



Audit Office of Guyana

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AG: 8/2009

28 January 2009

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF
GUYANA ELECTRICITY CORPORATION INC.
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

I have audited the accompanying financial statements of Guyana Electricity Corporation which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audit was conducted in accordance with the Audit Act of 2004.

Management's responsibility for the financial statements

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

Auditor's responsibility

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 issued by the International Federation of Accountants (IFAC), and those of the International Organization of Supreme Audit Institutions (INTOSAI). 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of appropriateness of accounting policies used and the reasonableness made by management, as well as evaluating the overall presentation of the financial statements.

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

Qualified Opinion arising from Limitation in Scope and Uncertainty

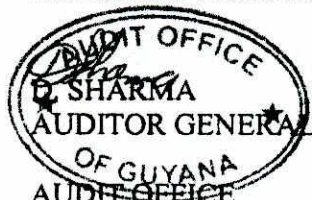
The amount of \$1.018B is shown in the Balance Sheet as Receivables. This amount represents amounts owing by GPL Inc., Electricity Sector, Guyana Energy Authority and others. However, supporting documentation to substantiate this amount was not presented for audit. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

Included in the Balance Sheet is the sum of (\$1.525B) which is shown as Extraordinary Item. Despite repeated request, documentary evidence in support of the amount shown was not presented for audit verification. In addition, there were no alternative audit checks that could have been carried out. In the circumstance, the completeness, accuracy and validity of the amount stated could not be determined.

The amount of \$5.084B is shown in the Balance Sheet as Non-Current Liabilities. Included in this amount are the sums of \$4.637B and \$388.878M which represents Government of Guyana Loans and Consumer Deposits, respectively. However, supporting documentations to substantiate the amount shown as Consumer Deposits were not presented for audit examination. As a result, the completeness, accuracy and validity of the amount shown could not be verified.

Included in the amount of \$4.319B shown as Current Liabilities in the Balance Sheet is the sum of \$4.163B which represents amounts owing to the Guyana Energy Authority and the sum of \$150.280M which represents amounts owing to the Guyana Revenue Authority. However, in the absence of the related invoices and other supporting documentation, the completeness, accuracy and validity of the amounts shown could not be determined.

Except for any adjustments which might have been shown to be necessary as a result of the matters referred to in the preceding paragraphs, in my opinion the financial statements present fairly, in all material respects, the financial position of the Guyana Electricity Corporation Inc. as at 31 December 2006, and its surplus and cash flows for the year then ended in conformity with International Financial Reporting Standards.


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AUDITOR GENERAL (ag.)
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GUYANA ELECTRICITY CORPORATION INC.
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD 1 JANUARY 2006 TO 31 DECEMBER 2006

	Notes	Dec-06 G\$	2005 G\$
Income	3	-	18,401
Administrative Expenses	4	1,989,998	1,638,571
Depreciation		182,222	624,612
Net Operating Profit		<u>(2,172,220)</u>	<u>(2,244,782)</u>
Interest and other income	5	-	143,969
Taxation		-	-
Net Profit for the Year		<u>(2,172,220)</u>	<u>(2,100,813)</u>

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

GUYANA ELECTRICITY CORPORATION INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY 2006 TO 31 DECEMBER 2006

	Share Capital	Opening Deficit b/f	Extraordinary Item	Retained Earnings	Total
Note	G\$	G\$	G\$	G\$	G\$
Balance at 31 December 2004	-	(6,278,805,996)	(1,524,877,509)	(1,120,839,632)	(8,924,523,137)
Net profit for the year	-	-	-	(2,100,813)	(2,100,813)
Balance at 31 December 2005	-	(6,278,805,996)	(1,524,877,509)	(1,122,940,445)	(8,926,623,950)
Net profit for the year	-	-	-	(2,172,220)	(2,172,220)
Write-off of Guyoil Debt	10			570,855,000	570,855,000
Balance at 31 December 2006	-	(6,278,805,996)	(1,524,877,509)	(554,257,665)	(8,357,941,170)

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

GUYANA ELECTRICITY CORPORATION INC.
BALANCE SHEET
AS AT 31 DECEMBER 2006

ASSETS	Notes	Dec-06	2005
		G\$	G\$
Non-current assets			
Fixed assets	6	25,376,116	25,558,338
Investments		-	-
		<u>25,376,116</u>	<u>25,558,338</u>
Current assets			
Receivables	7	1,017,933,399	1,017,933,399
Cash on hand and at bank		1,848,116	3,093,364
		<u>1,019,781,515</u>	<u>1,021,026,763</u>
TOTAL ASSETS		<u>1,045,157,631</u>	<u>1,046,585,101</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	-	-
Opening Capital Deficit		(6,278,805,966)	(6,278,805,966)
Extraordinary Items		(1,524,877,509)	(1,524,877,509)
Retained earnings		(554,257,665)	(1,122,940,445)
		<u>(8,357,941,140)</u>	<u>(8,926,623,920)</u>
Non-Current Liabilities	9	5,083,814,559	5,083,814,559
Current liabilities	10	4,319,284,212	4,889,394,462
TOTAL EQUITY AND LIABILITIES		<u>1,045,157,631</u>	<u>1,046,585,101</u>


