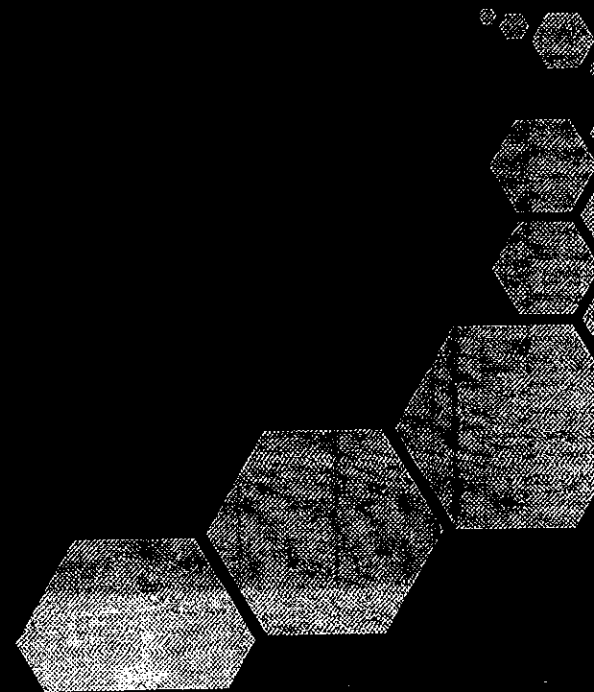
  
DIRECTOR

The attached statements and notes on pages 8 to 28 form an integral part of these financial statements.



**APPENDIX 1**

**AUDITED FINANCIAL STATEMENTS**





*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: 65/2008

14 August 2008

**REPORT OF THE AUDITOR GENERAL**  
**TO THE MEMBERS OF THE BOARD OF DIRECTORS**  
**OF THE GUYANA POWER AND LIGHT INC.**  
**ON THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

Chartered Accountants, PKF, Barcellos Narine & Co. have audited on my behalf the financial statements of Guyana Power and Light Inc. for the year ended 31 December 2007, as set out on pages 4 to 28. The audit was conducted in accordance with the Audit Act 2004.

**Respective Responsibilities of Management and Auditors**

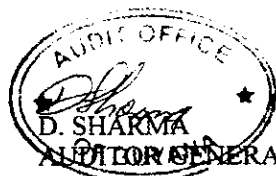
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**Basis of Opinion**

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.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, work papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2007, its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards and the Companies Act 1991.



AUDIT OFFICE  
63 HIGH STREET  
KINGSTON  
GEORGETOWN  
GUYANA

HNN:cr

August 8, 2008

REPORT OF THE AUDITORS TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS OF  
GUYANA POWER & LIGHT, INC.

We have audited the accompanying financial statements of Guyana Power & Light Inc. which comprise the statement of financial position as at December 31, 2007 and the statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

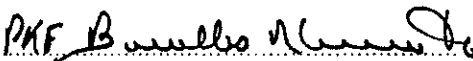
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion the financial statements present fairly, in all material respects, the financial position of the company as of December 31, 2007 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
PKF, BARCELLOS, NARINE & CO

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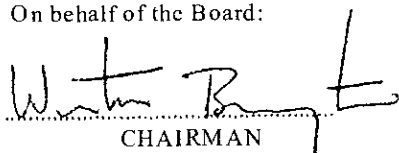
Fax (592) 226 5340 Email [bnpkf@networksgy.com](mailto:bnpkf@networksgy.com) [www.pkf.com](http://www.pkf.com)

PKF Barcellos Narine & Co. • 106 Lamaha Street Georgetown • Guyana

GUYANA POWER & LIGHT, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2007

ASSETS	Notes	2007 G \$ 000	2006 G \$ 000
<b>Non Current Assets</b>			
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<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Share Capital	9	9 999 361	9 999 361
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Accumulated Deficit		<u>(2 429 434)</u>	<u>(849 343)</u>
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<b>Non Current Liabilities</b>			
Related Party	8(b)	783 109	-
Grants and Customer Financed Projects	1(k) & 11	4 427 577	3 355 965
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		7 690 274	6 079 268
<b>Current Liabilities</b>			
Related Parties	8(c)	428 385	297 328
Loan	15	168 993	163 558
Payables	16	1 787 903	715 989
Taxation		<u>299 407</u>	<u>255 243</u>
		2 684 688	1 432 118
<b>Total Equity and Liabilities</b>		<u>18 565 889</u> =====	<u>17 282 404</u> =====

On behalf of the Board:

  
CHAIRMAN

  
DIRECTOR

The attached statements and notes on pages 8 to 28 form an integral part of these financial statements.

