



Audit Office of Guyana

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20 February 2007

**REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF
GUYANA ELECTRICITY CORPORATION INC.
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

I have audited the financial statements of Guyana Electricity Corporation Inc. for the year ended 31 December 2004 as set out on pages 5 to 19. 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, validity and compliance with applicable laws, regulations and contractual obligations, is the responsibility of the Management of Linden Mining Enterprise Limited. 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

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

Qualified Opinion arising from Limitation in Scope and Uncertainty

Included in the financial statement is the sum of \$296.493M shown as Operating Revenues. However, supporting documentation to substantiate the amount shown was not presented audit examination. As a result, the completeness, accuracy and validity of the amount shown could not have been verified.

The amount of \$1.019B is shown in the Balance Sheet as receivables. This amount represents amounts owing by customers at the time of privatization. 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.

The amount of \$5.107B is shown in the Balance Sheet as Long Term Creditors. Included in this amount are the sums of \$4.637B and \$401M 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.

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 2004, and its surplus and cash flows for the year then ended in conformity with generally accepted accounting principles.



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


GUYANA ELECTRICITY CORPORATION INC.
INCOME STATEMENT
FOR THE PERIOD 1st JANUARY '04 to 31st DECEMBER '04

	Notes	2004	2003
Operating revenues	3	\$ 296,492,692	\$ 274,190,105
Expenses			
Operational	4	<u>271,941,000</u>	<u>362,587,000</u>
Gross loss		24,551,692	(88,396,895)
Administrative expenses	5	<u>164,330,412</u>	<u>(34,241,171)</u>
Loss for the year before interest, extraordinary item and contingent liab.		(139,778,720)	(122,638,066)
Interest & other income		<u>1,509,577</u>	<u>2,116,855</u>
Loss before extraordinary item		(138,269,143)	(120,521,211)
Extraordinary item	6	-	(341,005,682)
Contingent liability	12	-	(81,000,000)
Net loss for the year		<u>(138,269,143)</u>	<u>(542,526,893)</u>

"The accompanying notes form an integral part of these accounts"

GUYANA ELECTRICITY CORPORATION INC.
BALANCE SHEET AS AT 31st DECEMBER 2004

		2004	2003
	Notes	G\$	G\$
ASSETS			
Non current assets	7	<u>25,760,000</u>	<u>298,486,000</u>
Current assets			
Receivables	8	1,019,300,059	700,693,193
Cash on hand and at bank	9	<u>26,399,181</u>	<u>62,131,528</u>
		<u>1,045,699,240</u>	<u>762,824,721</u>
TOTAL ASSETS		<u>1,071,459,240</u>	<u>1,061,310,721</u>
EQUITY AND LIABILITIES			
Share capital	10		
Opening capital deficit		(6,278,805,966)	(6,278,805,966)
Retained earnings		(1,120,839,632)	(982,570,489)
Extraordinary item		<u>(1,524,877,509)</u>	<u>(1,524,877,509)</u>
		<u>(8,924,523,107)</u>	<u>(8,786,253,964)</u>
Current liabilities			
Others payable	11	4,888,666,613	4,738,516,023
Non current liabilities			
Long term creditors	12	5,107,315,734	5,109,048,662
TOTAL EQUITY AND LIABILITIES		<u>1,071,459,240</u>	<u>1,061,310,721</u>



 Director

"The accompanying notes form an integral part of these accounts."

GUYANA ELECTRICITY CORPORATION INC.
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1st JANUARY '04 - 31st DECEMBER '04

	Share Capital	Opening Deficit b/f	Retained Earnings	Extraordinary Item	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Balance at 1st Jan' 04	-	(6,278,805,966)	(982,570,489)	(1,524,877,509)	(8,786,253,964)
Net Loss for the year			(138,269,143)		(138,269,143)
Contingent liability					
Extraordinary Item					
Balance at 31st Dec'04	<u>-</u>	<u>(6,278,805,966)</u>	<u>(1,120,839,632)</u>	<u>(1,524,877,509)</u>	<u>(8,924,523,107)</u>

"The accompanying notes form an integral part of these accounts"

GUYANA ELECTRICITY CORPORATION INC.
CASH FLOW STATEMENT
FOR THE PERIOD 1ST JANUARY 2004 - 31ST DECEMBER 2004

	2004	2003
<u>Operating Activities</u>	<u>£</u>	<u>£</u>
Net loss for the year	(138,269,143)	(542,526,893)
Adjustments for:		
Depreciation	272,772,000	363,410,000
(Increase) Decrease in receivables	(318,606,866)	80,621,148
Increased (Decrease) in creditors	<u>148,417,662</u>	<u>72,530,370</u>
Cash provided by (used in) operating activities	(35,686,347)	(25,965,375)
Investing activities		
Purchase of fixed assets	<u>46,000</u>	<u>-</u>
Net cash used in investing activities	<u>46,000</u>	<u>-</u>
(decrease) increase in cash & cash equivalents	(35,732,347)	(25,965,375)
Cash and cash equivalents at 1/1/2004	<u>62,131,528</u>	<u>88,096,903</u>
Cash and cash equivalents at 31/12/2004	<u>26,399,181</u>	<u>62,131,528</u>

"The accompanying note forms an integral part of these accounts"

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 1999.
- (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%

Note 3

Operational revenue

	2004	2003
	\$	\$
Usage fees	296,492,692	274,190,105

The usage fees were 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.

