

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA WATER INCORPORATED**

**FOR THE YEAR ENDED
31 DECEMBER 2014**

**CONTRACTED AUDITORS: MAURICE SOLOMON
& COMPANY
92 ORNONQUE ST.
QUEENSTOWN
GEORGETOWN**

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

AUDITED FINANCIAL STATEMENTS OF THE
GUYANA WATER INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2014

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Audit Office of Guyana

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31/PC: 80/1/2016

10 February 2016

Mr. Nigel Hinds
Chairman-Board of Directors
Guyana Water Incorporated
Vlissengen Road and Church Street,
Bel Air Park
Georgetown.

Dear Mr. Hinds,


AUDIT OF THE BOOKS AND ACCOUNTS OF THE
GUYANA WATER INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2014

Please find attached five (5) copies of the audited financial statements, together with the report of the Auditor General, thereon.

Should you need any further explanation, please do not hesitate to contact us.

With Best regards,

Yours sincerely,


N. Harcourt
N. Harcourt
Audit Manager (CA) for Auditor General



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AG: 6/2016

10 February 2016

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE
GUYANA WATER INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Chartered Accountants Maurice Solomon & Company have audited on my behalf the financial statements of Guyana Water Incorporated which comprise the statement of financial position as at 31 December 2014, the statement of profit and loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 37. The audit was conducted in accordance with the Audit Act 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing issued by the International Federation of Accountants (IFAC), and those of the International Organisation of Supreme Audit Institutions (INTOSAI). Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 control 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 expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, working papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

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

Opinion

In my opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Water Incorporated as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA



Maurice Solomon & Co.

Chartered Accountants/Management Consultants



REPORT OF THE AUDITORS TO THE MEMBERS OF GUYANA WATER INC.

We have audited the accompanying financial statements of Guyana Water Inc. which comprise the statement of financial position as at 31 December 2014, the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes as set out on pages 8 to 37.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control 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 expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion:

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Water Inc. as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Maurice Solomon & Co.
29 January, 2016

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

| ASSETS: | Note | 2014 G\$ | 2013 G\$ Restated | 2012 G\$ Restated |
|---|---------|-----------------------|-------------------------|-------------------------|
| NON-CURRENT ASSETS | | | | |
| Property, Plants & Equipment | 2 | 20,895,125,581 | 20,845,594,160 | 21,040,870,626 |
| Capital Work-in-Progress | 3 | 5,865,072,803 | 4,426,650,856 | 2,544,145,324 |
| Total Non-Current Assets | | <u>26,760,198,384</u> | <u>25,272,245,016</u> | <u>23,585,015,950</u> |
| CURRENT ASSETS | | | | |
| Inventories | | | | |
| Accounts Receivables | 4 (4.1) | 1,018,296,994 | 1,201,999,538 | 1,149,984,054 |
| VAT Receivable | 5 (5.1) | 2,902,212,547 | 2,029,828,432 | 3,145,404,782 |
| GPL Subvention | 5 (5.4) | 44,930,997 | 11,710,895 | 48,920,412 |
| Cash & Cash Equivalents | | 352,981,980 | 197,708,523 | 1,375,039,474 |
| | 6 | 3,028,492,724 | 2,033,838,541 | 1,647,480,609 |
| Total Current Assets | | <u>7,346,915,242</u> | <u>5,475,085,929</u> | <u>7,366,829,331</u> |
| TOTAL ASSETS | | <u>34,107,113,626</u> | <u>30,747,330,945</u> | <u>30,951,845,281</u> |
| EQUITY AND LIABILITIES: | | | | |
| EXTERNAL FUNDINGS | | | | |
| External Fundings - GOGH C/Part | | 14,212,308,578 | 12,782,597,590 | 11,771,703,325 |
| External Funding -DFID | | 527,937,565 | 593,764,453 | 664,842,430 |
| External Funding -World Bank | | 2,676,691,666 | 2,783,176,830 | 2,889,661,992 |
| External Funding -IDB | | 5,675,938,456 | 4,611,520,150 | 3,905,453,659 |
| External Funding -EU | | 10,581,894 | 11,497,453 | 27,867,797 |
| External Funding - JICA | | 2,132,251,428 | 2,300,890,884 | 2,469,530,339 |
| Total External Fundings | | <u>25,235,709,587</u> | <u>23,083,447,360</u> | <u>21,729,059,542</u> |
| SHAREHOLDERS' EQUITY | | | | |
| Share Capital | 7 (7.1) | 8,825,300 | 8,825,300 | 8,825,300 |
| Additional Paid-in-Capital | | 3,372,346,395 | 3,372,346,395 | 3,372,346,395 |
| Revaluation Reserve | | 1,892,206,079 | 1,892,206,079 | 1,892,206,068 |
| Accumulative (Deficit) / Surplus | | 938,682,738 | (39,862,585) | 2,275,275,905 |
| Total Shareholders' Equity | | <u>6,212,060,512</u> | <u>5,233,515,189</u> | <u>7,548,653,668</u> |
| TOTAL EXTERNAL FUNDINGS & SHAREHOLDERS' EQUITY | | <u>31,447,770,099</u> | <u>28,316,962,549</u> | <u>29,277,713,210</u> |
| NON CURRENT LIABILITIES | | | | |
| Deferred Income | 8 | 177,533,346 | 128,145,706 | 85,031,081 |
| CURRENT LIABILITIES | | | | |
| Trade and Other Payables | 8 (8.1) | 1,051,132,208 | 1,083,435,640 | 550,126,598 |
| Taxation Payable | | 1,430,677,973 | 1,218,787,050 | 1,038,974,392 |
| Total Current Liabilities | | <u>2,481,810,181</u> | <u>2,302,222,690</u> | <u>1,589,100,990</u> |
| Total Liabilities | | <u>2,659,343,527</u> | <u>2,430,368,396</u> | <u>1,674,132,071</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>34,107,113,626</u> | <u>30,747,330,945</u> | <u>30,951,845,281</u> |

The Board of Directors approved these financial statements for issue on 17 December, 2015.

On behalf of the Board of Directors

N. Hady
.....
Chairman

Robert Choe - Green
.....
Director

The notes on pages 8 to 37 form an integral part of these financial statements.

GUYANA WATER INC.

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 G\$ | 2013 G\$ Restated |
|--|------|----------------------|-------------------------|
| Operating Income | | | |
| Measured water supply | | 2,277,320,835 | 1,905,643,581 |
| Unmeasured water supply | | 1,354,229,064 | 1,425,505,272 |
| Total Operating Income | | <u>3,631,549,899</u> | <u>3,331,148,853</u> |
| Operating Expenses | | | |
| Employment Costs | 9 | 1,070,823,741 | 1,008,822,250 |
| Depreciation | 10 | 1,577,208,173 | 1,522,059,768 |
| Directors' Fees | 11 | 1,164,000 | 1,164,000 |
| Provision for Legal Settlement | 12 | - | 17,175,000 |
| Administrative Expenses | | 138,772,944 | 138,066,480 |
| Premises Costs | 14 | 2,654,406,695 | 2,626,238,945 |
| Rates and Taxes | 14 | 4,884,520 | 2,012,165 |
| Bad Debts Write Off | | 118,779,670 | 270,085,096 |
| Impaired Receivables | | 516,048,473 | 399,121,156 |
| Transport Cost | | 56,714,928 | 61,729,638 |
| Supplies and Services | | 651,140,531 | 812,428,592 |
| Total Operating Expenses | | <u>6,789,943,675</u> | <u>6,858,903,090</u> |
| Operating Loss for the Year | | (3,158,393,776) | (3,527,754,237) |
| Other Income | | 2,673,225,584 | 1,005,408,309 |
| Reduction in the Provision for Bad Debts | | 645,666,191 | - |
| Reduction in the Provision for Obsolete Inventory | | 1,673,034 | - |
| Interest Income | | 22,537,167 | 15,179,988 |
| Withholding tax | | (4,508,890) | (3,035,998) |
| Deferred Income Recognised | 8 | 1,003,735,058 | 1,019,538,831 |
| Foreign Exchange Gain | | 6,501,877 | - |
| Net Profit before taxation | | <u>1,190,436,245</u> | <u>(1,490,663,107)</u> |
| Taxation | | (211,890,923) | (179,812,658) |
| Net Comprehensive Income/ (Loss) for the Year | | <u>978,545,322</u> | <u>(1,670,475,765)</u> |
| Attributable to Shareholders' Equity | | | |
| Basic Earnings/ (Loss) per Share in Dollars | 12 | 111 | (189) |

The notes on pages 8 to 37 form an integral part of these financial statements.

GUYANA WATER

STATEMENT OF CHANGE

FOR THE YEAR ENDED 31 D

| | Share Capital | Additional Pa - in - Capital |
|--|-------------------------|---------------------------------|
| | G\$ | G\$ |
| Year ended 31 December 2012 | 8,825,300 | 3,372,346.39 |
| Deferred Income recognised 2012 | - | - |
| Balance at December 31, 2012 | 8,825,300 | 3,372,346,39 |
| Net loss for the Year End December 31, 201 | - | - |
| Deferred Income recognised | - | - |
| Balance at 31 December, 2013 | <u>8,825,300</u> | <u>3,372,346,39</u> |
| Net Loss for the Year | - | - |
| Deferred Income recognised | - | - |
| Balance as at 31 December 2014 | <u>8,825,300</u> | <u>3,372,346,39</u> |

The notes on pages 8 to 37 form an integral part of these financial statements.

GUYANA WATER INC.