GUYANA POWER & LIGHT, INC.  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2007

	Notes	2007 G \$ 000	2006 G \$ 000
<b>Revenue</b>			
Turnover		19 860 645	17 741 546
<b>Expenditure</b>			
Generation Cost	17	<u>16 924 650</u>	<u>14 300 979</u>
		2 935 995	3 440 567
Employment Cost	18	2 551 254	2 363 172
Repairs and Maintenance - T & D		93 060	162 154
Depreciation	19	1 141 000	1 041 112
Administrative Expenses	20	978 170	978 607
Rates and Taxes		44 953	50 682
Loss on Exchange		135	19
Bad Debts		595 819	532 246
PUC Assessment and Licence		<u>25 000</u>	<u>25 000</u>
		<u>5 429 391</u>	<u>5 152 992</u>
<b>Net Loss from Operations</b>		(2 493 396)	(1 712 425)
Interest Expense		<u>189 720</u>	<u>185 700</u>
		(2 683 116)	(1 898 125)
Other Income		<u>320 952</u>	<u>316 858</u>
<b>Net Loss before Taxation</b>		(2 362 164)	(1 581 267)
Taxation	21	<u>782 073</u>	<u>505 422</u>
<b>Net Loss for the year</b>		<u>(1 580 091)</u>	<u>(1 075 845)</u>
		=====	=====
Loss per Share in Dollars	22	(29)	(20)

GUYANA POWER & LIGHT, INC.  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED DECEMBER 31, 2007

	Share Capital G \$ 000	Promissory Note G \$ 000	Accumulated Surplus/ (Deficit) G \$ 000	Total G \$ 000
As at January 1, 2006	9 999 361	621 000	226 502	10 846 863
Net Loss for the year	<u>-</u>	<u>-</u>	<u>(1 075 845)</u>	<u>(1 075 845)</u>
At December 31, 2006	<u>9 999 361</u>	<u>621 000</u>	<u>(849 343)</u>	<u>9 771 018</u>
As at January 1, 2007	9 999 361	621 000	(849 343)	9 771 018
Net Loss for the year	<u>-</u>	<u>-</u>	<u>(1 580 091)</u>	<u>(1 580 091)</u>
At December 31, 2007	<u>9 999 361</u>	<u>621 000</u>	<u>(2 429 434)</u>	<u>8 190 927</u>

GUYANA POWER & LIGHT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 G \$ 000	2006 G \$ 000
<b>Cash Flow from Operating Activities</b>		
Net Loss Before Taxation	(2 362 164)	(1 581 267)
<b>Adjustments for:</b>		
Depreciation	1 141 002	1 041 112
Interest Expense	189 717	185 700
Amortisation	<u>(196 845)</u>	<u>(109 013)</u>
	<u>1 133 874</u>	<u>1 117 799</u>
<b>Operating Loss Before Working Capital Changes</b>	(1 228 290)	(463 468)
<b>Working Capital Changes</b>		
Receivables	(449 925)	453 735
Inventories	(217 310)	96 802
Payables	1 071 914	193 337
Related Companies	131 058	(49 424)
Related Parties - Receivables	<u>52 689</u>	<u>(130 766)</u>
	<u>588 426</u>	<u>563 684</u>
<b>Cash (Used)/Generated from Operations</b>	(639 864)	100 216
Pension Benefit Liability	76 100	800
Interest Paid	<u>(189 717)</u>	<u>(185 700)</u>
	<u>(113 617)</u>	<u>(184 900)</u>
Net Cash Outflow from Operating Activities	(753 481)	(84 684)
<b>Cash Flow from Investing Activities</b>		
Purchase of Tangible Fixed Assets	(1 397 410)	(2 338 826)
Deposit Accounts	<u>(144 115)</u>	<u>(4 113)</u>
Net Cash Outflow from Investing Activities	<u>(1 541 525)</u>	<u>(2 342 939)</u>
Net Cash Outflow before Financing Activities	(2 295 006)	(2 427 623)
<b>Cash Flow from Financing Activities</b>		
Related Parties	783 109	-
Net Movement in Loan	(172 864)	(158 219)
Customer Deposits	143 293	142 705
Customer Financed Projects	<u>1 268 457</u>	<u>2 040 512</u>
Net Cash Generated from Financing Activities	<u>2 021 995</u>	<u>2 024 998</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(273 011)	(402 625)
Cash and Cash Equivalents - January 1	<u>312 496</u>	<u>715 121</u>
Cash and Cash Equivalents - December 31	39 485	312 496
	=====	=====
<b>Represented By:</b>		
Cash on Hand and at Bank	39 485	312 496
	=====	=====

GUYANA POWER & LIGHT, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Incorporation, Principal Activity and Statement of Accounting Policies.

(a) Incorporation and Principal Activity

The company was incorporated in the Cooperative Republic of Guyana on September 29, 1999 under the Companies Act, 1991.

The principal activity of the company is the generation and distribution of electricity in Guyana.

These financial statements were approved for issue by the Board of Directors on August 8, 2008.

(b) Statement of Significant Accounting Policies

(i) Basis of Preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and no account has been taken of the effects of inflation. The company's accounting policies conform with International Financial Reporting Standards (IFRS).

The accounting standards as required by the Electricity Sector Reform Act, 1999 for tariff calculation has been applied in the:

- The terms and conditions of the company's licence.
- Generally accepted accounting principles
- International Financial Reporting Standards (inclusive of International Accounting Standards and Interpretations).