Note 4 Operational

	2004 \$	2003 \$
Depreciation	271,941,000	362,587,000

Note 5

Administrative expenses

	2004 \$	2003 \$
Employment cost	9,885,694	10,518,022
Director fees (Note a)	50,000	120,000
Depreciation	831,000	823,000
Other expenses	152,818,968	22,035,399
Rates and taxes	744,750	744,750
	164,380,412	34,241,171

(a) Director fees

Name of directors	2004 \$	2003 \$
Winston Brassington	-	-
Roshan Habibullah	50,000	120,000
Nicola Pierre	-	-
Moorsalene Sankar	-	-
	50,000	120,000

Note 6 Extraordinary Item

	2004 \$	2003 \$
	—	341,005,682

At the request of the Government of Guyana the Guyana Electricity Corporation transferred the abovementioned sum from its receivable account with the Guyana Power & Light Inc. to the said company in 2003.

Note 7

Non current assets

	Land	Motor Vehicles	Generation Stations	Office Equipment	Furniture	Total
	\$	\$	\$	\$	\$	\$
Cost 1 st Jan'04	25,000,000	2,019,000	1,812,934,000	1,971,391	275,321	1,842,199,712
Additions	-	-	-	46,000	-	46,000
At 31 st Dec'04	25,000,000	2,019,000	1,812,934,000	2,017,391	275,321	1,842,245,712

Depreciation						
At 1 st Jan'04	-	1,212,000	1,540,993,000	1,409,391	99,321	1,543,713,712
Charge for the year	-	404,000	271,941,000	394,000	33,000	272,772,000
h		1,616,000	1,812,934,000	1,803,391	132,321	1,816,485,712

Net value

At 31 st Dec'04	25,000,000	403,000	-	168,000	189,000	25,760,000
At 31 st Dec'03	25,000,000	807,000	271,941,000	562,000	176,000	298,486,000

(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.

Land – 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

Note 8

Receivables

	2004 £	2003 £
G.P.L Inc.	903,594,984	640,335,220
Others	38,326,844	1,585,259
Electricity sector	48,952,351	30,347,014
Guyana Energy Authority	28,425,700	28,425,700
	1,019,300,059	700,693,193

Note 9**Cash and cash equivalents**

	2004 \$	2003 \$
(a) Type of currency		
Local currency	26,399,181	62,131,528
Foreign currency	-	-
	<u>26,399,181</u>	<u>62,131,528</u>
(b) Investment of cash		
Cash on investment less than one yr.	24,562,099	60,113,855
Cash on current account	1,837,082	2,017,673
	<u>26,399,181</u>	<u>62,131,528</u>
(c) Utilization of cash		
Cash which is not restricted	26,399,181	62,131,528
Cash which is restricted	-	-
	<u>26,399,181</u>	<u>62,131,528</u>

Note 10**Share capital**

Authorized share capital	500,000 ordinary share of \$100 each
Issued share capital	Nil

Note 11**Others payables**

	2004 \$	2003 \$
Guyana Oil Company (note a)	570,855,000	570,855,000
Guyana Energy Authority (note b)	4,162,723,507	4,162,723,507
Others	339,300	1,213,766
Guyana Revenue Authority	150,280,306	-
Rates and taxes	4,468,500	3,723,750
	<u>4,888,666,613</u>	<u>4,738,516,023</u>

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

The Guyana Oil Company was the carrier for the G.E.C fuels from Venezuela and Trinidad. The amount reflected above represents the balance due to Guyoil at 30-09-2004 by the G.E.C. This debt was transferred to the G.E.C Inc. in October 1999 and has to date remained unpaid.

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

The G.N.E.A sourced diesel fuel from Venezuela on behalf of the G.E.C. The amount shown above represents the debt due by the G.E.C at the time of its closure on 30-09-1999. This debt has been transferred to the G.E.C Inc. in October '99 and to date has remained unpaid.

Note 12

Non current liabilities

	2004 \$	2004 £
Government loans (note a)	4,637,438,000	4,637,438,000
Consumer deposits (note b)	388,877,734	390,610,662
Contingent liability (note c)	81,000,000	81,000,000
	5,107,315,734	5,109,048,662

(a) **Govt. loans: \$4,637,438,000**

These consist of 10 (ten) separate loans disbursed by the Ministry of Finance to the G.E.C from 1994 to 1999 that were transferred to the G.E.C. Inc. in October '99.

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 2004 the loans remained unpaid.

(b) **Consumer deposits: \$388,877,734**

These represent consumer deposits that were transferred to the G.E.C. Inc. in October '99. As customers surrender their services the corporation will be responsible for the refunds together with interest at 4% per annum.

(c) **Contingent liability: \$81,000,000**

There exist a number of court cases the outcome of which cannot be definitively determined at this point in time. Management after a careful consideration of the cost associated with these litigation is of the opinion that the total legal cost is not likely to exceed \$81,000,000.

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

10. Payables

	2005	2004
	G\$	G\$
Guyana Oil Company (a)	570,855,000	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	339,300
Rates and taxes	5,213,250	4,468,500
	<u>4,889,394,462</u>	<u>4,888,666,613</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. The adjustment will be effected in 2006.

(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.

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

7. Receivables	2005	2004
	<u>G\$</u>	<u>G\$</u>
GPL Inc	903,594,984	903,594,984
Others	36,960,184	38,326,844
Electricity Sector	48,952,531	48,952,531
Guyana Energy Authority	28,425,700	28,425,700
	<u><u>1,017,933,399</u></u>	<u><u>1,019,300,059</u></u>

8. Share Capital		
Authorised		
500,000 ordinary shares of G\$100 par value	<u><u>50,000,000</u></u>	<u><u>50,000,000</u></u>
Issued and fully paid shares		
500,000 ordinary shares of G\$1 par value	<u><u>-</u></u>	<u><u>-</u></u>

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	81,000,000
	<u><u>5,083,814,559</u></u>	<u><u>5,107,315,734</u></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.