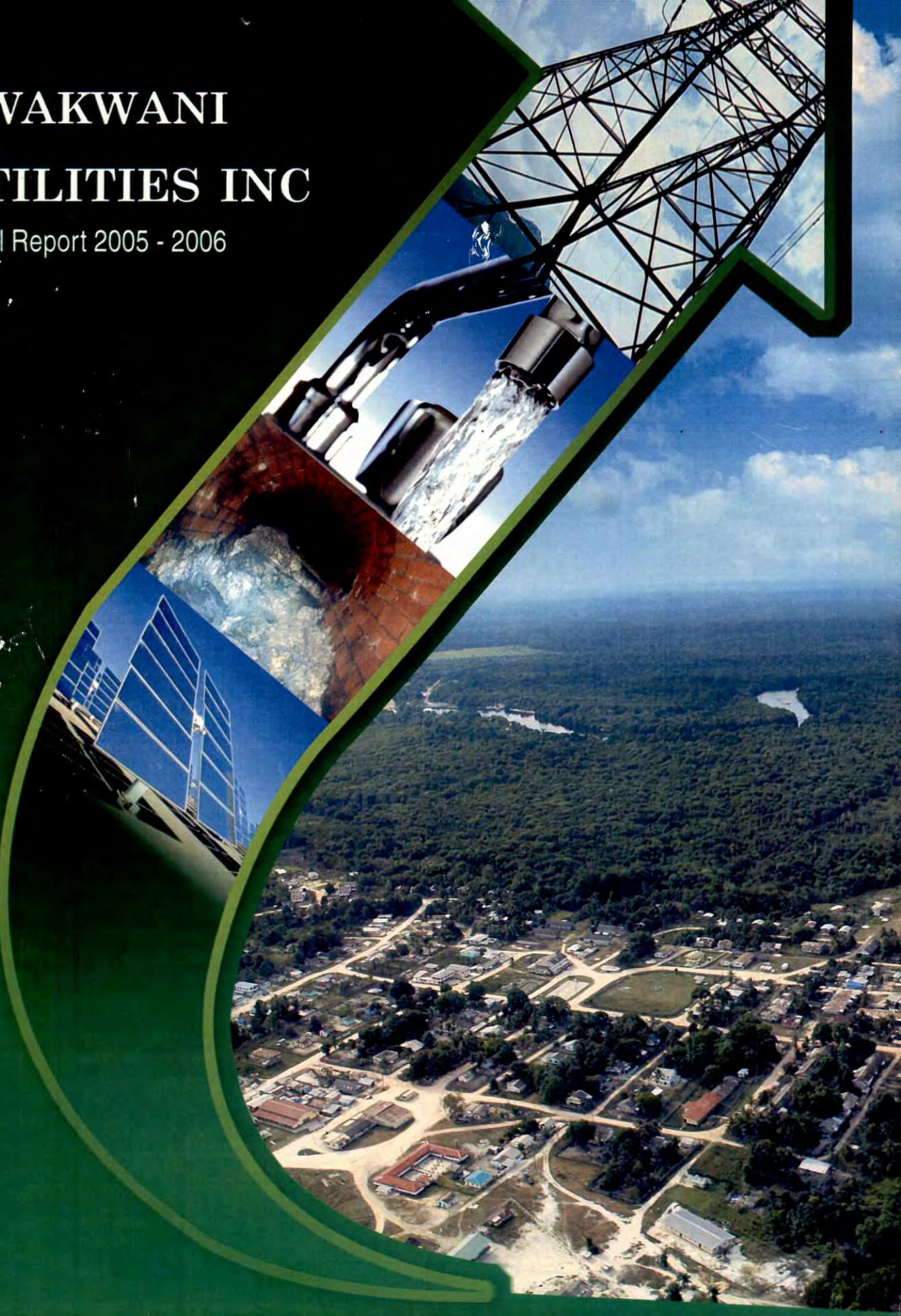


# KWAKWANI UTILITIES INC

Annual Report 2005 - 2006





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## Notice of Annual General Meeting

Notice is hereby given that the First and Second Annual General Meeting of Kwakwani Utilities Incorporated will be held at the National Industrial & Commercial Investments Ltd (NICIL)/ Privatisation Unit (PU) on Friday March 5, 2010 at 2:00 pm for the following purposes:

- 1) To receive and consider the Report of the Directors and the Audited Accounts for the Years ended December 31, 2005 and December 31, 2006.
- 2) To consider any other business that may be conducted at an Annual General Meeting.

Only shareholders or their duly appointed proxies may attend; please bring this notice to gain entry to the meeting.

Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him / her.

A proxy need not be a member of the Company. The instrument appointing a proxy must bear a \$10 revenue stamp and be deposited at the registered office of the Company not less than 14 days before the time for holding the meeting.

A proxy form is attached for use if desired.

Any Corporation, which is a member of the Company may, by resolution of its Directors or other governing body, authorize such person as it thinks fit to act as its representative at the meeting.

By Order of the Board

Punaram Chanderban  
Company Secretary/Director

Registered Office:  
Kwakwani Utilities Inc  
Berbice River  
Region 10  
Guyana



## Corporate Information

**REGISTERED OFFICE:**

Kwakwani Park  
Berbice River  
Region 10  
Guyana

**AUDITORS:**

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

**BANKERS:**

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

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## Mission Statement

Kwakwani Utilities Inc is committed to providing electricity to domestic and commercial consumers in an efficient and cost effective manner, to ensure safe and adequate delivery of potable water and a safe sewerage system for better public health.

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## Board of Directors



**Winston Brassington**  
Chairman



**Ervil Gabriel**  
Company Secretary



**Ron Webster**  
Director



**Horace James**  
Director

**No members of the Board of Directors have since resigned / retired.**

The Directors had no personal interest in any contracts with the company and did not enter into any arrangements with the Company.