The preparation in conformity with IFRS requires the use of certain critical accounting estimates and assumptions regarding the future.

It also requires management to exercise its judgment in the process of applying the company's accounting policies. Although these estimates and assumptions are based on management's best knowledge of current events and conditions, actual results could differ from these estimates.

Critical areas that management uses estimates are for assessing the useful lives of Property, Plant and Equipment, impairment of assets, pension obligation and decommissioning of plant.

(ii) Standards, interpretations and amendments to published standards effective in financial year 2007.

In the current year, the company has adopted IFRS 7 Financial Instruments: 'Disclosures' which is effective for annual reporting periods beginning on or after 1 January 2007, and the consequential amendments to IAS 1 Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments and management of capital.



GUYANA POWER & LIGHT, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Statement of Accounting Policies Cont'd:

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period, but are not relevant to the company's operation. These are: IFRIC 7 Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies; IFRIC 8 Scope of IFRS 2; IFRIC 9 Reassessment of Embedded Derivatives; and IFRIC 10 Interim Financial Reporting and Impairment.

The following standard, amendment and interpretations to existing standards have been published but are not effective for the current financial year are not expected to be relevant to the company's operation

IAS 23 (Revised) Borrowing Costs.

IFRS 8 Operating Segments .

IFRIC 11 IFRS 2 - Group and treasury share transaction.

IFRIC 12 Service concession arrangements.

IFRIC 13 Customer Loyalty Programmes.

IFRIC 14 IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction.

The revisions to IAS 23 have had no impact on the company's accounting policies. The principal change to the Standard, which was to eliminate the previously available option to expense all borrowing costs when incurred, has no impact on these financial statements because it has always been the company's policy to capitalise borrowing costs incurred on qualifying assets

(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 asset or group of items making up a single identifiable asset of value less than \$10 000 is not capitalised but is 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 their 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. Borrowing costs that are directly attributable to the construction of tangible assets are capitalised as part of the cost of those assets. Capitalisation of borrowing 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.

GUYANA POWER & LIGHT, INC.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2007

1. Statement of Accounting Policies Cont'd:

(d) Revaluation

Surplus from revaluation of land and buildings is credited to revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of comprehensive income. If it reverses a previous decrease in valuation, the surplus would be credited to the statement of comprehensive income to the extent of the decrease previously charged.

A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to the statement of comprehensive income to the extent that it exceeds the balance in the revaluation reserve relating to a previous revaluation, for the same asset.

Depreciation on revalued buildings is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

(e) Depreciation

Depreciation on all property, plant and 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:

	Vested Assets	New Assets
Land	Unlimited	Unlimited
Building	33 years	33 years
Generation Plant -New	20 years	20 years
Generation Pant - Mobile	N/A	10 years
Generation Plant - Other	10 years	10 years
Transmission and Distribution Networks	13 years	13 years
Motor Vehicles	2 years	5 years
Office and Computer Equipment	3 years	3 years

(f) Work-in-Progress

Depreciation is not charged on work in progress. The useful life of assets capitalised from work in progress commences when the assets have been put into use. Vested assets represent those assets acquired on October 1, 1999 from the Guyana Electricity Corporation (GEC).

GUYANA POWER & LIGHT, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Statement of Accounting Policies Cont'd:

(g) 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 the statement of comprehensive income on a straight line basis over the lease term.

(h) Inventories - Maintenance Spares

Maintenance spares are stated at the lower of cost and net realisable value.

(i) Provision for Bad and Doubtful Debts

Provision is made in these financial statements for amounts included in Receivable of which the eventual cash realisation is considered remote. The provision has been estimated at 3% of turnover based on previous results. The amount is provided for in the Statement of Comprehensive Income.

(j) Reporting Currency

These financial statements are stated in Guyana dollars. Transactions in foreign currencies are recorded at the rates ruling at the dates of the transactions or at a contracted rate. The resulting monetary assets and liabilities are translated at rates of exchange ruling at the end of the year. Any gains or losses arising from these conversions are accounted for in the Statement of Comprehensive Income.

(k) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date.

(l) Turnover

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

GUYANA POWER & LIGHT, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Statement of Accounting Policies Cont'd:

(m) Taxation

Tax charged against profits for the year comprises current and deferred tax.

(n) Current 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 adjustment to tax payable in respect of prior years. Corporation tax assessed on or charged to the company is limited to a rate of 35% of chargeable profits, while property taxes are computed at the rates in effect from April 9, 1998.

(o) Deferred Tax

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 for utilisation of the unused tax losses.

(p) Grants and Customer Financed Projects

The non-refundable amounts contributed by the Inter American Development Bank through the Government of Guyana, the Guyana Power & Light, Inc., the Government of Guyana and private customers in respect of capital works carried out under the Unserved Areas Electrification Programme (UAEP), are accounted for as deferred income which is amortised over the same period that the related asset is depreciated.