Director

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

GUYANA ELECTRICITY CORPORATION INC.
CASH FLOW STATEMENT
FOR THE PERIOD 1 JANUARY 2006 TO 31 DECEMBER 2006

Operating activities	Dec-06	2005
	G\$	G\$
Net profit for the year	(2,172,220)	(2,244,782)
Adjustments for:		
Gain on disposal of property	-	-
Bad debts	-	-
Depreciation	182,222	624,612
(Increase)/decrease in receivables due from related companies	-	-
(Increase)/decrease other receivables	-	1,366,660
Decrease in other creditors	(570,110,250)	(22,773,326)
Cash provided by operating activities	(572,100,248)	(23,026,836)
Investing Activities		
interest received	-	143,969
Purchase of Fixed Assets	-	(422,950)
Net cash used in investing activities	-	(278,981)
Financing activities		
Write-off of Guyoil debt	570,855,000	-
Net used in financing activities	570,855,000	-
Net increase/(decrease) in cash and cash equivalents	(1,245,248)	(23,305,817)
Cash and cash equivalents at the beginning of the period	3,093,364	26,399,181
Cash and cash equivalents at the end of the period	1,848,116	3,093,364

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

**GUYANA ELECTRICITY CORPORATION INC.
NOTES TO THE ACCOUNTS**

1. Incorporation:

Guyana Electricity Corporation Inc. was incorporated as a company under the Companies Act No.29 of 1991 on the 11th October 1999.

The primary objectives of the company were: -

- (a) To acquire and manage the residual assets and liabilities of the Guyana Electricity Corporation which were not vested to the Guyana Power & Light Inc. on the 30th September
- (b) To be responsible for all litigation, claims and causes brought against the G.E.C.

2. Summary of significant accounting policies

(a) Accounting convention

The financial statements have been prepared under the historic cost convention and conform to the International Reporting Standards adopted by the Chartered Accountants of Guyana.

(b) Fixed assets

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

Land	0%
Power Stations	20%
Office Equipment	20%
Furniture	10%
Motor Vehicle	20%

GUYANA ELECTRICITY CORPORATION INC.
NOTES TO THE ACCOUNTS

3. Income	Dec-06	2005
	G\$	G\$
Usage fees	-	-
Other	-	18,401
	<u>-</u>	<u>18,401</u>

Usage Fees

The usage fees are earned from the company's power stations which are operated by the Guyana Power & Light Inc. The operating conditions and fees charged are embodied in the operating and agency agreement which was negotiated between the Guyana Government and the investing Companies. In 2005 GEC Inc. received no usage fees.

4. Administration expenses	Dec-06	2005
	G\$	G\$
Legal and professional	1,005,000	747,500
Rates and taxes	744,750	744,750
Insurance premiums	7,827	8,005
Bank charges	-	1,000
Utilities	21,500	12,003
Miscellaneous	210,921	125,313
	<u>1,989,998</u>	<u>1,638,571</u>

5. Interest & Other income	2005	2004
	G\$	G\$
Bank Interest	-	143,969
Other	-	-
	<u>-</u>	<u>143,969</u>

6a.

Guyana Electricity Corporation Inc.
Fixed Assets & Depreciation Schedule 2006

	Opening Cost	Additions	Total Cost	Dep. BV	Dep to Dec 31st	Acc. Dep	Dep per month	Disposal Value	Net Book Value
<u>Land</u>									
39 Main Street	24,000,000	-	24,000,000	-	-	-		24,000,000	24,000,000
Mud Lot Kingston	1,000,000	-	1,000,000	-	-	-		1,000,000	1,000,000
<u>Motor Vehicles</u>									
One Rav 4	2,441,950	-	2,441,950	2,103,590	84,590	2,188,180	7,049	-	253,770
<u>Office Equipment</u>									
One Computer System	424,451	-	424,451	424,451	-	424,451	-	-	-
One Air Conditioner	90,000	-	90,000	90,000	-	90,000	-	-	-
One Computer System	367,540	-	367,540	367,540	-	367,540	-	-	-
One Photocopier	586,000	-	586,000	586,000	-	586,000	-	-	-
2 Fans	15,000	-	15,000	15,000	-	15,000	-	-	-
One Air Conditioner	165,000	-	165,000	165,000	-	165,000	-	-	-
one Laptop Computer	307,200	-	307,200	245,700	61,500	307,200	-	-	-
One Vacuum Cleaner	16,200	-	16,200	12,200	4,000	16,200	-	-	-
<u>Office Furniture</u>									
1 Office Chair	19,000	-	19,000	9,500	1,900	11,400	158	-	7,600
1 Desk	56,500	-	56,500	28,250	5,650	33,900	471	-	22,600
2 Filing Cabinets	95,900	-	95,900	57,540	9,590	67,130	799	-	28,770
Office Chairs	103,921	-	103,921	62,353	10,392	72,745	866	-	31,176
1 Filing Cabinet	46,000	-	46,000	9,200	4,600	13,800	383	-	32,200
	29,734,662	-	29,734,662	4,176,324	182,222	4,358,546	9,727	25,000,000	25,376,116

6.