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 G\$ | 2013 G\$ |
|---|------|-----------------------------|-----------------------------|
| Cash flows from Operating Activities | | | |
| Net Income/(Loss) for the Year | | 978,545,322 | (1,490,663,107) |
| Adjustments for: | | | |
| Depreciation | | 1,577,208,173 | 1,522,059,776 |
| Adjustment of Receivables | | 516,048,473 | (374,577,629) |
| Provision of Impairment | | - | (270,085,096) |
| Energy Cost Contribution from Government | | (2,470,133,090) | (980,051,454) |
| Deferred Income | | (1,003,735,058) | (1,019,538,831) |
| Interest | | (22,537,167) | (15,179,988) |
| Operation (Loss) before Working Capital Changes | | <u>(424,603,347)</u> | <u>(2,628,036,329)</u> |
| Decrease in Inventories | | 183,702,544 | (52,015,484) |
| Increase in Accounts Receivables | | (1,421,652,690) | 1,152,785,871 |
| Increase in Trade & Other Payables | | 24,314,034 | 842,132,237 |
| Cash Generated from Operations | | <u>(1,638,239,459)</u> | <u>(685,133,704)</u> |
| Taxes Paid | | - | - |
| Net Cash (Outflow) from Operating Activities | | <u>(1,638,239,459)</u> | <u>(685,133,704)</u> |
| Cash Flows from Investing Activities | | | |
| Interest Received | | 22,537,167 | 15,179,988 |
| Investment in Non-Current Assets | | (1,626,739,595) | (1,326,783,362) |
| Capital Work In Progress | | (1,438,421,947) | (1,882,505,474) |
| Net Cash used in Investing Activities | | <u>(3,042,624,375)</u> | <u>(3,194,108,848)</u> |
| Net Cash Inflows from Financing Activities | | | |
| External Funding | | 3,155,997,285 | 3,242,434,405 |
| Energy Cost Contribution from Government | | 2,470,133,090 | 980,051,454 |
| Capital Project Funding Received | | 49,387,642 | 43,114,625 |
| Net Cash Flows from Financing Activities | | <u>5,675,518,017</u> | <u>4,265,600,484</u> |
| Net Increase in Cash and Cash Equivalents | | <u>994,654,183</u> | <u>386,357,932</u> |
| Cash and Cash Equivalents at January 1, 2013 | | <u>2,033,838,541</u> | <u>1,647,480,609</u> |
| Cash and Cash Equivalents at December 31, 2014 | | <u><u>3,028,492,724</u></u> | <u><u>2,033,838,541</u></u> |
| As per statement of Financial Position | | <u><u>3,028,492,724</u></u> | <u><u>2,033,838,541</u></u> |

The notes on pages 8 to 37 form an integral part of these financial statements.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1. Accounting Policies:

(a) Incorporation and Principal Activity

(I) The Guyana Water Incorporated was incorporated in Guyana on May 30, 2002 under the Companies Act, 1991. The company was formed out of a merger between the Guyana Water Authority (GUYWA) and the Georgetown Sewerage and Water Commissioners (GS & WC). The principal activities of the company are as follows:

- The supply of potable water to the citizens of Guyana.
- The provision of sewerage disposal services to the residents of Central Georgetown.
- Operation and maintenance of the water and underground sewerage system in Guyana.
- Customer billing and collection of tariffs for the services provided.

The Company's registered office is at Vlissengen Road, Bel Air, Georgetown, Guyana.

(II) Significant Accounting Policies

Basis of Preparation

These Financial Statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention except for the measurement at fair value revaluation of property, plant and equipment and financial instruments. Historic cost is generally based on the fair value of the consideration given in exchange for assets.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

(ii) **Significant Accounting Policies (Cont'd)**

(b) **Foreign Currencies**

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the Company operates. The Financial Statements are presented in Guyana dollars, which is the Company's functional currency. Transactions involving foreign currencies are translated into prevailing rate at the dates of those transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation of the monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Comprehensive Income.

(c) **Fixed Assets - Property, Plant and Equipment**

Fixed Assets (Property, plant and equipment) are stated at cost less accumulated Expenditure on assets, which will benefit the company economically for a period greater than the current financial accounting period, is capitalized and written off over the useful life of the assets.

Individual assets or groups of items making up a single identifiable asset of value less than \$15,000 are not capitalized but are expensed in the accounting period in which the costs are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

1(ii) Accounting Policies (Cont'd)

(c) Fixed Assets - Property, Plant and Equipment (Cont'd)

The capitalized asset value of purchased assets is measured at the full cost of bringing the assets to working condition for the intended use. Self constructed assets are stated at the accumulated cost of purchased elements together with the element of internal cost incurred in constructing the asset. These elements include materials, labour, consultancy fees, overheads (direct and indirect) and other additional costs. Finance costs that are directly attributable to the construction of tangible assets are capitalized as part of the cost of those assets. Capitalization of finance costs ceases when the asset is brought into use.

Subsequent expenditure on existing assets is capitalized where the expenditure provides an enhancement of the economic benefits of the asset in excess of the previously assessed standard of performance.

Assets are reviewed from impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii) Significant Accounting Policies (Cont'd)

(d) Depreciation

Depreciation on all property, plant & equipment is charged on a straight-line basis. The rates used are expected to write off the value of the assets over their useful economic lives. The annual depreciation rates used as per asset classification are as follows:

| | Estimated life (years) | Depreciation rate % |
|---------------------------------|------------------------|---------------------|
| Land | Unlimited | 0 |
| Buildings | 25-60 | 2-10 |
| Mechanical and electrical plant | 10 | 10 |
| Motor vehicles and mobile plant | 5 | 20 |
| Furniture and fixture | 7-15 | 6.5-14 |
| Other office equipment | 5 | 20 |
| Infrastructure water | 10-50 | 2-10 |
| Infrastructure sewerage | 10-40 | 2.5-10 |
| Computer hardware | 5 | 20 |
| Computer software | 3 | 33.33 |

Depreciation is not charged on land and work in progress. The useful life of assets capitalized from work in progress commences when the assets involved have been completed and are put into use in the company. Depreciation is charged in the year of capitalization which is in compliance with the Fixed Asset Policy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

(ii) Significant Accounting Policies (Cont'd)

(f) Income Recognition

Turnover comprises billed sales of water and sewer services to customers. Tariffs payable by customers are determined by reference to the Company's licence. Income is measured at fair value of the consideration received or receivable. Income is reduced for estimated invoices by issuance of adjustments as appropriate. Interest revenue is recognized when it is probable that the economic benefit will flow to the Company and the amount can be measured reliably. Interest revenue is accrued on a time basis, by reference to the investment amount and at the effective interest rate applicable.

(g) Provision for Impairment of Receivables

Provision is made in these Financial Statements for amounts included in accounts receivable of which the eventual cash realization is considered remote. Provision is based on the company's Financial Regulations and is disclosed in the Statement of Comprehensive Income.

(h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events; it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount that is shown as provision is the best estimate of the consideration required to settle the obligation at the Statement of Financial Position date.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

(ii). Significant Accounting Policies (Cont'd)

New and revised standards published and effective in future years:-

IFRS 9 - Financial Instruments

IFRS 14 - Regulatory deferral accounts

IFRS 15- Revenue from contracts with customers

IAS 32- Financial instruments: Presentation (amendment)

IAS 36- Impairment of assets (amendment)

IFRIC 21- Levies

IFRS 9 - Financial Instruments

The standard will be effective for the financial period beginning on 1 October, 2018. All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value.

IFRS 15- Revenue from contracts with customers

The standard will be effective for the financial period beginning on 1 October, 2017. The core principle of the standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

Standards adopted in the current year affecting amounts reported and/or disclosures in the financial statements

IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance

The company has now adopted IAS 20 - Government Grants and Disclosure of Government Assistance which is recognised in profit or loss on a systematic basis over the periods in which the entity recognises expenses for the related costs for which the grants are intended to compensate, which in the case of grants related to assets requires setting up the grant as deferred income or deducting it from the carrying amount of the asset.

Amendments to IAS 1 - Presentation of Financial Statements (Annual Improvements to IFRS 2009 - 2011 Cycle)

The amendments relevant to the company specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position.

In the current year, the company has applied IAS 20 (as discussed before) which has resulted in material effects on the information in the statement of financial position as at 31 December, 2012. As such the company has presented a third statement of financial position as at 31 December, 2012.

(j) Inventories - maintenance spares

Maintenance spares are stated at the lower of cost, as determined on a weighted average basis, and net realizable value. Provision is made for obsolete, slow moving and defective stocks.

(k) Employee Benefits

The Company operates a defined benefit plan for its employees who are on the fixed establishment. The Company's pension and gratuities paid to long -serving employees are charged to the Statement of Comprehensive Income when paid. No other post retirement benefits are provided for these employees. The Company has issued public a tender in 2014 for a Defined Contribution Scheme and an award has been made to Assuria (Guyana) Inc. This pension scheme has been implemented in February 2015.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

iii. Significant Accounting Policies (Cont'd)

(1) Government Subvention -IAS 20 Accounting for Government Grants and Disclosure of Government Assistance

Grants Related to Expense: Energy Cost supplied by the Guyana Power and Light (Inc)

Government grant is recognized only when received, is treated as other income and offset against electricity liability of Guyana Power and Light Inc.

Grants Related to Capital Works

Government Grants and other funding agencies are recognised when there are reasonable assurance that the company will comply with the conditions attached to the grants. The amounts received are recognized as other income corresponding with the depreciation rate of assets capitalized/completed .