## Management



**Winston Rozario**  
General Manager



## Report of the Chairman

This is the first annual report of Kwakwani Utilities Incorporated for the years 2005/2006 covering the period January 6, 2005 to December 31, 2006. In addition to all the requirements in law for an annual report, KUI has attempted to give full details of its achievements and constraints.

The Government of Guyana established Kwakwani Utilities Incorporated in January 2005 to provide a reliable and safe supply of electricity and water to Kwakwani and surrounding areas. KUI is also responsible for the management of the sewage system in Kwakwani. The generation and distribution of electricity were managed and controlled by Aroaima Mining Company prior to the privatization in March 2006.

Kwakwani Utilities Incorporated is a wholly owned subsidiary of National Industrial and Commercial Investments Limited having obtained 100% of the issued shares in the Company by consideration. The Parent Company provided technical and financial advice to the Company at no cost during the period.

The Government of Guyana provided G\$158.4M in 2006 as full subsidy towards the cost of generating and distributing both electricity and water and also towards sewage management. The cost per kWh of power purchased from BCGI at the end of 2006 were G\$44.30 and G\$30.24 for Kwakwani and Ladernville respectively. 63,292 liters of fuel were purchased for Ituni from BCGI at an average cost of G\$105 per liter during 2006.

Kwakwani Utilities Inc. continues to work towards providing a safe and reliable level of electricity and water in the community and plans to expand to other areas in the coming years. The Company examines comments / feedback from residence to expand water supply to the Airstrip and Jonestown area. Electricity and other social services provided by the Company are free of cost to all Consumers.

The Company is focused on cost reduction measures mainly in areas of inefficiencies such as; losses in the transmission and distribution system and greater levels of productivity in Human Resources.

The Company was billed for a total of 2,112,754 kWh for both Landernville and Kwakwani for the year ended December 31, 2006 with the Company's consumer base standing at 778.



## Report of the Chairman (cont'd)

### Operating Statistics

<i>Operating Statistics</i>	<i>2006</i>	<i>2005</i>
Gross Profit	48,313,771	-
Profit / (Loss) Before Taxation	28,037,504	-
Total Capital and Reserves	32,412,553	-
Net Current Assets	9,986,434	-
New Capital Investments	-	-
Number of Customers	778	-
Peak Demand	800 Kw	-
Number of Employees	16	-
Employment Cost	11,190,078	-
Cost per kWh Purchased (Kwakwani)	G\$44.30	-
Cost per kWh Purchased (Ladernville)	G\$30.24	-
Length of Transmission Line	485,000 ft	-
# of Installed Transformers	40	-

### Transmission and Distribution

- a) The Company was able to install new transmission lines in Lamp Island, West Bank of the River, Jonestown and the Airstrip Areas, during the year under review.
- b) Six (6) transformers were installed for distribution purposes in the areas the Company serves.

### K.U.I continues to serve the areas listed below:

1. Kwakwani Park
2. Western & Eastern Banks of the Berbice River, Kwakwani
3. Waterfront Road
4. First, Second & Third Phase Housing Scheme, Kwakwani
5. Roosery Avenue
6. Staff Hill
7. Potville
8. Hopetown
9. Jonestown
10. Airstrip (area parallel to the airstrip)
11. Lamp Island



## Report of the Chairman (cont'd)

### Consumers Service

Reports in relation to unsatisfactory services can be reported to the Company's Office. All reports are dealt with efficiently by the Company's skilled and trained staff; all reports are dealt with within 12 hours of the initial report.

### Key Consumer Statistics

<i>Consumers</i>	<i>2006</i>	<i>2005</i>	<i>Increase</i>
Residential	686	-	686
Commercial	92	-	92
<b>Total</b>	<b>778</b>		<b>778</b>

The Company commenced operation on April 1, 2006 at which time 778 consumers were on the grid.

### Human Resources

The Company had a total of 16 persons under its employment as at December 31, 2006.

<i>Type of Employee</i>	<i>2006</i>	<i>2005</i>	<i>Increase</i>
Electrical	3	-	3
Administration	6	-	6
Waterplant	4	-	4
NCN	2	-	2
Sanitation	1	-	1
<b>Total</b>	<b>16</b>		<b>16</b>

### Safety and Environment

The Company Continued in its effort to develop a safe work culture. In - house training was employed to promote occupational safety and health.

### Financial Performance

#### Profitability

- a) K.U.I achieved a Net Profit before Taxation of G\$28M for the year ended December 31, 2006.
- b) No Dividends were declared for the years ended December 31, 2005 and December 31, 2006.





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## Report of the Chairman (cont'd)

### Revenue Overview

The Company's total revenue of G\$158.4M is consisted of subvention received from the Government of Guyana.