(q) Employee Benefits

The company's pension scheme is managed independently by the Hand in Hand Trust Corporation Inc. Pension costs are assessed in accordance with the advice of independent actuaries. The Trust Deed requires an actuarial valuation at least every five years. The latest actuarial valuation for the scheme was December, 31 2005 which revealed a past service deficit of G \$206 M with a funding level of 79.5%. (refer to note 14).

The provisions in respect of the guaranteed post-employment benefits and the termination gratuities represent the present value of the obligations at the balance sheet date minus the fair value of any assets held to cover the obligations, together with adjustment for actuarial gains/losses. The obligations have been calculated by an independent actuary using a hybrid method as charged or credited to income over the average remaining lives of the related employees.

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2. Tangible Fixed Assets	Land and Buildings G \$ 000	Generation Facilities G \$ 000	Transmission & Distribution Facilities G \$ 000	Motor Vehicles G \$ 000	Furniture & Equipment G \$ 000	Total G \$ 000
Cost						
January 1	943 320	8 227 756	6 978 650	87 494	455 253	16 692 473
Additions	<u>7 559</u>	<u>818 401</u>	<u>649 764</u>	<u>28 658</u>	<u>45 914</u>	<u>1 550 296</u>
December 31	950 879	9 046 157	7 628 414	116 152	501 167	18 242 769
Depreciation						
January 1	132 742	3 372 888	1 880 019	48 191	433 480	5 867 320
Charged for the year	<u>21 675</u>	<u>593 335</u>	<u>508 299</u>	<u>12 789</u>	<u>4 904</u>	<u>1 141 002</u>
December 31	154 417	3 966 223	2 388 318	60 980	438 384	7 008 322
Net Book Values:						
December 31, 2006	<u>810 578</u>	<u>4 854 868</u>	<u>5 098 631</u>	<u>39 303</u>	<u>21 773</u>	<u>10 825 153</u>
December 31, 2007	<u>796 462</u>	<u>5 079 934</u>	<u>5 240 096</u>	<u>55 172</u>	<u>62 783</u>	<u>11 234 447</u>

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	2007	2006
	G \$ 000	G \$ 000
3. Work in Progress		
Balance - January 1	1 144 365	783 450
Additions	-	1 877 936
Transfers to Non Current Assets	<u>(152 887)</u>	<u>(1 517 021)</u>
Balance - December 31	<u>991 478</u>	<u>1 144 365</u>

Work- in-progress represents amount spent on tangible fixed assets which have not been completed at the end of the financial year.

4. Deferred tax asset and liability are attributable to the following.

(a) Deferred Tax Asset/(Liability)

Tax Loss Carried Forward	809 304	408 653
Defined Benefit Pension Liability	<u>249 769</u>	<u>108 990</u>
	1 059 073	517 643
Property, Plant and Equipment	<u>-</u>	<u>(284 805)</u>
	<u>1 059 073</u>	<u>232 838</u>

5. Inventories

Fuel	682 002	414 689
Spares	1 284 967	1 062 305
Goods in Transit	<u>154 984</u>	<u>427 650</u>
	<u>2 121 953</u>	<u>1 904 644</u>

The recoverable amount for the inventory on hand at the end of the year approximate the current market prices. Majority of these items are expected to be utilised within twelve (12) months.

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	2007	2006
	G \$ 000	G \$ 000
6. Receivables		
(i) Customer Accounts	7 168 125	6 201 873
Others	<u>338 005</u>	<u>258 513</u>
	7 506 130	6 460 386
Less		
(ii) Provision for Bad Debts	<u>4 897 690</u>	<u>4 301 870</u>
	<u>2 608 440</u>	<u>2 158 516</u>

- (i) Under the Operating and Agency Agreement, the company is required to pay to the Guyana Electricity Corporation amounts collected in respect of electricity sold prior to the incorporation of Guyana Power and Light Inc.

During 2002, in accordance with the said Agreement, the balances held on the company's billing system as at June 30, 2001 were separated into the balances attributable to the company and balances due to the Guyana Electricity Corporation.

All monies collected after this date have been allocated to the company. The amount stated as receivables in note 6 represents only the amounts attributable to the company. The amount currently due to the Guyana Electricity Corporation under this agreement is G \$409M against which G \$ 98.597M relates to subsidies receivable from the Government of Guyana with respect to headline rates as more fully described in note 8.

- (ii) A general provision of 3% on turnover.

	2007	2006
	G \$ 000	G \$ 000
7. Deposit Accounts		
Letters of Credit	13	13
i. Republic Bank (Guyana) Ltd. - Cash Collateral Accounts	1 549	4 033
ii. Unserved Areas Electrification Programme Counterpart A/e	320 930	152 000
iii. Unserved Areas Electrification Programme /IDB Account	3 720	26 046
iv. Government of Guyana /Rural Electrification Account	<u>19 125</u>	<u>19 130</u>
	<u>345 337</u>	<u>201 222</u>

- i. Republic Bank cash collateral accounts represent amounts against letters of credit for the purchase of supplies from Hexing Electrical Company Limited for the use in the Unserved Areas Electrification programme.