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(l) Government Subvention -IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (Cont'd)

Categories of Financial Instruments

| | 2014 | 2013 |
|------------------------------|-----------------------------|-----------------------------|
| | G\$ | G\$ |
| Financial Assets | | |
| Trade Receivables | 2,700,108,212 | 1,969,186,213 |
| Cash & Cash Equivalent | 3,028,492,724 | 2,033,838,541 |
| GPL Subvention | 352,981,980 | 197,708,523 |
| Vat Receivables | 44,930,997 | 11,710,895 |
| Others | 199,486,586 | 60,642,218 |
| | <u><u>6,326,000,499</u></u> | <u><u>4,273,086,390</u></u> |
| Financial Liabilities | | |
| Trade Payables | 746,420,405 | 778,423,836 |
| Rates & Taxes | 305,011,804 | 305,011,804 |
| | <u><u>1,051,432,209</u></u> | <u><u>1,083,435,640</u></u> |

Valuation techniques and assumptions applied for the purposes of measuring fair value:

Trade Receivables ,VAT and others are net of provision for impairment. The fair value of trade receivables is based on other expected realisation of outstanding balances taking into account the Company's history with respect to delinquencies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(l) Government Subvention -IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (Cont'd)

Categories of Financial Instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value (Cont'd)

Financial instruments includes cash and cash equivalents where the carry amount equals the fair value due to their short term maturity. This include current accounts; investement accounts; trade payables; electricity payable and rate and taxes.

(m) 1.0 Financial Risk Management

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates, credit risk, liquidity and interest rate risk. Management seeks to minimize potential adverse effects on the financial performance of the Company by applying procedures to appropriately identify, evaluate and manage these risks.

1.1 Foreign Currency Risk

Currency risk is the risk that the value of an monetary asset or liability fluctuate because of changes in foreign exchange rates. Management accepts the risk and would take the gain or loss on the transaction to the Statement of Comprehensive Income.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(m) 1.0 Financial Risk Management (Cont'd)

1.2. Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the Statement of Financial Position are net of allowances of impairment. High risk accounts are monitored and pursued to maximize collection. Principal classes of gross trade receivables as shown in note 5.1.

1.3 Liquidity Risk

Liquidity risk, also referred to as funding risk, is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the management of the Company aims at maintaining flexibility in funding by keeping committed lines of credit available. All financial assets and liabilities as shown on the Statement of Financial Position are contractually payable within one year of the Statement of Financial Position date. The Company also receive subvention funds from the Government to settle liabilities as they fall due.

Ultimate responsibility for risk management rests with the Board of Directors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(m) 1.0 Financial Risk Management (Cont'd)

1.3 Liquidity Risk (Cont'd)

The Company manages liquidity risk by maintaining adequate reserves, banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses major financial assets and liabilities of the Company into relevant grouping based on the remaining period to the maturity dates.

December 31,2014

| | Up to One Year G\$ | Two to Five Years G\$ | Over Five Years G\$ | Total G\$ |
|--------------------------|--------------------------|-----------------------------|---------------------------|----------------------|
| Assets | | | | |
| Receivables | 2,700,108,212 | - | - | 2,700,108,212 |
| Cash & Cash Equivalents | 3,028,492,724 | - | - | 3,028,492,724 |
| Vat Receivables | 44,930,997 | - | - | 44,930,997 |
| GPL Subvention | 352,981,980 | - | - | 352,981,980 |
| Others | 202,104,335 | - | - | 202,104,335 |
| Total Assets | 6,328,618,248 | - | - | 6,328,618,248 |
| Liabilities | | | | |
| Trade Payables | 746,120,405 | - | - | 746,120,405 |
| Rates and Taxes | 305,011,804 | - | - | 305,011,804 |
| Total Liabilities | 1,051,132,209 | - | - | 1,051,132,209 |
| Net Liquidity Gap | 5,277,486,039 | - | - | 5,277,486,039 |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(m) 1.0 Financial Risk Management (Cont'd)

1.3 Liquidity Risk (Cont'd)

December 31,2013

| | Up to One Year G\$ | Two to Five Years G\$ | Over Five Years G\$ | Total G\$ |
|--------------------------|--------------------------|-----------------------------|---------------------------|----------------------|
| Assets | | | | |
| Receivables | 1,969,186,213 | - | - | 1,969,186,213 |
| Cash & Cash Equivalents | 2,033,838,541 | - | - | 2,033,838,541 |
| Vat Receivables | 11,710,895 | - | - | 11,710,895 |
| GPL Subvention | 197,708,523 | - | - | 197,708,523 |
| Others | 60,642,218 | - | - | 60,642,218 |
| Total Assets | 4,273,086,391 | - | - | 4,273,086,391 |
| Liabilities | | | | |
| Trade Payables | 778,423,836 | - | - | 778,423,836 |
| Rates & Taxes | 305,011,804 | - | - | 305,011,804 |
| | 1,083,435,640 | - | - | 1,083,435,640 |
| Net Liquidity Gap | 3,189,650,751 | - | - | 3,189,650,751 |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

i. Significant Accounting Policies (Cont'd)

(m) 1.0 Financial Risk Management (Cont'd)

1.4 Interest Rate Risk

The Company has no significant interest bearing assets .The Company's interest rate risk arises from investments in financial institutions. Income from investments are recognized on a receivable basis and included as Other Income in the Statement of Comprehensive Income.

The Company's income and operating cash flows are not substantially dependent on from changes in market rates.

The Company's interest rate risk arises primarily from its interest bearing investments with commercial banks.

The table below analyses major financial assets and liabilities of the Company into relevant grouping based on the remaining period to maturity date.

13. Deferred Income Write-off

It was noted that the company did not previously off-set grants received with the relevant expenses incurred.

There was previously no matching of grants received and expenses that the grants were used on. As such these grants continued to be shown as a liability with the corresponding expenses being overstated.

The company correctly adjusted for this in the current year's financial statements with the necessary restatements. However, for the deferred income written off for the years 2002-2008, no documents could be presented for audit verification. Below is a summary of the amount written off by year:

| Funding Source | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|-------------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------|----------------------|
| External Funding - GOGHC/Par | | | 129,311,963 | 123,056,975 | 123,346,547 | 562,616,776 | 202,884,383 | 1,141,216,648 |
| External Funding - DFID | | | | 537,089,519 | 480,564,187 | 158,555,276 | 97,017,268 | 1,273,226,249 |
| External Funding - World Bank | 159,894,936 | 333,117,241 | | | 132,549,561 | 67,773,360 | 121,739,537 | 815,074,635 |
| External Funding - EIB | 336,636,672 | | | | | | | 336,636,672 |
| External Funding - IDB | | | | 66,516,506 | 160,340,333 | 236,163,127 | 121,577,701 | 584,597,667 |
| External Funding - CDB | 409,946,749 | 929,028,854 | | | | | | 1,338,975,603 |
| External Funding - EU | | | 31,185,630 | 16,370,328 | 16,370,330 | 16,370,332 | 16,370,334 | 96,606,954 |
| External Funding - JICA | | | | | | | 256,436,545.00 | 256,436,545 |
| TOTAL | 906,478,357 | 1,262,146,096 | 160,497,593 | 743,033,322 | 921,170,950 | 1,041,478,871 | 816,075,767 | 5,850,880,974 |

Management response:

We acknowledge your comments. Funding received from 2002-2008 were accounted for in the relevant funding sources and were previously reviewed in those years. However, we have exhausted all efforts to locate these documents.

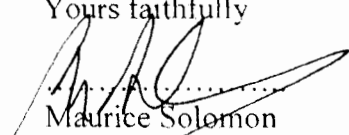
GENERAL

We would be pleased to discuss these comments and recommendations with you at your convenience. This report is intended for the information and use of Engineering and Agricultural Consultants Inc.'s management and is not intended to be and should not be used by anyone else.

We wish to express our gratitude for the cooperation given to our staff during the course of the audit.

Best Regards.

Yours faithfully


 Maurice Solomon
 Partner

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(m) 1.0 Financial Risk Management (Cont'd)

1.4 Interest Rate Risk (Cont'd)

December 31,2013

| | Weighted Average Effective Interest Rate % | Up to One Year G\$ | Two to Five Years G\$ | Over Five Years G\$ | Total G\$ |
|--------------------------------------|---|-----------------------------------|--------------------------------------|------------------------------------|----------------------|
| Assets | | | | | |
| Trade Receivables | | 1,969,186,213 | - | - | 1,969,186,213 |
| Investments with Commercial Banks | 2.75% | 695,677,059 | - | - | 695,677,059 |
| Cash & Cash Equivalents | 1.50% | 1,338,161,482 | - | - | 1,338,161,482 |
| GPL Subvent | 0.00% | 197,708,523 | | | 197,708,523 |
| Vat Receivables | 0.00% | 11,710,895 | - | - | 11,710,895 |
| Others | 0.00% | 60,642,218 | - | - | 60,642,218 |
| Total Assets | | 4,273,086,391 | - | - | 4,273,086,391 |
| Liabilities | | | | | |
| Trade Payables | | 778,423,836 | - | - | 778,423,836 |
| Contract Payables | | 305,011,804 | - | - | 305,011,804 |
| Total Liabilities | | 1,083,435,640 | - | - | 1,083,435,640 |
| Interest Sensitivity Gap | | 3,189,650,751 | - | - | 3,189,650,751 |

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

ii. Significant Accounting Policies (Cont'd)

(n) **Comparative Information**

Where necessary, comparative information has been adjusted to conform with changes in the presentation of the Financial Statements.

(o) **Financial Instruments**

The Company's financial assets and financial liabilities are recognized in the Statement of Financial Position when it become party to the contractual obligation to the instrument.