### Operating Expenses

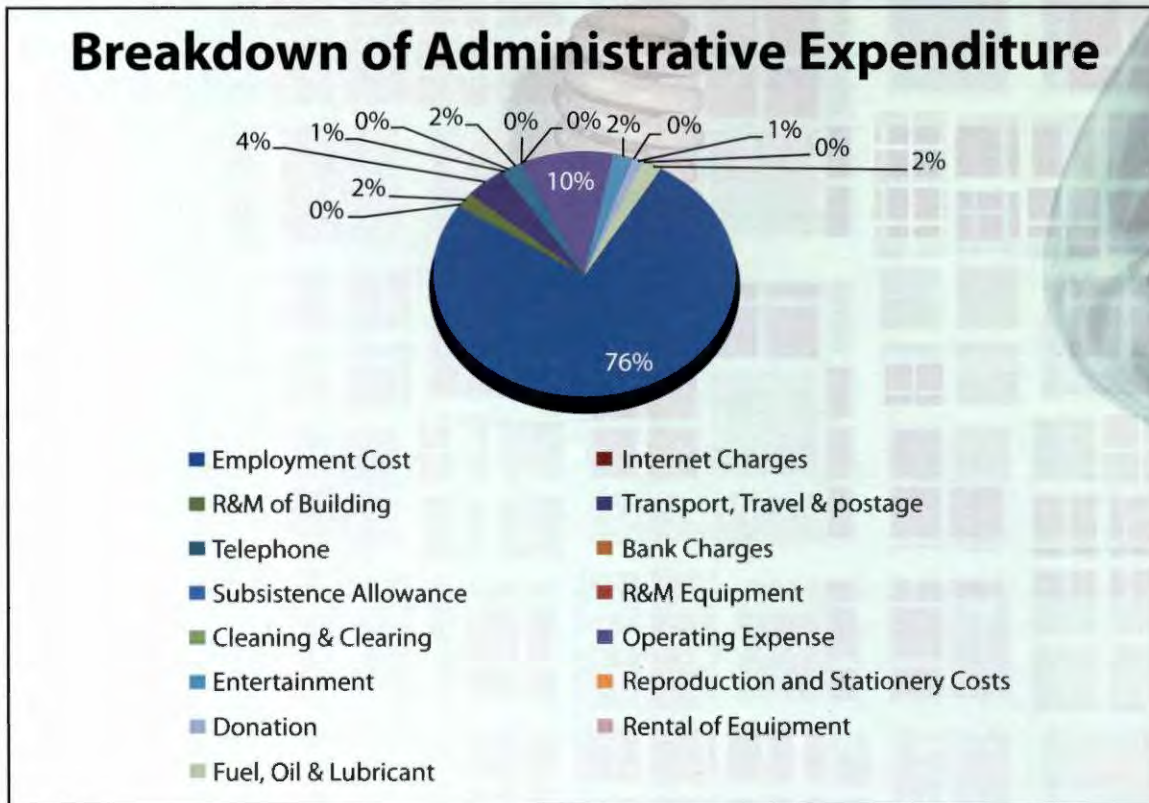
Total Operating Expenses inclusive of Fuel, Oil, & Lubricants, Materials & Equipment Supplied, Employment Cost, Repairs & Maintenance and Other Costs amounted to G\$14.6M.

<i>Expenses</i>	<i>2006</i>	<i>2005</i>
Employment Cost	11,190,078	-
Internet Charges	30,570	-
R&M: Building	246,395	-
Transport, Travel & Postage	648,752	-
Telephone	98,447	-
Bank Charges	4,000	-
Subsistence Allowance	223,900	-
R&M: Equipment	15,800	-
Cleaning & Clearing	9,000	-
Operating Expense	1,429,141	33,550
Entertainment	298,540	-
Reproduction & Stationery Costs	16,020	-
Donation	121,000	-
Rental of Equipment	20,000	-
Fuel, Oil & Lubricants	318,094	-
<b>Total</b>	<b>14,669,737</b>	<b>33,550</b>





## Report of the Chairman (cont'd)



### Debt Financing

There were no borrowings for the year under review.

### Capital Expenditure

There was no Capital Expenditure during the year under review.

### Going Concern

The financial statements are prepared on a going concern basis and the Board of Directors, after making appropriate enquiries, is satisfied that KUI has adequate resources and support to continue its' operations for the foreseeable future.

Finally, I take this opportunity to thank the Government of Guyana, our Shareholder, members of the Board of Directors, the Management of BCGI, Management and Staff and our consumers for their contribution during 2006 and solicit their continued contribution and guidance in 2007.

*Winston Brassington*  
 Winston Brassington  
 Chairman





## Directors' Report

The Directors take pleasure in submitting our First Annual Report and Audited Financial Statements for the years ended December 31, 2005 & 2006.

### Principal Activities

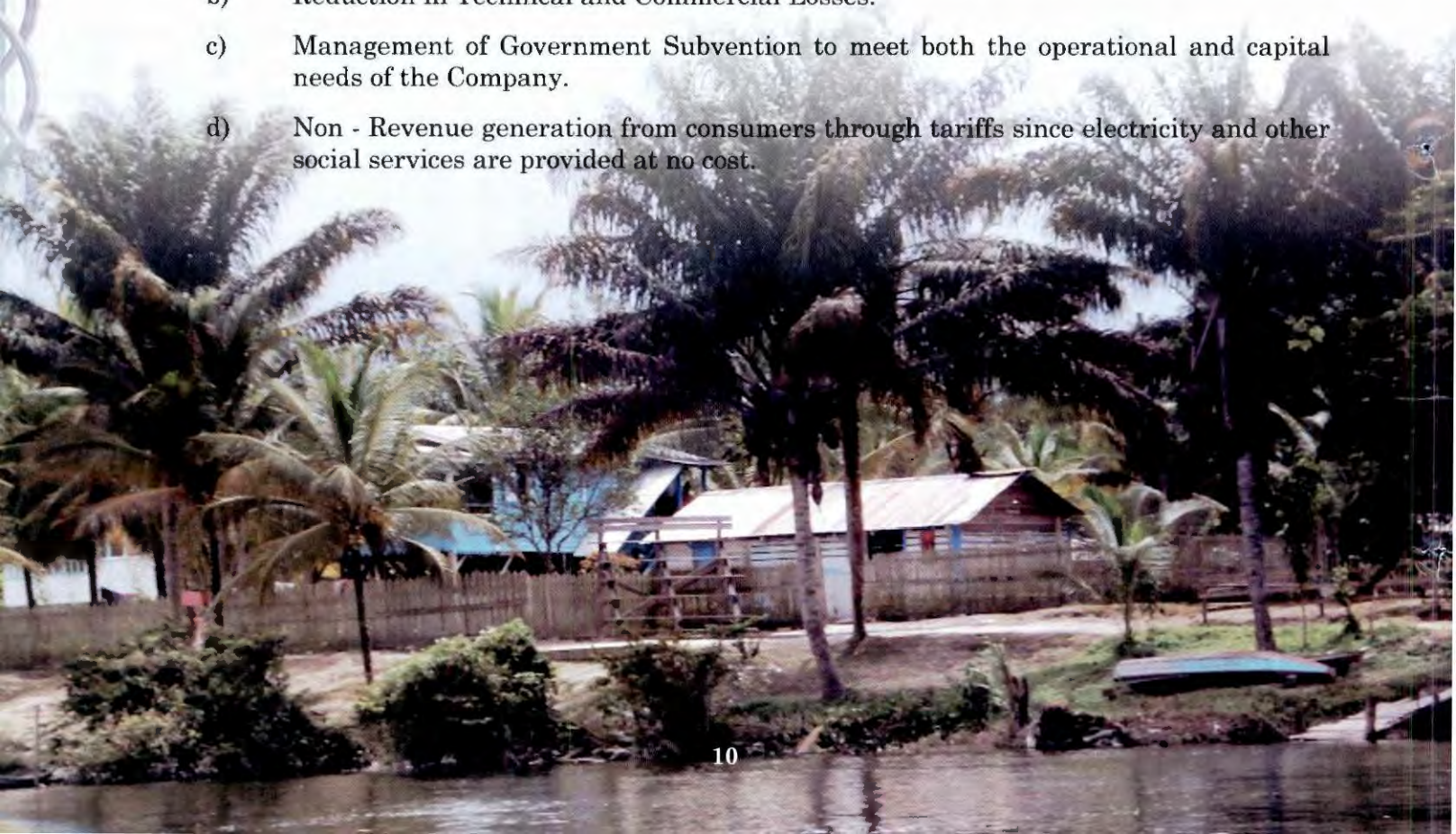
After the privatization of AMC to the Bauxite Company of Guyana Inc in April 2006, KUI was formed to manage the social services in Kwakwani and surrounding areas. Kwakwani Utilities Incorporated, License # 5301, was incorporated under the Companies Act 1991 of Guyana on January 6, 2005. The principal activities of the Company are the distribution of electricity, water and sewage management services to the residents of Kwakwani.