- ii-iv. All other deposit accounts represent funds received from the Government of Guyana in respect of the Unserved Areas Electrification Programme and the additional Unserved Areas Electrification Programme. The use of these funds is restricted to these programmes.

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	2007	2006
	G \$ 000	G \$ 000
8. Related Parties		
(a) Current Assets		
(i) Guyana Electricity Corporation - Customer Deposits	12 840	12 779
(ii) Government of Guyana	101 832	101 832
(iii) Additional Unserviced Areas Electrification Programme	-	93 926
(iv) Government of Guyana - Cuban Project	41 176	-
	155 848	208 537
	=====	=====
(b) Non Current Liability		
(v) Government of Guyana	783 109	-
	783 109	-
	=====	=====
(c) Current Liabilities		
(vi) Guyana Electricity Corporation - Customer payments.	311 288	232 208
(vii) National Industrial and Commercial Investment Ltd.	117 097	65 120
	428 385	297 328
	=====	=====

- (i) This represents amounts receivable from the Guyana Electricity Corporation with respect to the repayment of customer deposits made on their behalf.
- (ii) This represents amounts previously billed to National Industrial and Commercial Investment Limited in respect of the rental of power modules and transformers used at Linden. However, this balance is actually due and payable by the Government of Guyana.
- (iii) Amount outstanding from the Government of Guyana in respect of their portion of capital contribution required for the programme.
- (iv) Amounts to be refunded by the Government of Guyana for the Cuban Project.
- (v) This represents five CAT Generator sets purchased on behalf of the company. Interest is charged at 3% per annum and repayment is over a fifteen (15) years period, commencing on December 3, 2009.
- (vi) This represents the amount remaining due to the Guyana Electricity Corporation for amounts collected on its behalf in respect of electricity sold prior to the incorporation of Guyana Power and Light Inc. in accordance with the Operating and Agency Agreement. Government subsidies receivable amounting to G \$98.597 M in respect of headline rates have been offset against amounts owing to the Guyana Electricity Corporation leaving a balance of G \$311M.
- (vii) This represents the balance due to National Industrial and Commercial Investment Limited in respect of the rental of power modules and transformers.



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8. Related Parties Cont'd:

(viii) An Operating and Agency Agreement exists between the company and the Guyana Electricity Corporation. Under this agreement the company paid the Guyana Electricity Corporation a usage fee of US \$0.01 per kilowatt-hour of actual electricity output generated by all units retained by the Guyana Electricity Corporation. From October 1, 2002, this increased to US \$0.02 for the Niigata units. The Government of Guyana in 2006 agreed to convert the amounts owing for usage fees in the sum of G\$553 M as at December 31, 2004 into 3 074 228 common shares of G \$180 per share and for such equity to be utilised for the construction of the transmission link from Skeldon to No. 53 Village. The Government also agreed to the calculation of usage at \$0.00 from January 2005, whilst the Guyana Power & Light, Inc. and the Guyana Electricity Corporation remain wholly government owned.

9. Stated/Issued Capital	Number	Issued Price G \$	2007 Value G \$ 000	2006 Value G \$ 000
Authorised:				
(i) Common Shares	Unlimited	100	-	-
(ii) Class A Preference Shares	12 000 000	100	-	-
(iii) Class B Preference Shares	12 000 000	100	-	-
(iv) Special Share	1	100	-	-
Issued:				
Common Shares	55 074 228	182	9 999 361	9 999 361
Special Share	1	-	-	-
			<u>9 999 361</u>	<u>9 999 361</u>

All shares are owned by the Co-operative Republic of Guyana.

- (i) The company is authorised to issue an unlimited amount of common shares at a minimum price of G \$100.
- (ii) In 2004, all class A preference shares were automatically and permanently converted to 12 000 000 common shares of G \$180 each.
- (iii) In 2005, all class B preference shares were converted to common shares retroactively to October 1, 2004

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	2007 G \$ 000	2006 G \$ 000
10. Promissory Note	621 000	621 000
	<u>          </u>	<u>          </u>

This amount is outstanding to the Government of Guyana and is convertible into Common Shares as stipulated in a Promissory Note dated October 1, 1999. No interest is payable on this amount.

11. Grants and Customer Financed Projects

In accordance with the accounting policy described in note 1 (k), the following capital contributions received from the Inter American Development Bank, the Government of Guyana and private customers are amortised over the period that the related asset (transmission and distribution network) is depreciated.

	2007 G \$ 000	2006 G \$ 000
Contributions:		
At January 1	3 671 215	1 630 703
Contributions during the year	<u>1 268 457</u>	<u>2 040 512</u>
At December 31	<u>4 939 672</u>	<u>3 671 215</u>
Amortisation:		
At January 1	315 250	206 237
Amortisation during the year	<u>196 845</u>	<u>109 013</u>
At December 31	<u>512 095</u>	<u>315 250</u>
Net Deferred Income at December 31	<u>4 427 577</u>	<u>3 355 965</u>

12. Provision for Decommissioning

This represents an amount provided at incorporation to be utilised for the future cost of decommissioning certain generation facilities as and when they arise. Management has reviewed this amount and has considered it adequate as at December 31, 2007.