A financial assets is derecognized when the right to receive cash flows from the assets have expired from the Asset or where the Company has transferred all the risks and rewards of the ownership of the assets.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

| | 2014 G\$ | 2013 G\$ |
|--|------------------------------|------------------------------|
| 2. Property, Plant and Equipment (PPE note is Attached in Schedule 1) | <u><u>20,895,125,581</u></u> | <u><u>20,845,594,160</u></u> |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

| | 2014 G\$ | 2013 G\$ |
|---|-----------------------------|-----------------------------|
| 3. Capital Work-in- Progress - attached in Schedule 2 with details | | |
| 3.1 At January 1, | 4,426,650,854 | 2,544,145,322 |
| Costs during the year | 2,960,643,313 | 3,139,302,120 |
| Total | 7,387,294,167 | 5,683,447,442 |
| Transfers to Property, Plant & Equipment | (1,522,221,364) | (1,256,796,588) |
| Grand Total | <u><u>5,865,072,803</u></u> | <u><u>4,426,650,854</u></u> |
| 4. 4.1 Inventory | | |
| Inventory | 797,747,504 | 1,119,051,314 |
| Goods in transit | 220,549,490 | 84,621,258 |
| Less Provision for obsolescence | | (1,673,034) |
| | <u><u>1,018,296,994</u></u> | <u><u>1,201,999,538</u></u> |
| 5. Accounts Receivables | | |
| 5.1 Trade Receivables | 6,093,664,333 | 6,008,408,525 |
| Impairment of Receivables | (3,393,556,121) | (4,039,222,312) |
| Sub Total | <u><u>2,700,108,212</u></u> | <u><u>1,969,186,213</u></u> |
| Other Receivables | 202,104,335 | 60,642,218 |
| Grand Total | <u><u>2,902,212,547</u></u> | <u><u>2,029,828,432</u></u> |

Impairment of Receivables

There is an ongoing exercise to examine customer database, which will result in a more accurate gross receivables and reduce the need for large provisioning for bad and doubtful accounts.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

5. Accounts Receivable (Cont'd)

5.2 Receivables

Receivables (water and sewerage supply) are carried at original bill amount less impairment of receivables based on a review of all outstanding amounts at year end.

| | 2014 | 2013 |
|---|----------------------|----------------------|
| | G\$ | G\$ |
| 5.3 Provision for impaired receivables | | |
| Balance at Beginning of the Year | 4,039,222,312 | 4,401,642,849 |
| Adjustment to provision | - | -632,505,633 |
| Provision for the Year | (645,666,191) | 270,085,096 |
| Grand Total | 3,393,556,121 | 4,039,222,312 |
| 5.4 Accounts Receivables | | |
| Trade Receivables | 6,093,664,333 | 6,008,405,525 |
| Total | 6,093,664,333 | 6,008,405,525 |
| Other Receivables & Prepayments | 202,104,335 | 60,642,218 |
| Vat Receivables | 44,930,997 | 11,710,895 |
| Total | 247,035,332 | 72,353,113 |
| Grand Total | 6,340,699,665 | 6,080,758,638 |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and investments. Cash and cash equivalents included in the cash flow comprise the following amounts in the Statement of Financial Position:

| | 2014 | 2013 |
|------------------------|----------------------|----------------------|
| | G\$ | G\$ |
| Cash on hand | 1,768,322 | 1,395,997 |
| Project Funds | 553,698,564 | 529,976,086 |
| Investments with Banks | 941,301,436 | 695,677,059 |
| Current Accounts | 1,531,724,402 | 806,789,398 |
| Total | 3,028,492,724 | 2,033,838,540 |

7. Authorized & Issued Capital

Authorized:

| | | |
|--|-------------|-------------|
| 1,000,000 ordinary shares at an issue price of G\$100 each | 100,000,000 | 100,000,000 |
|--|-------------|-------------|

7.1 Issued:

| | | |
|---------------------------------------|-----------|-----------|
| 88,253 ordinary shares at G\$100 each | 8,825,300 | 8,825,300 |
|---------------------------------------|-----------|-----------|

| | | |
|--|------------------|------------------|
| | 8,825,300 | 8,825,300 |
|--|------------------|------------------|

7.2 Stated Capital

| | | |
|------------------------------|-----------|-----------|
| Issued and Fully Paid Shares | 8,825,300 | 8,825,300 |
|------------------------------|-----------|-----------|

| | | |
|--|------------------|------------------|
| | 8,825,300 | 8,825,300 |
|--|------------------|------------------|

The Company is authorized to issue a maximum of 1,000,000 ordinary shares at a minimum issue price of G\$100 each. All issued shares are held by the Government of Guyana.

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

Non Refundable Grants

The company has fully adopted IAS 20 -Accounting for Government Grants & Disclosure of Government Assistance in 2012. Non refundable grants contributed by the Government of Guyana and loans from the Inter-American Development Bank which are repaid by the Government in respect of capital works are under the Coastal, Linden and Hinterland and the Georgetown Sewerage are credited to income which is amortised over the same period that the related period assets are depreciated.

Non Refundable Grants

In accordance with the accounting policy described in note (I) above, the following capital contributions received from the Government of Guyana and the Inter American Development Bank are amortised over the period related assets are depreciated.

| | 2014 | 2013 |
|-----------------------|--------------------|--------------------|
| | G\$ | G\$ |
| Contributions: | <u>177,533,346</u> | <u>128,145,706</u> |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

| | 2014 | 2013 |
|--|----------------------|----------------------|
| | G\$ | G\$ |
| 8. Non Refundable Grants (Cont'd) | | |
| The capital contribution consists of the following: | | |
| The Inter American Development Bank loans: | | |
| Georgetown Sanitation Improvement Program -Loan No.2428/BL-GY | 418,603,573 | 533,957,305 |
| Linden Water Supply Rehabilitation Program -Loan No.2535/BL-GY | 795,580,048 | 637,121,781 |
| The Government of Guyana capital contribution | 1,941,813,663 | 1,367,000,000 |
| Total | 3,155,997,284 | 2,538,079,086 |

External Funding Sources

| | | |
|---|------------------------|------------------------|
| Government of Guyana | 14,724,411,251 | 13,289,798,166 |
| Department for International Development (DIFD) | 593,764,453 | 664,842,430 |
| World Bank | 2,783,176,830 | 2,889,661,992 |
| Inter-American Development Bank (IDB) | 5,825,703,773 | 4,761,285,468 |
| European Union (EU) | 11,497,454 | 27,867,796 |
| Japan International Cooperation Agency (JICA) | 2,300,890,884 | 2,469,530,339 |
| | 26,239,444,645 | 24,102,986,191 |
| Deferred Income recognised | (1,003,735,058) | (1,019,538,831) |
| As at December 31 | 25,235,709,587 | 23,083,447,360 |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

| | 2014 | 2013 |
|--------------------------------|----------------------|----------------------|
| | G\$ | G\$ |
| 8.1 Accounts Payable | | |
| Creditors | 66,821,882 | 351,230,124 |
| Creditors - Payroll | 42,604 | 224,176 |
| Other Accruals & Payables | 612,431,555 | 319,964,069 |
| Provision for Legal Settlement | 66,824,363 | 107,005,467 |
| Withholding, rates and Taxes | 305,011,804 | 305,011,804 |
| | 1,051,132,208 | 1,083,435,640 |
| | 1,051,132,208 | 1,083,435,640 |

9. Net Income before Taxation is Stated after Charging:

Employment Costs

| | | |
|---------------------------------------|----------------------|----------------------|
| Gross salaries | 939,007,906 | 890,276,091 |
| Social Security Cost (Employer's NIS) | 52,669,443 | 48,471,543 |
| Pension Costs | 79,146,392 | 70,074,616 |
| Total | 1,070,823,741 | 1,008,822,250 |
| | 1,070,823,741 | 1,008,822,250 |

10. Depreciation

| | | |
|------------------------------|----------------------|----------------------|
| Buildings | 68,100,388 | 45,935,089 |
| Mechanical Electrical Plants | 465,292,154 | 456,196,794 |
| Motor Vehicles | 29,066,028 | 14,761,011 |
| Fixture & Fittings | 6,975,154 | 14,217,890 |
| Water Infrastructure | 805,952,221 | 886,422,837 |
| Sewerage Infrastructure | 7,610,388 | 7,451,802 |
| Hardware & Software | 194,211,840 | 97,074,345 |
| Total | 1,577,208,173 | 1,522,059,768 |
| | 1,577,208,173 | 1,522,059,768 |

GUYANA WATER INC.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

| | Fees G\$ | 2014 G\$ | 2013 G\$ |
|-----------------------------------|---------------------|---------------------|---------------------|
| 11. a. Board Members' Fees | | | |
| Amount paid | 1,164,000 | 1,164,000 | 1,164,000 |
| Total | 1,164,000 | 1,164,000 | 1,164,000 |
| | | | |
| | | 2014 G\$ | 2013 G\$ |
| Details are as follows: | | | |
| 1 Ramesh Dookhoo | | 180,000 | 180,000 |
| 2 Dharamkumar Seeraj | | 144,000 | 144,000 |
| 3 Tarachand Balgobin | | 120,000 | 120,000 |
| 4 Donald Dyal | | 120,000 | 120,000 |
| 5 Emil McGarrel | | 120,000 | 120,000 |
| 6 Denise King Tudor | | 120,000 | 120,000 |
| 7 Paulette Bynoe | | 120,000 | 120,000 |
| 8 Seepaul Narine | | 120,000 | 120,000 |
| 9 Sukrinshanall Pasha | | 120,000 | 120,000 |
| Total | | 1,164,000 | 1,164,000 |

b. Key Management Personnel Remuneration for 2014

The following information is presented only in respect of those employees of the Company who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). At December 31, 2014, the number of key management personnel was 11 (11 at 2013).

| | 2014 G\$ | 2013 G\$ |
|-------------------------------------|---------------------|---------------------|
| Short-term employee benefits | 89,855,184 | 84,268,846 |