Electricity is supplied on a 24hr basis whilst sewage and water are managed when needed and supplied on a scheduled basis respectively via subvention received from the Government of Guyana.

### Regulatory Matters

In accordance with the Company's License and the Electricity Sector Reform Act (ESRA) 1999 KUI focuses on a Development and Expansion Programme. This Programme identifies measures to address the immediate and long term issues facing the Company. The immediate problems identified were as follows:

- a) Maintaining reasonable and uninterrupted supply of electricity and water to consumers.
- b) Reduction in Technical and Commercial Losses.
- c) Management of Government Subvention to meet both the operational and capital needs of the Company.
- d) Non - Revenue generation from consumers through tariffs since electricity and other social services are provided at no cost.





## Directors' Report (cont'd)

### Technical Losses

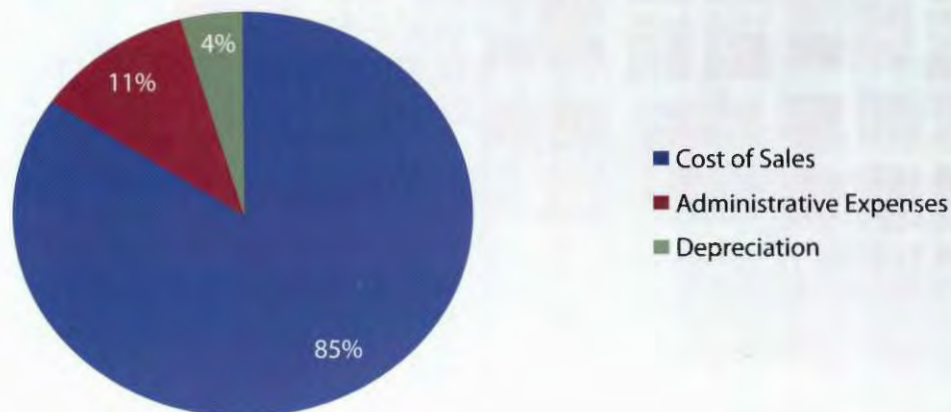
Water loss reduced during the year as a result of repairs made to damaged and broken water mains. The Company continues to work towards further loss reduction.

### Financial Results

Gross Profit for 2006 represents 30.5% of total subvention received from the Government of Guyana. Cost of Sales during 2006 represents 69.5% of Government Subvention.

<i>Item</i>	<i>2006 (G\$)</i>	<i>2005 (G\$)</i>
Subvention	158,400,000	-
Cost of Sales	110,086,229	-
<b>Gross Profit</b>	<b>48,313,771</b>	<b>-</b>
Administrative Expenses	14,669,737	33,550
Depreciation	5,606,530	-
<b>Net Surplus / (Deficit)</b>	<b>28,037,504</b>	<b>(33,550)</b>