**GUYANA ELECTRICITY CORPORATION
NOTES TO THE ACCOUNTS**

	Land & Buildings G\$	Generation Stations G\$	Office Furniture & Equipment G\$	Motor Vehicles G\$	Total G\$
Cost					
At 1 January 2006	25,000,000	1,812,934,000	2,292,712	2,441,950	1,842,668,662
Additions	-		-	-	-
At 31 December 2006	25,000,000	1,812,934,000	2,292,712	2,441,950	1,842,668,662
Depreciation					
At 1 January 2006	-	1,812,934,000	2,072,734	2,103,590	1,817,110,324
Charge for the year	-	-	97,632	84,590	182,222
At 31 December 2006	-	1,812,934,000	2,170,366	2,188,180	1,817,292,546
Net Book Values					
At 31 December 2006	25,000,000	-	122,346	253,770	25,376,116
At 31 December 2005	25,000,000	-	219,978	338,360	25,558,338

(i) **Land**
Lot 39 Main Street

This asset was transferred to the G.E.C Inc in October 1999. In 1994 G.E.C employed the services of an International Accounting Firm to revalue the assets of the corporation. This specific parcel of land was valued at \$24,000,000. The directors have agreed to reflect this value in its financial statements.

In 1995 G.E.C entered into an agreement of sale with the Kissoon Group of Companies to sell the above mention land for \$50,000,000. An initial deposit of \$7,500,00 was paid.

The contract of sale between the parties became frustrated and the matter is now engaging the attention of the court.

Lots 6-9 Mud Lot, Kingston - \$1,000,000

The directors agreed on a valuation of \$1,000,000 for this parcel of land.

(ii) **Generation stations**

These assets were transferred to the G.E.C Inc. in October 1999. The board of directors has agreed that the value of each of the generating stations should reflect the net book value as stated in the financial statements of the G.E.C as at 30-09-99.

GUYANA ELECTRICITY CORPORATION INC.
NOTES TO THE ACCOUNTS

7. Receivables

	Dec-06	2005
	G\$	G\$
GPL Inc	903,594,984	903,594,984
Others	36,960,184	36,960,184
Electricity Sector	48,952,531	48,952,531
Guyana Energy Authority	28,425,700	28,425,700
	<u>1,017,933,399</u>	<u>1,017,933,399</u>

8. Share Capital

Authorised

500,000 ordinary shares of G\$100 par value	<u>50,000,000</u>	<u>50,000,000</u>
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Issued and fully paid shares

500,000 ordinary shares of G\$1 par value	<u>-</u>	<u>-</u>
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9. Non- Current Liabilities

Government Loans	4,637,438,000	4,637,438,000
Consumer Deposits	388,877,734	388,877,734
Contingent Liabilities	57,498,825	57,498,825
	<u>5,083,814,559</u>	<u>5,083,814,559</u>

(a) Government loans:

These consist of ten (10) separate loans by the Ministry of Finance to the GEC Inc. from 1994 to 1999 that were transferred to the GEC Inc. in October 1999.

Under the terms of agreement repayment should have commenced one (1) year after disbursement and be repaid over a twelve (12) year period . At the 31st December 2005 the loans remained unpaid.

(b) Consumer Deposits:

These represents consumers deposits that were transferred to the GEC Inc. in October 1999. As Customers surrendered their services the corporation will be responsible for the refunds together with interest at four (4) percent per annum.

(c) Contingent Liability

There exists a number of court cases the outcome of which cannot be definitively determined. Management after a careful consideration of the costs associated with these litigations is of the opinion that the total legal cost is not likely to exceed \$57,498,825.

**GUYANA ELECTRICITY CORPORATION INC.
NOTES TO THE ACCOUNTS**

10. Payables

	Dec-06	2005
	G\$	G\$
Guyana Oil Company	-	570,855,000
Guyana Energy Authority	4,162,723,507	4,162,723,507
Guyana Revenue Authority	150,280,306	150,280,306
Others	322,399	322,399
Rates and taxes	5,958,000	5,213,250
	<u>4,319,284,212</u>	<u>4,889,394,462</u>

(a) Guyana oil Company: \$570,855,000

As per NICIL board resolution dated 23 November 2006 the amount owed shall be set-off against dividends payable by Guyoil to NICIL.

(b) Guyana Energy Authority: \$4,162,723,507

The G.N.E.A sourced diesel fuel from Venezuela on behalf the GEC Inc. The amount shown above represents the debt due by the GEC at the time of its closure on 30-09-1999. This debt has been transferred to the GEC Inc. in October 1999 and to date has remained unpaid.