GUYANA WATER INC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

11. b. Key Management Personnel Remuneration for 2014 (Cont'd)

| | | 2014 | 2013 |
|----|---|-------------------|-------------------|
| | | G\$ | G\$ |
| 1 | Shaik Baksh Chief Executive Officer | 14,791,650 | 14,177,500 |
| 2 | Jaigopaul Ram Director of Finance | 9,766,659 | 9,295,694 |
| 3 | Joseph Coddette Director of Operations, ag | 9,347,897 | 7,837,177 |
| | Earl Aaron Director of Commercial Services | - | 9,231,694 |
| 4 | Ramchand Jailall Director of Capital Investment & Planning | 9,745,659 | 1,398,232 |
| 6 | Gale Doris Director of Human Resources | 9,745,659 | 9,325,694 |
| 7 | Nigel Niles Director of Corporate Services | 9,753,659 | 8,571,174 |
| 8 | Sunildatt Barran Head of Field Services | 5,675,306 | 5,366,315 |
| 9 | Aubrey Roberts Director of Procurement | 9,315,897 | 8,237,246 |
| 10 | Christopher Chan Head of Information Technology | 6,105,940 | 5,786,133 |
| 11 | Anand Bharat Audit Manager | 5,606,858 | 5,041,390 |
| 12 | Dwayne Shako Technical Service Head | 6,605,318 | 2,230,488 |
| | Total Key Management Personnel | <u>96,460,502</u> | <u>86,498,737</u> |

12. Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2014 | 2013 |
|---|--------------------|------------------------|
| | G\$ | G\$ |
| Net Income/(Loss) for the Year | 978,545,322 | (1,670,475,765) |
| Net Income/(Loss) Attributable to Shareholders' Equity | <u>978,545,322</u> | <u>(1,670,475,765)</u> |
| Weighted Average Number of Ordinary Shares in Issue | 8,825,300 | 8,825,300 |
| Basic Earnings/ (Loss) per Share | 111 | (189) |

GUYANA WATER INC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3. Contingent Liability

a) The Company is a defendant of several matters for which the ultimate liability or asset have been provided for. There are other matters of the Company that Management does not believe that the outcome of these proceedings will have material effect on the company's result of operations and accordingly no provision is necessary.

Operating lease commitments

Operating lease commitments are as follows:

| | 2014 G\$ | 2013 G\$ |
|--------------------|------------------|------------------|
| Less than one year | 5,300,000 | 3,900,000 |
| 1 to 5 years | - | - |
| | <u>5,300,000</u> | <u>3,900,000</u> |

14. Premises Cost

| | | |
|------------------------------------|----------------------|----------------------|
| Electricity | 2,397,354,476 | 2,407,522,664 |
| Other Power | 28,461,766 | 34,255,487 |
| Others - including rates and taxes | 233,474,973 | 186,472,956 |
| Total | <u>2,659,291,215</u> | <u>2,628,251,107</u> |

15. IMPACT OF ACCOUNTING POLICY CHANGES

Adoption of the revised IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance. *The impact of the change has been adjusted retrospectively as shown below*

| | 2014 G\$ | 2013 G\$ |
|--|----------------------|----------------------|
| Increase in Retained Earnings | - | (7,102,009,444) |
| Statement of Financial Position | | |
| Decrease in External Funding | 1,003,735,058 | 1,019,538,831 |
| Increase in net assets | <u>1,003,735,058</u> | <u>1,019,538,831</u> |
| Statement of Profit or Loss | | |
| Deferred Income Recognised | 1,003,735,058 | 1,019,538,831 |
| Increase in profit for the year | <u>1,003,735,058</u> | <u>1,019,538,831</u> |

GUYANA WATER INC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

Schedule 1

| | Land | Buildings | Mechanical Electrical plant | Motor vehicle Mobile Plant | Furniture, fixture & Office Equipment | Infrastructure Water | Infrastructur e Sewerage | Hardware and Software | software | Total Assets |
|--|-------------|---------------|--------------------------------|----------------------------------|--|-------------------------|-----------------------------|--------------------------|-------------|----------------|
| Cost | 820,007,897 | 1,406,817,589 | 4,634,049,044 | 278,729,578 | 122,681,073 | 26,518,018,124 | 375,863,489 | 248,897,910 | 744,996,983 | 35,150,061,687 |
| Additions | | 20,084,187 | 59,791,083 | 14,119,500 | 23,826,797 | 205,908,037 | | 35,526,062 | | 359,255,666 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Capitalization | | | 23,556,620 | | | 1,243,927,308 | | | | 1,267,483,928 |
| Total Assets | 820,007,897 | 1,426,901,776 | 4,717,396,746 | 292,849,078 | 146,507,870 | 27,967,853,469 | 375,863,489 | 284,423,972 | 744,996,983 | 36,776,801,281 |
| Depreciation | | 1,104 | 1,106 | 1,108 | 1,110 | 1,112 | 1,114 | 1,116 | 1,118 | |
| Accumulated Depreciation as at Jan 1, 2014 | | 366,148,529 | 2,923,159,457 | 168,748,569 | 106,748,447 | 9,986,858,602 | 99,141,014 | 170,268,443 | 483,394,463 | 14,304,467,524 |
| Depreciation 2014 | | 68,100,389 | 465,292,154 | 29,066,028 | 6,975,154 | 805,952,221 | 7,610,389 | 63,608,795 | 130,603,046 | 1,577,208,175 |
| Accumulated Depreciation as at Dec 31, 2014 | | 434,248,918 | 3,388,451,611 | 197,814,597 | 113,723,601 | 10,792,810,823 | 106,751,403 | 233,877,238 | 613,997,509 | 15,881,675,699 |
| Net Book Value as at Dec 31, 2014 | 820,007,897 | 992,652,858 | 1,328,945,135 | 95,034,481 | 32,784,269 | 17,175,042,646 | 269,112,087 | 50,546,734 | 130,999,474 | 20,895,125,581 |

| Category | Sub-category | Particulars | Useful Life | Depreciation Rates |
|-------------------------------|--------------|--|-------------|--------------------|
| Land | A | A - Land | Unlimited | |
| Building | B1 - B3 | B - Building | 10 | 10% |
| Building | B1 - B3 | B - Building | 25 | 4% |
| Building | B1 - B3 | B - Building | 40 | 2.5% |
| Building | B1 - B3 | B - Building | 50 | 2.0% |
| Mechanical/Electrical Plant | C1 - C6 | C - Mechanical / electrical plant | 10 | 10.0% |
| Motor Vehicles & Mobile Plant | D1 - D2 | D - Vehicles and Mobile plant | 5 | 20.0% |
| Furniture & Fixture | E1 - E8 | E - Furniture / Fixture & office equipment | 7 to 15 | 6.5 %to 14% |
| Furniture & Fixture | E9 - E12 | E - Furniture / Fixture & office equipment | 5 | 20.0% |
| Infrastructure Water | F1 - F4 | F - Infrastructure - water | 40 | 2.5% |
| Infrastructure Water | F4 | F - Infrastructure - water | 50 | 2.0% |
| Infrastructure Water | F5 | F - Infrastructure - water | 10 | 10.0% |
| Infrastructure Sewerage | G1 - G2 | G - Infrastructure - sewerage | 40 | 2.5% |
| Infrastructure Sewerage | G3 | G - Infrastructure - sewerage | 10 | 10.0% |
| Computer Hardware/Software | H1 - H6 & H8 | H - Computer hardware & software | 5 | 20.0% |
| Computer Hardware/Software | H7 | H - Computer hardware & software | 3 | 33.3% |

Fixed Assets as at 31st December, 2013

| | Land | Buildings | Mechanical Electrical plant | Motor vehicle Mobile Plant | Furniture, fixture & Office Equipment | Infrastructure Water | Infrastructur e Sewerage | Hardware and Software | Work-In- progress | Total Assets | Net Capita Assets |
|---|--------------------|----------------------|--------------------------------|-------------------------------|---|-------------------------|-----------------------------|--------------------------|----------------------|-----------------------|----------------------|
| Cost Jan 1 2013 | 820,007,897 | 1,282,550,513 | 4,542,255,513 | 189,222,578 | 118,355,179 | 25,740,154,173 | 365,356,152 | 765,376,379 | 2,544,145,322 | 36,367,423,706 | 33,823,278, |
| Additions | - | 124,267,076.36 | 91,793,530.32 | 89,507,000.00 | 4,325,894.07 | 777,863,951.20 | 10,507,337.10 | 228,518,513.36 | 3,139,302,120 | 4,466,085,422 | 1,326,783, |
| Disposals/ Transfers/ Capitalized | - | - | - | - | - | - | - | - | (1,256,796,588) | (1,256,796,588) | |
| Total Assets | 820,007,897 | 1,406,817,589 | 4,634,049,043 | 278,729,578 | 122,681,073 | 26,518,018,124 | 375,863,489 | 993,894,892 | 4,426,650,854 | 39,576,712,541 | 35,150,061,6 |
| Accumulated dep'n as at Jan 1,2013 | - | 320,213,440 | 2,466,962,664 | 153,987,558 | 92,530,557 | 9,100,435,765 | 91,689,211 | 556,588,560 | - | 12,782,407,756 | 12,782,407.7 |
| Dep year as at Dec 31, 2013 | - | 45,935,089 | 456,196,793 | 14,761,011 | 14,217,890 | 886,422,837 | 7,451,802 | 97,074,345 | - | 1,522,059,768 | 1,522,059,76 |
| Total Accumulated dep'n as at Dec 31, 2013 | - | 366,148,529 | 2,923,159,457 | 168,748,569 | 106,748,447 | 9,986,858,602 | 99,141,014 | 653,662,906 | - | 14,304,467,524 | 14,304,467,52 |
| NBV | 820,007,897 | 1,040,669,060 | 1,710,889,586 | 109,981,009 | 15,932,626 | 16,531,159,522 | 276,722,476 | 340,231,986 | 4,426,650,854 | 25,272,245,016 | 20,845,594,16 |