### Distribution of Expenses



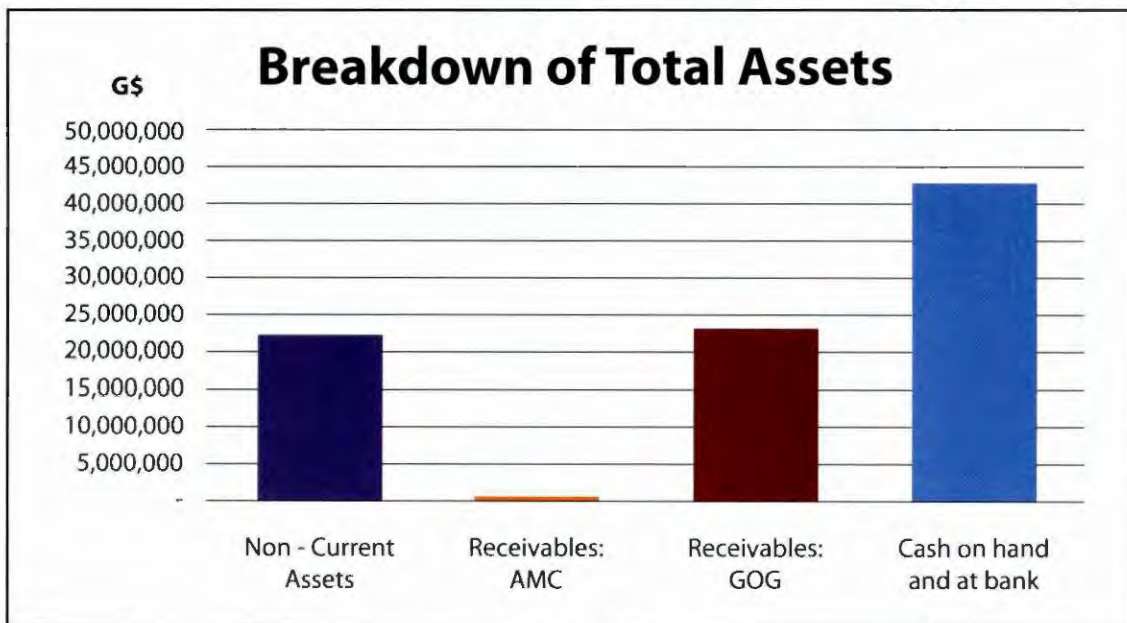


## Directors' Report (cont'd)

### Distribution of Kwakwani Utilities Inc's Assets as at December 31, 2006

Item	2006 (G\$)	2005 (G\$)
<b>Non - Current Assets</b>		
Tangible Non - Current Assets	22,426,119	
<b>Total Non - Current Assets</b>	<b>22,426,119</b>	
<b>Current Assets</b>		
Receivables: AMC	706,200	
GOG	23,400,000	
Cash on hand and at bank	43,021,516	
<b>Total Current Assets</b>	<b>67,127,716</b>	
<b>Total Assets</b>	<b>89,553,835</b>	

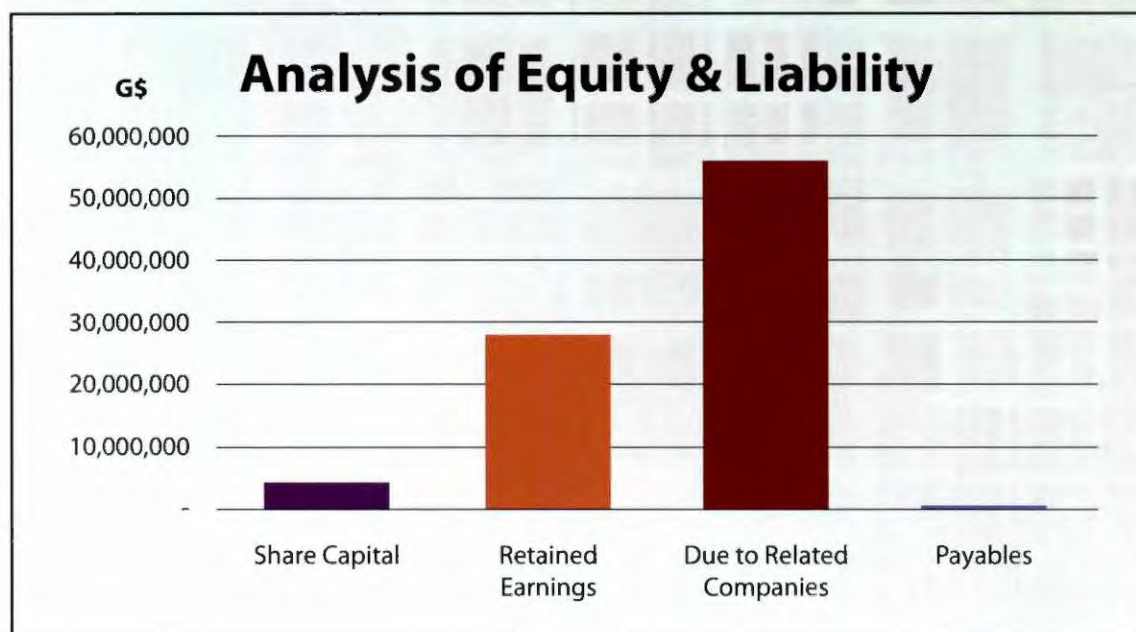
The Company's Total Assets as at December 31, 2006 was G\$89.5M of which 24% represent Non-Current Assets and 76% represent Current Assets. Non-Current Assets represent a new distribution system as part of an expansion project at Lamp Island, Jonestown, areas parallel to the airstrip and the West Bank.





**Directors' Report (cont'd)****Distribution of KUI's Equity and Liabilities**

Item	2006 (G\$)	2005 (G\$)
<b>Capital &amp; Reserves</b>		
Share Capital	4,408,599	33,550
Retained Earnings	28,003,954	(33,550)
<b>Total Capital &amp; Reserves</b>	<b>32,412,553</b>	
<b>Current Liabilities</b>		
Due to Related Companies	56,162,171	
Other Payables (BCGI)	979,111	
<b>Total Current Liabilities</b>	<b>57,141,282</b>	
<b>Total Equity &amp; Liabilities</b>	<b>89,553,835</b>	







## Directors' Report (cont'd)

### Share Structure

The Company is a wholly owned Subsidiary of National Industrial and Commercial Investments Limited. NICIL is the registered holder of 44,086 fully paid common shares number 1 to 44,086 effective 1st April, 2006.

### Dividend

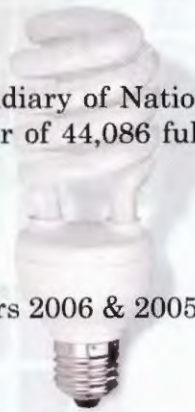
No Dividends were declared for the years 2006 & 2005.

### Auditor

KUI, being a company whose majority shareholder is a state-owned company, is required to have its financial statements audited by the Office of the Auditor General.