	2007 G \$ 000	2006 G \$ 000
13. Customer Deposits	855 580	712 291
	<u>          </u>	<u>          </u>

Money collected from customers prior to the provision of service. This is refunded when the customers cease to utilise the service. Interest is accrued and paid over to the customers on cessation of service at 7% per annum.

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14. Defined Benefit Pension Scheme

(a) Description of Scheme

The Guyana Power and Light Pension Plan is managed independently by the Hand in Hand Trust Corporation Inc. and continues to operate under the original name Guyana Electricity Corporation Superannuation Scheme as a hybrid between a defined contribution scheme and a final pension scheme in that the benefit paid on retirement is either:

- (i) A pension payable for life based on completed service and final average salary at retirement, or
- (ii) The benefit otherwise payable on termination of service, which is a refund of member's own contributions with interest plus, if the member has more than 10 years service, the company's contributions with interest.

The number of employees at the end of the period was 1 432 with 983 members of the pension scheme.

	2007 G \$ 000	2006 G \$ 000
(b) Items for Inclusion in the Statement of Financial Position		
Defined Benefit Obligation	2 485 100	2 453 600
Fair Value of Assets as per Actuarial valuation	<u>(1 697 300)</u>	<u>(1 516 400)</u>
	787 800	937 200
Unrecognised Gain	<u>(400 300)</u>	<u>(625 800)</u>
Net IAS 19 Defined Benefit Liability	387 500	311 400
	=====	=====
(c) Reconciliation of Opening and Closing Balance Sheet Entries		
Opening Defined Benefit Liability	311 400	310 600
Plus Net Pension Cost	154 700	81 700
Less:		
Company Contributions Paid	<u>(78 600)</u>	<u>(80 900)</u>
	387 500	311 400
	=====	=====
(d) Items for Inclusion in Revenue Accounts		
Current Service Cost	110 200	74 600
Interest on Defined Benefit Obligation	117 000	81 800
Expected Return on Scheme Assets	<u>(92 900)</u>	<u>(74 700)</u>
Amortised Net (Gain)/Loss	<u>20 400</u>	<u>-</u>
	154 700	81 700
	=====	=====
(e) Actual Return on Scheme Assets		
Expected Return on Scheme Assets	92 900	74 700
Actuarial Gain on Scheme Assets	<u>23 300</u>	<u>(21 100)</u>
Actual Return on Scheme Assets	116 200	53 600
	=====	=====
(f) Summary of Main Assumptions	%	%
Discount Rate	5.00	5.00
Salary Increases	8.00	8.00
Expected Return on Assets	6.00	6.00

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	2007	2006
	G \$ 000	G \$ 000
15. Loan		
(i) Republic Bank Limited - Trinidad	474 031	525 929
(ii) Republic Bank (Guyana) Limited	<u>688 570</u>	<u>809 536</u>
	<u>1 162 601</u>	<u>1 335 465</u>
Repayable within one year	168 993	163 558
Repayable within two years	742 628	714 572
Repayable after five years	<u>250 980</u>	<u>457 335</u>
	<u>993 608</u>	<u>1 171 907</u>
	 <u>1 162 601</u>	 <u>1 335 465</u>

- (i) This loan is repayable over a 10 year period. The principal sum was US\$ 3.1 M and repayment commenced in 2004. Interest is charged at 1% per annum over the USD prime rate.
- (ii) This loan is repayable over a 10 year period. The principal sum was G\$ 1,117M and repayment commenced in 2004. Interest is charged at 3% per annum below Republic Bank (Guyana) Limited prime rate.

Security

The company's long-term debt is secured by a debenture, granting charges on all its assets, except those purchased subsequent to the establishment of the debenture agreement.

	2007	2006
	G \$ 000	G \$ 000
16. Payables		
Trade Creditors	1 097 067	236 833
Employment Costs	144 778	217 263
Other Accruals	<u>546 058</u>	<u>261 893</u>
	<u>1 787 903</u>	<u>715 989</u>

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	2007 G \$ 000	2006 G \$ 000
17. Generation Cost		
Fuel	14 436 042	12 389 307
Fuel Agency Fee	39 716	35 074
Operations and Maintenance Contract	1 268 789	1 253 332
Repairs and Maintenance - Generation Facilities	553 217	568 610
Power Purchased	22 117	-
Rental of Equipment - Generation	604 769	54 656
	<u>16 924 650</u>	<u>14 300 979</u>
18. Employment Costs		
Gross Salaries	2 368 910	2 191 536
Social Security Cost	104 382	93 674
Pension Cost	77 962	77 962
	<u>2 551 254</u>	<u>2 363 172</u>
19. Depreciation		
Buildings	21 674	21 304
Plant and Machinery	593 335	592 352
Transmission and Distribution Networks	508 298	367 073
Motor Vehicles	12 790	4 234
Equipment	4 572	40 322
Computer Equipment	331	15 827
	<u>1 141 000</u>	<u>1 041 112</u>
20. Administrative Expenses	<u>978 170</u>	<u>978 607</u>
The following expenses were charged in the above amounts:		
Repairs and Maintenance - Motor Vehicles & Tools	23 700	14 909
- Buildings	60 223	36 214
- Equipment	10 498	11 543
Audit Fees	5 500	5 000