| Category | Sub-category | Particulars | Useful Life | Depeciation |
|-------------------------------|--------------|--------------------------------------|-------------|--------------|
| Land | A | A - Land | Unlimited | |
| Building | B1 - B3 | B - Building | 10 | 10% |
| Building | B1 - B3 | B - Building | 25 | 4% |
| Building | B1 - B3 | B - Building | 40 | 2.5% |
| Building | B1 - B3 | B - Building | 50 | 2.0% |
| Mechanical/Electrical Plant | C1 - C6 | C - Mechanical / electrical plant | 10 | 10.0% |
| Motor Vehicles & Mobile Plant | D1 - D2 | D - Vehicles and Mobile plant | 5 | 20.0% |
| Furniture & Fixture | E1 - E8 | E - Furniture / Fixture & office equ | 7 to 15 | 6.5 % to 14% |
| Furniture & Fixture | E9 - E12 | E - Furniture / Fixture & office equ | 5 | 20.0% |
| Infrastructure Water | F1 - F4 | F - Infrastructure - water | 40 | 2.5% |
| Infrastructure Water | F4 | F - Infrastructure - water | 50 | 2.0% |
| Infrastructure Water | F5 | F - Infrastructure - water | 10 | 10.0% |
| Infrastructure Sewerage | G1 - G2 | G - Infrastructure - sewerage | 40 | 2.5% |
| Infrastructure Sewerage | G3 | G - Infrastructure - sewerage | 10 | 10.0% |
| Computer Hardware/Software | H1 - H6 & H8 | H - Computer hardware & software | 5 | 20.0% |
| Computer Hardware/Software | H7 | H - Computer hardware & software | 3 | 33.3% |

Pipes

| | |
|---|-------|
| MDPE | 20% |
| PVC – 20 Years | 5.00% |
| HDPE – 40 Years | 2.50% |
| Ductile Iron – 30 Years | 3.33% |
| Asbestos Cement – 5 years (Asbestos cement) | |

GUYANA WATER INC

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

| | IDB | WB | JICA | GoG | GWI | Total |
|------------------------------|---------------|------------|--------------|------------------|----------------|---------------|
| WIP Dec 31, 2013 | 2,512,004,503 | 54,230,039 | 2,582,796.00 | 1,535,416,389.37 | 493,975,549.61 | 4,598,209,277 |
| Increase in 2014 | 1,255,005,104 | 7,100 | (2,582,796) | 732,722,767 | 549,195,278 | 2,534,347,454 |
| Cumulative WIP | 3,767,009,608 | 54,237,139 | - | 2,268,139,156 | 1,043,170,828 | 7,132,556,731 |
| Capitalized:- | | | | | | |
| Water Infrastructure | 434,621,139 | | | 394,444,669 | 414,861,500 | 1,243,927,308 |
| Sewerage Infrastructure | | | | | | - |
| Vehicles and Mobile Plant | | | | | | - |
| Furniture Fixture | | | | | | - |
| Hardware & Software | | | | | | - |
| Mechanical/Electrical plant | | | | 17,257,020 | 6,299,600 | 23,556,620 |
| Buildings & Structures | | | | | | - |
| Total Transfers/ Capitalized | 434,621,139 | - | - | 411,701,689 | 421,161,100 | 1,267,483,928 |
| WIP 31st Dec, 2014 | 3,332,388,469 | 54,237,139 | - | 1,856,437,467 | 622,009,728 | 5,865,072,803 |

Legend:

IDB - International Development Bank

WB - World Bank

JICA - Japan International Cooperation Agency

GWI - Guyana Water Inc

GOG - Government of Guyana

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

| | IDB | WB | JICA | GoG | GWI | Total |
|-------------------------------------|----------------------|-------------------|---------------------|----------------------|--------------------|----------------------|
| WIP Dec 31, 2012 | 1,328,340,800 | 54,230,039 | 48,206,279 | 961,556,710 | 151,811,494 | 2,544,145,322 |
| Increase in 2013 | 1,154,976,778 | - | (31,266,978) | 1,147,368,555 | 784,121,880 | 3,055,200,235 |
| Cumulative WIP | 2,483,317,578 | 54,230,039 | 16,939,301 | 2,108,925,265 | 935,933,374 | 5,599,345,557 |
| Capitalized:- | | | | | | - |
| Water Infrastructure | - | | 14,356,505 | 631969683 | 234,529,115 | 880,855,303 |
| Sewerage Infrastructure | 72,389,000 | | | | | 72,389,000 |
| Vehicles and Mobile Plant | | | | | | - |
| Furniture Fixture | | | | | | - |
| Hardware & Software | | | | | 202,925,360 | 202,925,360 |
| Mechanical/Electrical plant | | | - | 1669140 | | 1,669,140 |
| Buildings & Structures | | | | 10352540 | 4,503,350 | 14,855,890 |
| | | | | | | - |
| | | | | | | - |
| Total Transfers/ Capitalized | 72,389,000 | - | 14,356,505 | 643991363 | 441,957,825 | 1,172,694,693 |
| WIP 31st Dec, 2013 | 2,410,928,578 | 54,230,039 | 2,582,796 | 1,464,933,902 | 493,975,549 | 4,426,650,864 |

Legend:

IDB - International Development Bank

WB - World Bank

JICA - Japan International Cooperation Agency

GWI -Guyana Water Inc.

GOG- Government of Guyana



Maurice Solomon & Co.

Chartered Accountants/Management Consultants



11th December, 2015

Dr. Richard Van West-Charles
Chief Executive Officer
Guyana Water Inc.
Vlissengen Road & Church Street,
Bel Air Park,
Georgetown.
Guyana.

Dear Dr. Van West-Charles,

AUDIT OF THE FINANCIAL STATEMENTS OF
GUYANA WATER INC.
FOR THE YEAR ENDED 31 DECEMBER, 2014

The audit of the books and accounts of **Guyana Water Inc.** for the year ended 31 December, 2014, has resulted in the following report which is forwarded for your comments and such actions as considered necessary.

We have examined certain aspects of the company's system of internal accounting controls and made recommendations on possible ways in which the system might be improved to overcome the weaknesses which we observed during the examination.

It must be appreciated that the matter dealt with in this report came to our notice during conduct of our normal audit which was designed primarily to enable us to express an opinion on the company's financial statements. Our comments cannot, therefore, be expected to include all possible improvements in the internal control which a more extensive special examination may develop.

The audit was conducted in accordance with the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). These standards required that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Scope and Methodology

In conducting financial and compliance audits our office examined in such manner as we deemed necessary the relevant financial statements and accounts to ascertain whether:

- The financial statements have been properly prepared in accordance with applicable accounting standards and properly present the operations and affairs of Engineering and Agricultural Consultants Inc.
- The accounts have been faithfully and properly kept.
- The rules, procedures and internal management controls are sufficient to secure effective control on the assessment, collection and proper allocation of revenues.
- All monies expended and charged to an account have been applied to the purpose or purposes for which they were intended.
- Essential records are maintained and the internal controls and the rules and procedures established and applied are sufficient to safeguard the control of stores and other properties of the company.

Findings and Recommendations

1. Expense Vouchers

Condition

There were a number of expense vouchers that could not be presented for audit examination when requested. *(see appendix 1)*

Effect

We were unable to ascertain whether these expenses were actually incurred and bonafide.

It is important that all source documents be kept so as to provide an audit trail and also for future reference of the transactions.

Recommendation

We recommend that the company ensure that 'hard copies' of all expense vouchers are prepared and that these are properly stored.

Management Response

All payment vouchers and contract files noted on Appendix 1 are available for your review.

2. Non-current Assets

a. Assets not on asset register

Condition:

During our audit we identified a number of assets that were on the premises of GWI but could not be located on the non-current asset register *(see appendix 2)*.

Effect:

The purpose of the non-current asset register is to record and control the assets which will help to aid in the physical verification of such assets. Assets that were physically identified but not located on the asset register could either have been mislabeled or were not recorded at all. This represents a significant weakness in controls over the recording of purchased assets and the movements of assets.

Recommendation:

We recommend that the company carry out a full scale asset verification exercise ensuring that all assets are adequately labeled and present on the asset register.

Management response

We acknowledge your findings and have since commenced a comprehensive verification exercise that will seek to recount 100% of the Company's assets. Recounting and relabeling of all assets will be done to ensure concurrence of physical assets with the Fixed Asset Register.

b. Assets not in working condition on asset register

Condition:

During our physical verification we noted that there were some assets that were not in a working condition but were still present on the asset register.

Effect:

There were non-current assets on the asset register that were not in a working condition. It is important that the asset register be kept up-to-date as this keeps track of the correct value of assets, which allows for computation of depreciation and for tax and insurance purposes.

Recommendation:

It is recommended that the company carries out a full scale physical verification exercise identifying assets that are not in a working condition. Once such assets have been identified, they should be written off.

Management response

These were computer hardware and peripherals that were defective and will be disposed of in accordance with Company's asset disposal policy.

Management will make a comprehensive review of all non-current assets to ensure that these are in working order and seek to write off those that are not.

c. Asset register and identification of assets

Condition:

During our audit we identified instances where the codes present on assets did not match the codes on the asset register or where assets did not bear any codes. The purpose of the non-current assets register is to record and control the assets which will help to aid in the physical verification of such assets. Each asset should have adequate markings on them which will enable identification with the items appearing on the register. In addition these markings should be consistent and match the codes on the asset register. (see appendix 3).