By Order of the Board

**Ervil Gabriel**  
Secretary





## Management's Responsibility for Financial Reporting 2005 / 2006

The management of Kwakwani Utilities Incorporated has prepared the accompanying financial statements and is responsible for their content and other information contained in this annual report. The Company's financial statements were prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best estimates and judgments.

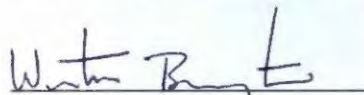
The Audit Office of Guyana who have audited our accounts are independent and have presented independent opinions thereon.

Kwakwani Utilities Incorporated maintains a system of internal accounting control designed to provide reasonable assurance that transactions are executed in accordance with proper authorization and are properly recorded, and that assets are safeguarded. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the benefits derived and that the evaluation of those factors requires estimates and judgments by management. Further, because of inherent limitations in any system of internal accounting control errors or irregularities may occur and may not be detected.

Nevertheless, management believes that a high level of internal control was maintained through the selection and training of qualified and semi-qualified personnel and the establishment and communication of accounting and business policies.

The independent auditors have unrestricted access to the Board of Directors.

For and on behalf of the Board



**Winston Brassington**  
Chairman





**AUDITED FINANCIAL STATEMENTS OF  
KWAKWANI UTILITIES INCORPORATED**

**FOR THE YEAR ENDED  
31 DECEMBER 2005**

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





## *Audit Office of Guyana*

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

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

AG: 106/2007

31 August 2007

**REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF THE BOARD OF DIRECTORS  
OF THE KWAKWANI UTILITIES INCORPORATED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2005**

I have audited the attached financial statements of the Kwakwani Utilities Incorporated for the year ended 31 December 2005, as set out on pages 19 to 27. These statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets, and in accordance with the accounting policies as set out on Page 23.

### 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 the Management of the Kwakwani Utilities Incorporated. 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 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.



Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kwakwani Utilities Incorporated as at 31 December 2005, and the results of its operations 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



## Income Statement for the period 6 January 2005 to 31 December 2005

	Notes	2005 G\$
Operating Revenues	3	-
Cost of Sales	4	-
Net Operating Revenues		-
Administrative Expenses	5	33,550
Depreciation		-
<b>Net Profit for the Year</b>		<b>(33,550)</b>

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



## Statement of Changes in Equity for the period 6 January 2005 to 31 December 2005

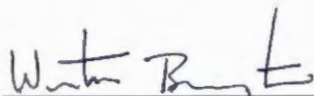
	<u>Share Capital</u> G\$	<u>Retained Earnings</u> G\$	<u>Revaluation Reserve</u> G\$	<u>Total</u> G\$
<b>Balance at 6 January 2005</b>	-	-	-	-
Increase in share capital	33,550			33,550
Net profit for the year	-	(33,550)	-	(33,550)
<b>Balance at 31 December 2005</b>	<u>33,550</u>	<u>33,550</u>	<u>-</u>	<u>-</u>

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

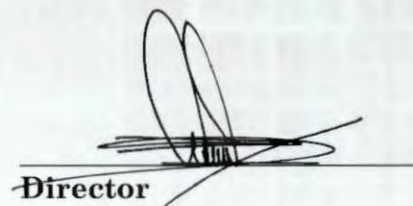


## Balance Sheet as at 31 December 2005

	Notes	2005 G\$
<b>ASSETS</b>		
<b>Non-current assets</b>		
Fixed assets	6	-
<b>Current assets</b>		
Inventories - Fuel	2 (f)	-
Accounts receivable	7	-
Cash on hand and at bank	8	-
		<hr/>
		<hr/>
<b>TOTAL ASSETS</b>		<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Share capital	9	33,550
Retained earnings		(33,550)
Revaluation reserves	2 (d)	-
		<hr/>
		<hr/>
<b>Current liabilities</b>		
Due to related companies	10	-
Other creditors		-
		<hr/>
		<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<hr/> <hr/>



Director



Director

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





## Cash Flow Statement for the period 6 January 2005 to 31 December 2005

	<u>2005</u> G\$
<b>Operating activities</b>	
<b>Net profit for the year</b>	(33,550)
Adjustments for:	
Depreciation	-
(Increase)/decrease in inventories	-
(Increase)/decrease in due from related companies	-
Increase other receivables	-
Increase/(decrease) in due to related companies	-
Decrease in other creditors	-
	<hr/>
<b>Cash provided by operating activities</b>	<b>(33,550)</b>
<b>Investing Activities</b>	
Purchase of fixed assets	-
	<hr/>
<b>Net cash used in investing activities</b>	-
<b>Financing activities</b>	
Increase in share capital	33,550
	<hr/>
<b>Net used in financing activities</b>	<b>33,550</b>
	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	-
<b>Cash and cash equivalents at the beginning of the period</b>	-
	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>-</b>
	<hr/> <hr/>

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



## Notes to the Accounts for the period 6 January 2005 to 31 December 2005

### 1. Incorporation

Kwakwani Utilities Inc. (K.U.I) was incorporated as a company under the Companies Act Chapter 89:01 on the 6 January 2005. The objectives of the company are the supply of Electricity, Water and Sewerage Management services in Kwakwani.

### 2. Summary of significant accounting policies

#### (a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

#### (b) Fixed assets

Fixed assets are depreciated on the straight-line method over their estimated useful lives as follows:-

Buildings	2%
Furniture and equipment	20%
Motor vehicles	25%

#### (c) Foreign currency

Foreign currency transactions completed during the year are translated to Guyana dollars at the National Bank of Industry & Commerce Limited Cambio rates of exchange ruling at the dates of such transactions. At Balance sheet date all amounts denominated in foreign currencies are translated to Guyana dollars at the National Bank of Industry & Commerce Limited Cambio exchange rates ruling at that date or at rates agreed by Bank of Guyana. Gains and losses resulting from such transactions are included in the profit and loss account for the year.

