



## *Audit Office of Guyana*

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AG: 9/2009

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 2007

I have audited the accompanying financial statements of Guyana Electricity Corporation which comprise the balance sheet as at 31 December 2007, 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 \$4.320B 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 2007, and its surplus and cash flows 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

**GUYANA ELECTRICITY CORPORATION INC.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE PERIOD 1 JANUARY 2007 TO 31 DECEMBER 2007**

	Notes	Dec-07 G\$	2006 G\$
<b>Income</b>	3	-	-
Administrative Expenses	4	872,469	1,989,998
Depreciation		116,722	182,222
<b>Net Operating Profit</b>		<u>(989,191)</u>	<u>(2,172,220)</u>
Taxation		-	-
<b>Net Profit for the Year</b>		<u>(989,191)</u>	<u>(2,172,220)</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 2007 TO 31 DECEMBER 2007**

	<u>Share Capital</u> GS	<u>Opening Deficit b/f</u> GS	<u>Extraordinary Item</u> GS	<u>Retained Earnings</u> GS	<u>Total</u> GS
<b>Balance at 31 December 2005</b>	-	(6,278,805,966)	(1,524,877,509)	(1,122,940,445)	<b>(8,926,623,920)</b>
Net profit for the year	-	-	-	(2,172,220)	(2,172,220)
Write-off of Guyoil Debt				570,855,000	570,855,000
<b>Balance at 31 December 2006</b>	-	(6,278,805,966)	(1,524,877,509)	(554,257,665)	<b>(8,357,941,140)</b>
Net profit for the year	-	-	-	(989,191)	(989,191)
<b>Balance at 31 December 2007</b>	-	(6,278,805,966)	(1,524,877,509)	(555,246,856)	<b>(8,358,930,331)</b>

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

**GUYANA ELECTRICITY CORPORATION INC.  
BALANCE SHEET  
AS AT 31 DECEMBER 2007**

<b>ASSETS</b>	<b>Notes</b>	<b>Dec-07 G\$</b>	<b>2006 G\$</b>
<b>Non-current assets</b>			
Fixed assets	6	25,259,394	25,376,116
Investments		-	-
		<u>25,259,394</u>	<u>25,376,116</u>
<b>Current assets</b>			
Receivables	7	1,017,903,399	1,017,933,399
Cash on hand and at bank		1,750,397	1,848,116
		<u>1,019,653,796</u>	<u>1,019,781,515</u>
<b>TOTAL ASSETS</b>		<u><u>1,044,913,190</u></u>	<u><u>1,045,157,631</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		(555,246,856)	(554,257,665)
		<u>(8,358,930,331)</u>	<u>(8,357,941,140)</u>
<b>Non-Current Liabilities</b>	9	5,083,814,559	5,083,814,559
<b>Current liabilities</b>	10	4,320,028,962	4,319,284,212
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>1,044,913,190</u></u>	<u><u>1,045,157,631</u></u>

  
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**Director**

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

**GUYANA ELECTRICITY CORPORATION INC.**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD 1 JANUARY 2007 TO 31 DECEMBER 2007**

	<b>Dec-07</b>	<b>2006</b>
	<b>G\$</b>	<b>G\$</b>
<b>Operating activities</b>		
Net profit for the year	(989,191)	(2,172,220)
Adjustments for		
Depreciation	116,722	182,222
(Increase)/decrease other receivables	30,000	-
Decrease in other creditors	744,750	(570,110,250)
<b>Cash provided by operating activities</b>	<b>(97,719)</b>	<b>(572,100,248)</b>
<b>Investing Activities</b>		
Purchase of Fixed Assets	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Write-off of Guyoil debt	-	570,855,000
<b>Net used in financing activities</b>	<b>-</b>	<b>570,855,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(97,719)</b>	<b>(1,245,248)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,848,116</b>	<b>3,093,364</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,750,397</b>	<b>1,848,116</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>Dec-07</b>	<b>2006</b>
	<b>G\$</b>	<b>G\$</b>
Usage fees	-	-
Other	-	-
	-	-
	<u>          </u>	<u>          </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>Dec-07</b>	<b>2006</b>
	<b>G\$</b>	<b>G\$</b>
Legal and professional	104,500	1,005,000
Rates and taxes	744,750	744,750
Insurance premiums	8,219	7,827
Bank charges		-
Utilities	15,000	21,500
Miscellaneous		210,921
	<u>872,469</u>	<u>1,989,998</u>