Effect:

It is important that all assets are correctly coded as this serves as an important internal control aiding to physically verify assets and track its movement. The lack of correct codes on assets represents a significant weakness and can result in assets being misappropriated without the knowledge of the company.

Recommendation:

We recommend that the company adequately maintain its non-current asset register and affix separate identification numbers on all assets and ensure that these codes are in agreement with the asset register.

Management response

Based on your finding we have since relabeled those assets and have since commenced a comprehensive verification exercise that will seek to recount 100% of the Company's assets. Recounting and relabeling of all assets will be done to ensure concurrence of asset physically present with the Fixed Asset Register.

d. Approved asset policy

Condition:

The company did not provide an approved asset policy manual when requested by the auditors.

Effect:

There is no Board approved asset policy meaning that asset capitalization policy, depreciation rates, disposal policy are not authorized.

Recommendation:

We recommend that the company implements a Board approved complete asset policy manual.

Management Response

The approved Fixed Asset Policy is available for your review. This policy was approved by the Board of Directors at the 86th Statutory Board of Director meeting held on 31st March 2010. Management will seek to provide you with this approved asset policy.

e. Impairment review

Condition:

Audit examination revealed that the company did not carry out an impairment review of non-current assets during the year or if such a review was carried there was no documented report.

Effect:

It is important that the company carry out a physical verification of non-current assets so as to ascertain whether any of these assets are damaged or not in a working condition and subsequently impaired. As a result, non-current assets may be carried overstated as the asset register may not be updated to account for impaired assets.

Recommendation:

We recommended that the company carry a full scale non-current asset verification and impairment exercise.

Management response

The Company has a Plant Property & Maintenance (PPM) program. All productive assets (boreholes performance, treatment plants and other ancillary assets) are currently being reviewed based on their performance and corrective actions are being taken to ensure that their

capacity is not being impaired. However, management will seek to conduct a full impairment review of all of the company's assets.

f. Disposals

Condition:

It was initially represented to the auditors that there were no disposals for the year 2014. Upon further enquiry, we were provided with a list of disposals that consisted of 19 assets. This list of disposals was not approved nor did it contain all relevant information such as the asset code for the items disposed.

Effect:

It is important that the company safeguard all of its assets. Assets should not be disposed unless such disposal has been properly authorized. In addition, there should be proper record keeping of all assets disposed or assets to be disposed. As such we could not ascertain:

- whether there was relevant approval for the assets disposed;
- whether the list of disposals was complete;
- whether the assets listed as disposed were actually removed from the asset register;
- what assets are currently not operational and are being held to be disposed of at a future date.

Recommendation:

We recommended that the company keep adequate and complete records for assets to be disposed of and actually disposals and ensure that disposals are properly authorized. In addition, the list of disposals must be complete with all necessary information relation to the disposed asset and the asset should be removed from the asset register.

Management response

Management acknowledges your findings and will seek to ensure that these disposals are properly accounted for, that the disposal listing is up-to-date and approved. In addition, management will seek to update its asset register ensuring that all disposals are taken into account and are promptly taken off the register.

Table 1

| Asset | Asset Identification # | Sale Proceed | Awarded to? | Award Date | Receipt # |
|---|------------------------|------------------|--------------------|------------|----------------|
| PCIK UP TOYOTA HILUX PGG1156 | HO304D1000036 | 250,000 | Ravendra Deonarine | 2-Jan-15 | Receipt# 66461 |
| COMPRESSOR | HO101C1000019 | 109,000 | Bridge Raaj Ramjit | 17-Feb-15 | Receipt#66483 |
| DRILLING EQUIPMENT -PAT DRILL & COMPRESSOR | HO101C1000019 | 1,500,000 | Zulficar Khan | 2-Jan-15 | Receipt#66420 |
| JEEP-NISSAN X TRAIL PHH6370 | HO304D1000001 | 151,000 | Safraz Mohamed | 30-Mar-15 | Not Paid |
| GENSET WITH MOTOR AND ENGINE 150KVA 415 V | 210101C1000024 | 300,000 | Latchman Singh | 11-Mar-15 | Not Paid |
| TRNASFORMER | 310101C2000008 | 11,222 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| LARGE TRANSFORMER | 340101C2000082 | 11,222 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| LARGE TRANSFORMER | 340101C2000083 | 11,222 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| TRANSFORMER | 210101C2021001 | 33,667 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| TRANSFORMER | 210101C2021006 | 33,667 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| MOTOR CYCLE JAILING Ce 1626 | HO304D1000003 | 21,000 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| PICK UP NISSAN PJJ 7231 | HO304D1000019 | 2,000 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| GENSET WITH MOTOR AND ENGINE 150HP 209V | 310101C1000050 | 500,000 | Latchman Singh | 2-Jan-15 | Receipt #66460 |
| PERKING GENERATOR ENGINE | 330101C1000006 | 51,000 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| ENGINE TRADE WIND | 910101C1000009 | 150,000 | Latchman Singh | 11-Mar-15 | Not Paid |
| HP BILLING PRINTER | HO211H7000006 | 6,000 | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| TOYOTA HILUX PGG8764 ** | HO101D1000002 | Not Paid | Sheik Ally | Not Paid | Not Paid |
| MOTOR CYCLE JAILING Ce 1624 ** | HO304D1000005 | Not Paid | Sheik Ally | Not Paid | Not Paid |
| OLD BATTERIES | | | Nazim Alli | 2-Jan-15 | Receipt #66464 |
| COMPRESSOR | HO101C1000019 | 125,000 | Safraz Mohamed | 30-Mar-15 | Receipt#80404 |
| MOTOR CYCLE JAILING Ce 1625 ** | HO304D1000004 | Not Paid | Ashton Ford | 2-Jan-15 | Not Paid |
| NISSAN FRONTIER ** | 210101D1000001 | Not Paid | Nazim Alli | 17-Feb-15 | Not Paid |
| TOYOTA HILUX ** | HO201D1000001 | Not Paid | Nazim Alli | 17-Feb-15 | Not Paid |
| TOTAL | | 3,266,000 | | | |

**** - physical possession of Guyana Water Inc.**

g. Disposed Assets not on the Disposal Schedule

Condition:

Audit examination revealed that there were assets that were tendered for and sold but not on the disposal schedule and subsequently would not have been adjusted for on the asset register.

Effect:

The asset register will be incorrect as these assets were disposed but not adjusted for. In addition this represents a significant control deficiency as assets are being sold without the necessary adjustments being made to company's records.

These assets were as follows:

- Atlas corpo compressor 185 – Tender sum \$109,000 Awarded to Bridge Raaj Ramjit



- Nissan Frontier PGG 6343 – Tender sum \$301,000 Awarded to Nazim Ally
- Toyota Hilux PGG 8764 – Tender sum \$701,000 Awarded to Nazim Ally

Recommendation:

We recommended that the company ensure that all disposals are properly documented and are immediately taken off the asset register.

Response

Please refer to comments above in "f" above and Table 1. Management will seek to update its asset register ensuring that all disposals are taken into account and are promptly taken off the register.

h. Assets on the Disposal Schedule but still on the Asset Register

Condition:

Audit examination revealed that there were a number of assets that were on the disposal schedule but were still on the asset register.

Effect:

The asset register will be incorrect as these assets were disposed of but not adjusted for. These assets were as follows:

| ASSET NUMBER | DESCRIPTION |
|----------------|------------------------------|
| 210101C1000024 | Genset with motor and engine |
| 330101C1000006 | Perking generator engine |
| 340101C2000061 | High Voltage Transformer |
| 340101C2000064 | High Voltage Transformer |
| 340101C2000082 | Large transformer(red) |

| ASSET NUMBER | DESCRIPTION |
|----------------|---|
| 910101C1000009 | Engine |
| HO101C1000019 | Drilling Equipment - PAT Drill / Compressor - Atlas Copco |
| HO304D1000001 | Jeep - Nissan X Trail 4X4 (Scrap) |
| HO304D1000004 | Motor Cycle – Jailing |
| HO304D1000019 | Pick - Up - Nissan - D/Cap (Scrap) |
| HO304D1000036 | Pick - Up - Toyota Hilux |

Recommendation:

We recommended that the company ensure that all disposals are properly documented and are immediately taken off the asset register.

Management response

Management will seek to update its asset register ensuring that all disposals are taken into account and are promptly taken off the register.

*i. Acquired Assets with nil value***Condition:**

Audit examination revealed that there were a number of assets acquired during the year ending 31 December, 2014 that were recorded at nil acquisition value. *(see appendix 4)*

Effect:

The asset register will be incorrect as these as assets are apparently being acquired at nil value. It could be that these assets were acquired in previous years but were never recorded and are now being recorded for the first time; however, because of the lapse in time their values could not be ascertained by the company and are therefore recorded as nil.

Recommendation:

We recommended that the company carry a full scale non-current asset verification exercise, in the process ascertaining the correct value of all assets and updating the company's asset register. If the values cannot be ascertained then the assistance of duly experienced professionals should be used to determine the value of the assets.

Management response

The information was incorrectly presented during the audit. We have extracts of the codes to corroborate that these assets have values. Refer to extract from Fixed Asset Register attached.

*j. Asset register***Condition:**

The company does not have an updated and accurate asset register.

Effect:

It is important that the company's fixed asset register be kept in order to keep track of details of each fixed asset, ensuring control and preventing misappropriation of assets. It also keeps track of the correct value of assets, which allows for computation of depreciation and for tax and insurance purposes. The fixed asset register allows a company to keep track of its fixed assets.

Recommendation:

We recommended that the company maintain an adequate and complete fixed asset register ensuring that all additions and disposals are properly and accurately accounted for.