#### (d) Revaluation reserves

The company's policy is to take a conservative approach to valuing properties veated or transferred to it, therefore a nominal value of \$1,000 is attached to all properties transferred. The credit part to the entry is recorded under this account.





## Notes to the Accounts for the period 6 January 2005 to 31 December 2005

### 2. Summary of significant of accounting policies continued

#### (e) Revenue

Revenue consists of Subvention received from Government of Guyana.

#### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using primarily the weighted average cost basis.

#### (g) Expenditure

Expenditure are dealt with in these financial statements on the accrual basis.





## Notes to the Accounts for the period 6 January 2005 to 31 December 2005

<b>3</b>	<b>Operating revenues</b>	<b>2005</b>
		<b>G\$</b>
	Subvention from GOG	<u>          </u>
	Electricity supplied to consumers	<u>          </u>
	Other Income	<u>          </u>
		<u>          </u>
<b>4</b>	<b>Cost of sales</b>	<b>2005</b>
		<b>G\$</b>
	Fuel and lubricants	<u>          </u>
	Transportation	<u>          </u>
	Materials equipment and supplies	<u>          </u>
	R&M Generator	<u>          </u>
	Fuel Inventory on Hand	<u>          </u>
		<u>          </u>
		<u>          </u>
<b>5</b>	<b>Administrative Expenses</b>	<b>2005</b>
		<b>G\$</b>
	Registry fees	<u>33,500</u>
		<u>          </u>
		<u><b>33,550</b></u>





## Notes to the Accounts for the period 6 January 2005 to 31 December 2005

6.	Land & Buildings GS	Furniture & Equipment GS	Motor Vehicles GS	Distribution Systems GS	Total GS
<b>Cost</b>					
At 6 January 2005					-
Additions					-
Disposals					-
Transfers					-
At 31 December 2005	-	-	-	-	-
<b>Depreciation</b>					
At 6 January 2005				-	-
Charge for the year				-	-
Write back on disposal					
At 31 December 2005	-	-	-	-	-
<b>Net Book Values</b>					
At 31 December 2005	-	-	-	-	-
At 6 January 2006	-	-	-	-	-



## Notes to the Accounts for the period 6 January 2005 to 31 December 2005

7	<b>Accounts Receivable</b>	2005 G\$
		-
8	<b>Cash on hand and at Bank</b>	2005 G\$
	Cash at bank	-
	Petty Cash on Hand	-
	Cash and cheques on hand	-
9	<b>Share Capital</b>	2005 G\$
	Authorised, issued and fully paid Ordinary Shares @ G1 each	33,550
10	<b>Due to Related Company</b>	2005 G\$
		-





**AUDITED FINANCIAL STATEMENTS OF  
KWAKWANI UTILITIES INCORPORATED**

**FOR THE YEAR ENDED  
31 DECEMBER 2006**

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





## *Audit Office of Guyana*

*P. O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana  
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AG: 107/2007

31 August 2007

**REPORT OF THE AUDITOR GENERAL  
TO THE MEMBERS OF THE BOARD OF DIRECTORS  
OF THE KWAKWANI UTILITIES INCORPORATED  
ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2006**

I have audited the attached financial statements of the Kwakwani Utilities Incorporated for the year ended 31 December 2006, as set out on pages 31 to 38. These statements have been prepared under the historical cost convention, modified by the revaluation of fixed assets, and in accordance with the accounting policies as set out on Page 35.

### 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 the Management of the Kwakwani Utilities Incorporated. 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 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.



Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Kwakwani Utilities Incorporated as at 31 December 2006, and the results of its operations 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





## Income Statement for the year ended 31 December 2006

	Notes	2006 G\$	2005 G\$
Subvention	3	158,400,000	-
Generation and Distribution Cost	4	110,086,229	-
Net Operating Revenues		48,313,771	-
Administrative Expenses	5	14,669,737	33,550
Depreciation		5,606,530	
<b>Surplus on Subvention</b>		<b>28,037,504</b>	<b>33,550</b>

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





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## Statement of Changes in Equity for the year ended 31 December 2006

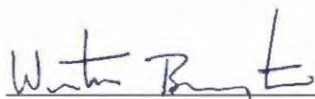
	<u>Share Capital</u> G\$	<u>Retained Earnings</u> G\$	<u>Revaluation Reserve</u> G\$	<u>Total</u> G\$
<b>Balance at 6 January 2005</b>	-	-	-	-
Increase in share capital	33,550			33,550
Net profit for the year		(33,550)		<b>(33,550)</b>
<b>Balance at 31 December 2005</b>	<u>33,550</u>	<u>(33,550)</u>	-	-
Increase in share capital	4,375,049			4,375,049
Net profit for the year		28,037,504		28,037,504
<b>Balance at 31 December 2006</b>	<u><u>4,408,599</u></u>	<u><u>28,003,954</u></u>	<u>-</u>	<u><u>32,412,553</u></u>

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



## Balance Sheet as at 31 December 2006

	Notes	2006 G\$	2005 G\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	6	22,426,119	-
<b>Current assets</b>			
AMC		706,200	
Receivable GOG		23,400,000	
Cash on hand and at bank	7	43,021,516	-
		<b>67,127,716</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>89,553,835</b>	<b>-</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	8	4,408,599	33,550
Retained earnings		28,003,954	(33,550)
		<b>32,412,553</b>	<b>-</b>
<b>Current liabilities</b>			
Due to related companies	9	56,162,171	-
BCGI		979,111	
		<b>57,141,282</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>89,553,835</b>	<b>-</b>



