



## *Audit Office of Guyana*

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AG: 7/2009

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 2005**

I have audited the accompanying financial statements of Guyana Electricity Corporation which comprise the balance sheet as at 31 December 2005, 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 \$4.889B 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 2005, and its surplus and cash flows for the year then ended in conformity with International financial Reporting Standards.

  
D. SHARMA  
AUDITOR GENERAL (ag.)

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GUYANA

**GUYANA ELECTRICITY CORPORATION INC.  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 31ST DECEMBER 2005**

	Notes	2005 G\$	2004 G\$
<b>Income</b>	<b>3</b>	<b>18,401</b>	<b>296,492,692</b>
Administrative Expenses	4	1,638,571	163,499,412
Depreciation		624,612	272,772,000
<b>Net Operating Profit</b>		<u><b>(2,244,782)</b></u>	<u><b>(139,778,720)</b></u>
Interest and other income	5	143,969	1,509,577
Taxation		-	-
<b>Net Profit for the Year</b>		<u><u><b>(2,100,813)</b></u></u>	<u><u><b>(138,269,143)</b></u></u>

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

**GUYANA ELECTRICITY CORPORATION INC.  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	<u>Share Capital</u> G\$	<u>Opening Deficit b/f</u> G\$	<u>Extraordinary Item</u> G\$	<u>Retained Earnings</u> G\$	<u>Total</u> G\$
<b>Balance at 31 December 2003</b>		(6,278,805,996)	(1,524,877,509)	(982,570,489)	(8,786,253,994)
Net profit for the year	-	-	-	(138,269,143)	(138,269,143)
<b>Balance at 31 December 2004</b>	-	(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)
<b>Balance at 31 December 2005</b>	-	(6,278,805,996)	(1,524,877,509)	(1,122,940,445)	(8,926,623,950)

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



**GUYANA ELECTRICITY CORPORATION INC.**  
**BALANCE SHEET**  
**AS AT 31 DECEMBER 2005**

	Notes	2005 G\$	2004 G\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	6	25,558,338	25,760,000
Investments		-	-
		<u>25,558,338</u>	<u>25,760,000</u>
<b>Current assets</b>			
Receivables	7	1,017,933,399	1,019,300,059
Cash on hand and at bank		3,093,364	26,399,181
		<u>1,021,026,763</u>	<u>1,045,699,240</u>
<b>TOTAL ASSETS</b>		<u><u>1,046,585,101</u></u>	<u><u>1,071,459,240</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
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		(1,122,940,445)	(1,120,839,632)
		<u>(8,926,623,920)</u>	<u>(8,924,523,107)</u>
<b>Non-Current Liabilities</b>	9	5,083,814,559	5,107,315,734
<b>Current liabilities</b>	10	4,889,394,462	4,888,666,613
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,046,585,101</u></u>	<u><u>1,071,459,240</u></u>

  
**Director**

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

**GUYANA ELECTRICITY CORPORATION INC.  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	<b>2005</b>	<b>2004</b>
	<b>G\$</b>	<b>G\$</b>
<b>Operating activities</b>		
Net profit for the year	(2,244,782)	(139,778,720)
Adjustments for:		
Gain on disposal of property	-	-
Bad debts	-	-
Depreciation	624,612	272,772,000
(Increase)/decrease in receivables due from related companies	-	-
(Increase)/decrease other receivables	1,366,660	(318,606,866)
Decrease in other creditors	(22,773,326)	148,417,662
<b>Cash provided by operating activities</b>	<b>(23,026,836)</b>	<b>(37,195,924)</b>
<b>Investing Activities</b>		
interest received	143,969	1,509,577
Purchase of Fixed Assets	(422,950)	(46,000)
<b>Net cash used in investing activities</b>	<b>(278,981)</b>	<b>1,463,577</b>
<b>Financing activities</b>	-	-
<b>Net used in financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(23,305,817)</b>	<b>(35,732,347)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>26,399,181</b>	<b>62,131,528</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,093,364</b>	<b>26,399,181</b>

"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**

<b>3. Income</b>	<b>2005</b>	<b>2004</b>
	<b>G\$</b>	<b>G\$</b>
Usage fees	-	296,492,692
Other	18,401	-
	<u>18,401</u>	<u>296,492,692</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.