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	2007	2006
	G \$ 000	G \$ 000
21. Taxation		
Property	(44 163)	(47 449)
	-----	-----
Origination of timing differences - tax losses carried forward	400 251	188 090
Origination of timing differences - others	<u>425 985</u>	<u>364 781</u>
Total Deferred Taxes	<u>826 236</u>	<u>552 871</u>
	-----	-----
	<u>782 073</u>	<u>505 422</u>
	=====	=====

	2007	2006
	G \$ 000	G \$ 000
Reconciliation of Effective Tax Rate		
Net Loss Before Tax	(2 362 163)	(1 581 267)
	=====	=====
Corporation tax calculated at the enacted rate	35.00 % (826 757)	35.00 % (553 043)
Expenses not deductible for tax purposes	(0.02)% 521	(0.01)% 172
Property Taxes	<u>(1.79)% 44 163</u>	<u>(2.89)% 47 449</u>
Total Tax Charge	<u>33.19 % (782 073)</u>	<u>32.10 % (505 422)</u>
	=====	=====

22. Loss per Share in Dollars

Loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year.

	2007	2006
	G \$ 000	G \$ 000
Net Loss for the year	(1 580 091)	(1 075 845)
Divided by:		
Weighted average number of ordinary shares	55 074	55 074
Loss per Share in Dollars	(29)	(20)

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23. Commitments

There are Cumulative Preference Dividends amounting to \$4 496.4M which have not been provided for in the statement of comprehensive Income and the statement of financial position. (Refer note 24 d).

24. 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) On July 25, 2002 the Public Utilities Commission (PUC) ordered that the company pay G \$1.37bn in compensation to customers for being in breach of section 25 of the PUC Act for the period October 1999 through to June 2001 inclusive, however, the company has been granted a stay of execution pending the outcome of civil appeal No. 50 of 2002 filed by the company.

Should the Court uphold the penalty, the company could exercise their option of including foregone revenues as a notional expense in determining future rates of electricity, which would effectively increase the rates charged and thereby negating the effect of the penalty.

(c) As stated in note 6.1, monies collected from customers after June 30, 2001 have been allocated to the company. No determination has been made of monies collected subsequent to June 30, 2001 in respect of electricity sold prior to the incorporation of the company.

(d) Preference Dividends

Class A and B preference shares which were converted to Common Shares as stated in note 9 (ii & iii) were entitled to a 20% cumulative preferred dividend, which has not been accrued or paid;

	Commulative G \$ 000
Class A Preference Shares	2 336 400
Class B Preference Shares	<u>2 160 000</u>
	<u>4 496 400</u> =====

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25. Foregone Revenue

During the period, the Company maintained its policy of foregoing revenues where actual rates charged to customers were lower than that determined by the licence as referred to above. Under its licence, the company has the option of including foregone revenues as a notional expense in determining future rates of electricity payable by customers.

Foregone revenues for the years 2003 to 2007 amounted to G\$10.354bn of which G\$2.34 bn was utilised as notional expenses in computing the Final Return Certificate for 2007.

26. Compensation to Key Management Personnel

The remuneration paid to the fifteen (15) key management personnel during the year were as follows:

	2007	2006
	G \$ 000	G \$ 000
(a) Short - term employment benefits	243 177	165 500
(b) Post - employment benefits	<u>1 557</u>	<u>430</u>
	<u>244 734</u>	<u>165 930</u>
	=====	=====

27. Financial Instruments and Financial Risk Management.

The company's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance. The company has not entered into forward contracts to reduce its risk exposure.

(i) Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company. The company has adopted a policy of discontinuing service to customers that has defaulted with their settlement arrangement as a means of mitigating the risk. The company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the divisional director regularly.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. The company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the company's maximum exposure to credit risk. The company only require a deposit which is refunded on cessation of the service. The value of service provided is not restricted to the deposit.