Director



Director

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





## Cash Flow Statement for the year ended 31 December 2006

	<u>2006</u> G\$	<u>2005</u> G\$
<b>Operating activities</b>		
<b>Net profit for the year</b>	<b>28,037,504</b>	<b>(33,550)</b>
Adjustments for:		
Depreciation	5,606,530	-
(Increase)/decrease in due from related companies	(24,106,200)	-
(Increase)/decrease in due to related companies	56,162,171	-
Decrease in other creditors	979,111	-
	<u>66,679,116</u>	<u>(33,550)</u>
<b>Cash provided by operating activities</b>		
<b>Investing Activities</b>		
Purchase of fixed assets	(28,032,649)	-
	<u>(28,032,649)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		
<b>Financing activities</b>		
Increase in share capital	4,375,049	33,550
	<u>4,375,049</u>	<u>33,550</u>
<b>Net used in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>43,021,516</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>43,021,516</u></b>	<b><u>-</u></b>

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



## Notes to the Accounts

### 1. Incorporation

Kwakwani Utilities Inc. (K.U.I) was incorporated as a Company under the Companies Act Chapter 89:01 on the 6 January 2005. The objectives of the company are the supply of Electricity, Water and Sewerage Management services in Kwakwani.

### 2. Summary of significant accounting policies

#### (a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

#### (b) Fixed assets

Fixed assets are depreciated on the straight-line method over their estimated useful lives as follows:-

Buildings	2%
Furniture and equipment	20%
Motor vehicles	25%

#### (c) Foreign currency

Foreign currency transactions completed during the year are translated to Guyana dollars at the National Bank of Industry & Commerce Limited Cambio rates of exchange ruling at the dates of such transactions. At Balance sheet date all amounts denominated in foreign currencies are translated to Guyana dollars at the National Bank of Industry & Commerce Limited Cambio exchange rates ruling at that date or at rates agreed by Bank of Guyana. Gains and losses resulting from such transactions are included in the profit and loss account for the year.





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## Notes to the Accounts



3. Subvention	2006 G\$	2005 G\$
Subvention from GOG	<u>158,400,000</u>	-
<b>4. Cost of sales</b>	<b>2006 G\$</b>	<b>2005 G\$</b>
Community Employment Cost	537,925	-
Community Electricity	96,455,494	-
Community Fuel	6,903,132	-
Community R&M Building	2,770,465	-
Community Mechanical Spares	330,024	-
Community Electrical Spares	103,508	-
Community Rental Equip.	70,000	-
Distribution System Maintainance	2,191,475	-
Plant Maintainance	220,000	-
Community Miscelaneous	54,440	-
Community Other Supplies	449,766	-
	<u><b>110,086,229</b></u>	<u>-</u>
<b>5. Administrative Expenses</b>	<b>2006 G\$</b>	<b>2005 G\$</b>
Wages And Salaries	11,190,078	-
Internet Charges	30,570	-
R&M of Building	246,395	-
T/port Travel & postage	648,752	-
Telephone Charges	98,447	-
Bank Charges	4,000	-
Subsistence Allowance	223,900	-
R & M Equipment	15,800	-
Cleaning & Clearing	9,000	-
Operating Expense	1,429,141	33,550
Entertainment	298,540	-
Photocopying/printing	16,020	-
Donation	121,000	-
Rental of equipment	20,000	-
Fuel	318,094	-
	<u><b>14,669,737</b></u>	<u><b>33,550</b></u>



**Notes to the Accounts**

6.	<u>Land &amp; Buildings GS</u>	<u>Furniture &amp; Equipment GS</u>	<u>Motor Vehicles GS</u>	<u>Distribution Systems GS</u>	<u>Total GS</u>
<b>Cost</b>					
At 1 January 2006					-
Additions		508,675		27,523,974	28,032,649
Disposal					-
Transfers					-
At 31 December 2006	<u>-</u>	<u>508,675</u>	<u>-</u>	<u>27,523,974</u>	<u>28,032,649</u>
<b>Depreciation</b>					
At 1 January 2006			-	-	-
Charge for the year		101,735	-	5,504,795	5,606,530
Write back on disposal					
At 31 December 2006	<u>-</u>	<u>101,735</u>	<u>-</u>	<u>5,504,795</u>	<u>5,606,530</u>
<b>Net Book Values</b>					
At 31 December 2006	<u>-</u>	<u>406,940</u>	<u>-</u>	<u>22,019,179</u>	<u>22,426,119</u>
At 31 January 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



**Notes to the Accounts****7. Cash on hand and at Bank**

Cash at bank  
Petty Cash on Hand



**2006**  
**G\$**

**2005**  
**G\$**

42,900,175  
31,341

**43,021,516**

-

**8. Share Capital**

Authorised, issued and fully paid  
Ordinary Shares @ G1 each

**2006**  
**G\$**

**2005**  
**G\$**

**4,408,599**

**33,550**

**The above figure consists of the following:**

Registry fees for incorporation  
Computers transferred from Linmine  
Payment to service distribution systems

33,550

33,550

251,075

-

4,123,974

-

**4,408,599**

**33,550**

**9. Due to Related Company**

LECI  
NICIL

**2006**  
**G\$**

**2005**  
**G\$**

3,038

-

56,159,133

-

**56,162,171**

-



## ANNUAL GENERAL MEETING 2005 AND 2006

### FORM OF PROXY



The Secretary  
Kwakwani Utilities Inc  
Kwakwani Park  
Berbice River  
Region 10  
Guyana

I/ We .....  
of .....  
A Member / Members of Kwakwani Utilities Inc. hereby appoint.....  
or in his/her absence .....  
of .....

As my / our Proxy to vote in my / our names(s) and on my / our behalf upon any matter proposed at the First and Second Annual General Meeting of the Kwakwani Utilities Inc. to be held on Friday March 5, 2010 at 2:00 pm or thereof in such manner as such Proxy may think proper.

As witness my hand this ..... day of .....

Signed by the Said .....

(Name of Member/s)

.....  
(Signature of Member/s)

Note: To be valid, this form must be completed and deposited with the Secretary at least 48 hours before the time appointed for the meeting or adjourned meeting.