<b>4. Administration expenses</b>	<b>2005</b>	<b>2004</b>
	<b>G\$</b>	<b>G\$</b>
Legal and professional	747,500	-
Employment costs	-	9,885,694
Rates and taxes	744,750	744,750
Insurance premiums	8,005	-
Directors fees	-	50,000
Bank charges	1,000	-
Utilities	12,003	-
Miscellaneous	125,313	152,818,968
	<u>1,638,571</u>	<u>163,499,412</u>

<b>5. Interest &amp; Other income</b>	<b>2005</b>	<b>2004</b>
	<b>G\$</b>	<b>G\$</b>
Bank Interest	143,969	1,509,577
Other	-	-
	<u>143,969</u>	<u>1,509,577</u>



6.

**GUYANA ELECTRICITY CORPORATION  
NOTES TO THE ACCOUNTS**

	<b>Land &amp; Buildings G\$</b>	<b>Generation Stations G\$</b>	<b>Office Furniture &amp; Equipment G\$</b>	<b>Motor Vehicles G\$</b>	<b>Total G\$</b>
<b>Cost</b>					
At 1 January 2005	25,000,000	1,812,934,000	2,292,712	2,019,000	1,842,245,712
Additions	-		-	422,950	422,950
<b>At 31 December 2005</b>	<b><u>25,000,000</u></b>	<b><u>1,812,934,000</u></b>	<b><u>2,292,712</u></b>	<b><u>2,441,950</u></b>	<b><u>1,842,668,662</u></b>
<b>Depreciation</b>					
At 1 January 2005	-	1,812,934,000	1,935,712	1,616,000	1,816,485,712
Charge for the year	-	-	137,022	487,590	624,612
<b>At 31 December 2005</b>	<b><u>-</u></b>	<b><u>1,812,934,000</u></b>	<b><u>2,072,734</u></b>	<b><u>2,103,590</u></b>	<b><u>1,817,110,324</u></b>
<b>Net Book Values</b>					
<b>At 31 December 2005</b>	<b><u>25,000,000</u></b>	<b><u>-</u></b>	<b><u>219,978</u></b>	<b><u>338,360</u></b>	<b><u>25,558,338</u></b>
<b>At 31 December 2004</b>	<b><u>25,000,000</u></b>	<b><u>-</u></b>	<b><u>357,000</u></b>	<b><u>403,000</u></b>	<b><u>25,760,000</u></b>

(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.

6a.

**Guyana Electricity Corporation Inc.**  
**Fixed Assets & Depreciation Schedule 2005**

	Opening Cost	Additions	Total Cost	Dep. B/f	Dep to Dec 31st	Acc. Dep	Dep per month	Disposal Value	Net Book Value
<b><u>Land</u></b>									
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
<b><u>Motor Vehicles</u></b>									
2001 One Rav 4	2,019,000	422,950	2,441,950	1,616,000	487,590	2,103,590	7,049	-	338,360
<b><u>Office Equipment</u></b>									
2000 One Computer System	424,451	-	424,451	424,451	-	424,451	-	-	-
2000 One Air Conditioner	90,000	-	90,000	90,000	-	90,000	-	-	-
2000 One Computer System	367,540	-	367,540	367,540	-	367,540	-	-	-
2000 One Photocopier	586,000	-	586,000	586,000	-	586,000	-	-	-
2001 2 Fans	15,000	-	15,000	11,000	4,000	15,000	-	-	-
2001 One Air Conditioner	165,000	-	165,000	132,000	33,000	165,000	-	-	-
2002 one Laptop Computer	307,200	-	307,200	184,200	61,500	245,700	5,125	-	61,500
2002 One Vacuum Cleaner	16,200	-	16,200	8,200	4,000	12,200	333	-	4,000
<b><u>Office Furniture</u></b>									
2001 1 Office Chair	19,000	-	19,000	8,000	1,500	9,500	125	-	9,500
2001 1 Desk	56,500	-	56,500	21,500	6,750	28,250	563	-	28,250
2000 2 Filing Cabinets	95,900	-	95,900	46,900	10,640	57,540	887	-	38,360
2000 Office Chairs	103,921	-	103,921	50,921	11,432	62,353	953	-	41,568
2004 1 Filing Cabinet	46,000	-	46,000	5,000	4,200	9,200	350	-	36,800
	<b>29,311,712</b>	<b>422,950</b>	<b>29,734,662</b>	<b>3,551,712</b>	<b>624,612</b>	<b>4,176,324</b>	<b>15,384</b>	<b>25,000,000</b>	<b>25,558,338</b>