Guyana Electricity Corporation Inc.  
Fixed Assets & Depreciation Schedule 2007

	Opening Cost	Additions	Total Cost	Dep. BM	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>									
One Rav 4	2,441,950	-	2,441,950	2,188,180	84,590	2,272,770	7,049	-	169,180
<b><u>Office Equipment</u></b>									
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	307,200	-	307,200	-	-	-
One Vacuum Cleaner	16,200	-	16,200	16,200	-	16,200	-	-	-
<b><u>Office Furniture</u></b>									
1 Office Chair	19,000	-	19,000	11,400	1,900	13,300	158	-	5,700
1 Desk	56,500	-	56,500	33,900	5,650	39,550	471	-	16,950
2 Filing Cabinets	95,900	-	95,900	67,130	9,590	76,720	799	-	19,180
Office Chairs	103,921	-	103,921	72,745	10,392	83,137	866	-	20,784
1 Filing Cabinet	46,000	-	46,000	13,800	4,600	18,400	383	-	27,600
	<b>29,734,662</b>	<b>-</b>	<b>29,734,662</b>	<b>4,358,546</b>	<b>116,722</b>	<b>4,475,268</b>	<b>9,727</b>	<b>25,000,000</b>	<b>25,259,394</b>

6.

**GUYANA ELECTRICITY CORPORATION  
NOTES TO THE ACCOUNTS**

	Land & Buildings G\$	Generation Stations G\$	Office Furniture & Equipment G\$	Motor Vehicles G\$	Total G\$
<b>Cost</b>					
At 1 January 2007	25,000,000	1,812,934,000	2,292,712	2,441,950	1,842,668,662
Additions	-		-	-	-
<b>At 30 September 2007</b>	<b>25,000,000</b>	<b>1,812,934,000</b>	<b>2,292,712</b>	<b>2,441,950</b>	<b>1,842,668,662</b>
<b>Depreciation</b>					
At 1 January 2007	-	1,812,934,000	2,170,366	2,188,180	1,817,292,546
Charge for the year	-	-	32,132	84,590	116,722
<b>At 30 September 2007</b>	<b>-</b>	<b>1,812,934,000</b>	<b>2,202,498</b>	<b>2,272,770</b>	<b>1,817,409,268</b>
<b>Net Book Values</b>					
<b>At 30 September 2007</b>	<b>25,000,000</b>	<b>-</b>	<b>90,214</b>	<b>169,180</b>	<b>25,259,394</b>
<b>At 31 December 2006</b>	<b>25,000,000</b>	<b>-</b>	<b>122,346</b>	<b>253,770</b>	<b>25,376,116</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 Kisson Group of Companies to sell the above mentioned land for \$50,000,000. An initial deposit of \$7,500,000 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-07	2006
	G\$	G\$
GPL Inc	903,594,984	903,594,984
Others	36,930,184	36,960,184
Electricity Sector	48,952,531	48,952,531
Guyana Energy Authority	28,425,700	28,425,700
	<u>1,017,903,399</u>	<u>1,017,933,399</u>

8. Share Capital		
<b>Authorised</b>		
500,000 ordinary shares of G\$100 par value	<u>50,000,000</u>	<u>50,000,000</u>
<b>Issued and fully paid shares</b>		
500,000 ordinary shares of G\$1 par value	<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	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 1904 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-07	2006
	<u>GS</u>	<u>GS</u>
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	6,702,750	5,958,000
	<u><b>4,320,028.962</b></u>	<u><b>4,319,284,212</b></u>

**(a) 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.