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The maximum credit risk exposure at the end of the year is as follows:

	2007 G \$ 000	2006 G \$ 000
Receivables	2 608 441	2 158 516
Related Parties	<u>155 848</u>	<u>208 537</u>
	<u>2 764 289</u>	<u>2 367 053</u>

(ii) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the board of directors for the company. The Board has built an appropriate liquidity risk management framework for the management of the company's short, medium and long-term funding and liquidity management requirements. The company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Up to One year G \$ 000	Two to Five Years G \$ 000	Over Five Years G \$ 000	Total G \$ 000
December 31, 2007				
Financial Assets	752 978	125 698	2 280 263	3 158 938
Financial Liabilities	<u>2 684 112</u>	<u>974 559</u>	<u>2 909 138</u>	<u>6 567 809</u>
Net Liability Gap	<u>(1 931 134)</u>	<u>(848 861)</u>	<u>(628 875)</u>	<u>(3 408 871)</u>
December 31, 2006				
Financial Assets	2 766 160	114 611	9 828	2 890 599
Financial Liabilities	<u>1 432 117</u>	<u>7 14 572</u>	<u>2 344 926</u>	<u>4 491 615</u>
Net Liability Gap	<u>1 334 043</u>	<u>(599 961)</u>	<u>(2 335 098)</u>	<u>(1 601 016)</u>

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(iii) Interest Rate Risk

As the company has no significant interest bearing assets, the company's income and operating cash flows are substantially independent from changes in market interest rates.

The company's interest rate risk arises from its borrowings. Borrowings issued at variable rates, expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

	Weight Average Effective Interest Rate %	Up to One year G \$ 000	Two to Five Years G \$ 000	Over Five Years G \$ 000	Non Interest Bearing G \$ 000	Total G \$ 000
December 31, 2007						
<b>Assets</b>						
Receivables		-	-	-	2 608 441	2 608 441
Deposits	2	1 549	-	-	343 787	345 336
Related Parties		-	-	-	155 848	155 848
Cash and Bank		39 485	-	-	-	39 485
Other Assets		-	-	-	9 828	9 828
		<u>41 034</u>	<u>-</u>	<u>-</u>	<u>3 117 904</u>	<u>3 158 938</u>
<b>Liabilities</b>						
Customer Deposits	7	4 800	19 200	831 580	-	855 580
Related Parties	3	-	220 471	551 178	439 845	1 211 494
Loan	12	168 993	-	993 608	-	1 162 601
Payables	11	455 304	-	-	1 332 599	1 787 903
Others	21	<u>298 830</u>	<u>-</u>	<u>-</u>	<u>1 251 400</u>	<u>1 550 230</u>
		<u>927 927</u>	<u>239 671</u>	<u>2 376 366</u>	<u>3 023 845</u>	<u>6 567 809</u>
Interest Sensitivity Gap		<u>(886 893)</u>	<u>(239 671)</u>	<u>(2 376 366)</u>	<u>(94 059)</u>	<u>(3 408 871)</u>

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(iii) Interest Rate Risk Cont'd:

	Weight Average Effective Interest Rate %	Up to One year G \$ 000	Two to Five Years G \$ 000	Over Five Years G \$ 000	Non Interest Bearing G \$ 000	Total G \$ 000
December 31, 2006						
<b>Assets</b>						
Receivables		-	-	-	2 158 516	2 158 516
Deposits	2	3 835	-	-	197 386	201 221
Related Parties		-	-	-	208 537	208 537
Cash and Bank		312 496	-	-	-	312 496
Other Assets		-	-	-	9 828	9 828
		<u>316 331</u>	<u>-</u>	<u>-</u>	<u>2 574 267</u>	<u>2 890 598</u>
<b>Liabilities</b>						
Customer Deposits	7.5	4 800	19 200	688 291	-	712 291
Related Parties		-	-	-	297 327	297 327
Loan	12	163 558	714 572	457 335	-	1 335 465
Payables	11	120 542	-	-	595 446	715 988
Others	21	<u>255 243</u>	<u>-</u>	<u>-</u>	<u>1 175 300</u>	<u>1 430 543</u>
		<u>544 143</u>	<u>733 772</u>	<u>1 145 626</u>	<u>2 068 073</u>	<u>4 491 614</u>
Interest Sensitivity Gap		<u>(227 812)</u>	<u>(733 772)</u>	<u>(1 145 626)</u>	<u>(506 194)</u>	<u>(1 601 016)</u>

GUYANA POWER & LIGHT, INC.  
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 FOR THE YEAR ENDED DECEMBER 31, 2007

(iv) Currency Risk

The company is subject to foreign currency risk to the extent that it trades in currencies other than Guyana currency. The company does not use interest rate swaps or foreign currency options, or other derivative instruments to hedge any foreign currency risk exposure. At balance sheet date, the company's significant currency position was as follows:

Currency Risk	G \$ 000	<u>US \$</u> G \$ 000	Total G \$ 000
December 31, 2007			
Financial Assets	3 145 758	13 180	3 158 938
Financial Liabilities	<u>4 519 015</u>	<u>2 048 794</u>	<u>6 567 809</u>
Net Liability Gap	<u>(1 373 257)</u>	<u>(2 035 614)</u>	<u>(3 408 871)</u>
December 31, 2006			
Financial Assets	2 769 262	121 336	2 890 598
Financial Liabilities	<u>3 761 285</u>	<u>730 329</u>	<u>4 491 614</u>
Net Liability Gap	<u>(992 023)</u>	<u>(608 993)</u>	<u>(1 601 016)</u>