Management response

Management has since begun a process to reconcile the company's asset register with the lists of additions and disposals to identify any variances and ensure the asset register is up-to-date.

K. Motor Vehicles**Condition:**

Audit examination revealed that there were vehicles on the asset register of the Company which was registered in the name of the Ministry of Housing and Water. From our audit sample, these were the vehicles:

- PSS9198
- PRR5294
- PRR5312
- GPP8846

Effect:

It is unclear the reason why these vehicles are registered in the name of the Ministry of Housing and Water though the Company clearly bears the risks and rewards of these vehicles.

Recommendation:

It is recommended that the Company seek to have these vehicles transferred from the name Ministry of Housing and Water to the Guyana Water Inc.

Management response

Motor Vehicles PSS9198, PRR5294 & PRR5312 were recent duty free purchases made by the Company. All duty free applications were processed through the then "Ministry of Housing & Water", therefore the vehicles were registered in the Ministry's name. After the expiration of three (3) years ownership will be transferred to GWI.

Motor Vehicle GPP8846 was purchased under the Georgetown Sanitation Improvement Programme (GSIP). This project comes to an end in December 2015. Ownership will be transferred to GWI upon closure of the Programme.

L. Land

Condition:

Leases / transports could not be presented for audit verification for the following lands:

- Land Shelter belt, division three. – taxes need to be paid on the land (rates and taxes)
- Land 'D' Edward, division four.
- Land Ithaca, division four.
- Land Queenstown water T.P, division five.
- Land New Amsterdam, division five.
- Land Spring land pump station, division five.
- Land Amsterdam Leguan, division one.

Effect:

We were unable to ascertain whether the Company are legal owners of these lands.

Recommendation:

It is recommended that the Company seek to have leases / deeds for all lands on its asset register and ensure that these are securely stored.

Management response

Refer to comments below:

- *Land Shelter belt, division three. – land was acquired by cabinet in 2008, rates & taxes are paid by the owner and not the occupier*
- *Land 'D' Edward, division four. – GWI Plan #122 demarcates property for transfer*
- *Land Ithaca, division four. – GWI Plan #32 demarcates property for transfer*
- *Land Queenstown water T.P, division five. – GWI Plan #124, being processed by CHPA*
- *Land New Amsterdam, division five. – follow up with CHPA*
- *Land Spring land pump station, division five. – Owned via Certificate of Title 2006/85*
- *Land Amsterdam Leguan, division one. – GWI Plan #82 demarcates property for transfer*

All outstanding titles will be pursued.

3. Annual Return

Condition:

Under the Companies Act, every company is required, once at least in a year, to make an annual return. The annual return signed by a director or the secretary of the company shall be lodged with the Registrar within forty two days after the annual general meeting.

Also, as per the Companies Act, there shall be annexed to the annual return, a written copy, certified both by a director and by the secretary of the company to be a true copy, of the financial statements.

We noted that the Corporation has never filed any such returns.

Effect:

The Corporation is not in compliance with the requirements of the Companies Act and hence the Laws of Guyana and the Registrar of Companies may remove the Corporation from its register for non-compliance with this filing requirement.

Recommendation:

We recommend that the company make a special effort to comply with the Companies Act and file annual return.

Management response

We acknowledge your findings and these matters are currently under review.

4. Customer Database

Condition:

The company's customers' database is not up-to-date.

Effect:

There are customers on the database whose customer information is not up-to-date (*see point 10*).

Recommendation:

We recommend that the company carry out a full scale customer verification exercise in order to update its customer database.

Management Response

Management is in the ongoing process of updating its customer database and ensuring that relevant contact information is available.

5. Inventory

Condition:

The amount of G\$651,133,774 was reported as inventory for the year ending 31st December 2014 which was arrived at on the basis of physical inventory as at balance sheet date.

The Company did not carry out an exercise to identify slow moving or obsolete stocks for a number of years. Upon request of the auditors the company carried out such an exercise. This resulted in an increase in the provision for slow moving and obsolete stocks to G\$367,163,220 from G\$1,673,034 for the previous year a variance of G\$365,490,186. The report for slow

moving or obsolete stocks was presented at the completion of the audit and we were unable to carry out any further test to substantiate this.

In addition, the report submitted to the auditors was not approved.

According to IAS 2 Inventories, inventories shall be measured at the lower of cost and net realisable value. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Weakness:

The company had previously understated its provision for slow moving and obsolete stocks resulting in an overstatement of inventory reported in the Statement of Financial Position. In addition, the failure to carry out regular exercises to identify slow moving and obsolete stocks results in poor controls and the company failing to identify at an early stage such inventory and take necessary corrective action.

Moreover, the report for slow moving or obsolete stocks was not approved and was carried out on an adhoc basis.

Recommendation:

We recommend that the Company carry out an exercise to identify slow moving and obsolete stocks at least once a year and maintain adequate and approved records to as it relates to this exercise.

Management response

The inventory listing of obsolete stock was misrepresented at the time of the audit. Management will seek in the coming year to carry out a full scale inventory review identifying slow moving or obsolete stock.

6. Journals:

Condition

Audit examination revealed that there were journals which had inadequate or no narration. (see appendix 5).

Effect:

It is important that journals contain adequate narration before they are posted into the system as this serves as an important internal control as well as aiding in identifying errors. Additionally, it is important so as to provide an audit trail and also for future reference of the transactions.

Recommendation:

We recommend that the company ensure that all journals contain adequate narration.

Management response

Below are the narrations for the journals identified; however, management will seek to ensure that all journals contain adequate narration in the future.

(See page 15)

Appendix E
Journals which had inadequate narration

| No. | Date | Description | Account No | Debit | Credit |
|-----|--------|---|--|--|--------------------------------|
| 1 | Jan-14 | GOG - Savannah Inn Guest House Cityma Bank For Trade & Industries Grants Clearing Being correction of supplier site GRANTS | 2109 2109 2109 | 500,000 6,061,040 | 1,51,999 |
| 2 | Apr-14 | IDB - LWSPR Foreign Account LWSPR Bank Being payments from Bank of America April 2014 for LWSPR | 2106 1-21 | 511,908 | 511,908 |
| 3 | May-14 | GOG - GSIP Local Payables Being transfer of funds to GSIP BOG account from GSIP BOA account to facilitate local payments | 1-19 2105 | 3,03,146 | 3,03,146 |
| 4 | May-14 | GOG - Gadeshwar Ishwardaan Creditors Being Refund from advance to Mr. Gadeshwar Ishwardaan to travel to the Hinterland Chq #259 | 1-10 2105 | 95,000 | 95,000 |
| 5 | Aug-14 | GOG - Transfer from Hinterland Gadeshwar Ishwardaan Creditors Being transfer from GOG for Hinterland Supervision (\$4,000,000) and refund from advance for travelling to Hinterland | 1-10 1-10 2105 | 4,000,000 23,050 | 4,023,050 |
| 6 | Aug-14 | IDB - GOG Payables Being refund from GMI Proper for VAT payment on made from advance to Knowledge Management Officer for training workshop held for GSIP workshop. The loan does not pay VAT | 1-19 2105 | 19,040 | 19,040 |
| 7 | Aug-14 | IDB - D. Nieral Chique #219 Payable Being travelling expenses for D. Nieral to go to London | 1-22 2105 | 5,500 | 5,500 |
| 8 | Oct-14 | IDB - LWSPR Foreign a c October UENI LWSPR Foreign a c November UENI LWSPR Foreign Bank a c Being payments made to UENI Inc. October and November 2014 US under LWSPR Val 10 & Val 11 | 2106 2106 1-21 | 24,299,416 34,041,776 | 58,341,194 |
| 9 | Oct-14 | IDB - LWSPR Foreign a c October UENI LWSPR Foreign a c Egis Eau November LWSPR Foreign a c UENI November LWSPR Foreign Bank a c Being payments made to Egis Eau and UENI Inc. October and November 2014 US\$ under LWSPR Val 10 & 11 | 2106 2106 2106 1-21 | 162,246 100,023 375,313 | 638,162 |
| 10 | Oct-14 | GOG - Gadeshwar Ishwardaan Manchar Services Avnash Patram Externally funded creditors Being receipt of funds from advance for travelling to Hinterland (Gadeshwar Ishwardaan and Avnash Patram), refund from Manchar Services for non performance of contract | 1-10 1-10 1-10 2105 | 19,000 15,400,000 73,500 | 15,492,500 |
| 11 | Oct-14 | GOG - Gadeshwar Ishwardaan Transportation Gadeshwar Ishwardaan Accommodation Ranchand Jadal Niala Ranchand Jadal Transportation Ranchand Jadal Accommodation Avnash Patram Transportation Avnash Patram Accommodation GOG Local account Being cost of travelling to Hinterland for Gadeshwar Ishwardaan, Ranchand Jadal and Avnash Patram | 019101013505 019101015507 019101013506 019101013505 019101015507 019101015507 019101015507 1-10 | 55,000 21,000 23,712 45,000 21,000 83,100 19,400 | 274,212 |
| 12 | Dec-14 | IDB - Grants clearing Mohamed Ahmed University of Guyana Julius Crawford Being correction of incorrect supplier site should be GRANTS | 2106 2103 2103 2103 | 2,054,053 | 651,550 70,000 13,72,543 |
| 13 | Dec-14 | IDB - GSIP Foreign a c LWSPR Foreign a c Exchange Rate Gain Loss Being exchange rate gain/loss on foreign bank accounts held at Bank of America for GSIP and LWSPR Projects for year ended 2014 | 1-21 1-19 1011046526 | 10,177,325 | 3,012,111 6,506,154 |
| 14 | Dec-14 | GOG - Refund from Manchar Services Other Operating Income Being correction of posting, refund to go to Other operating income and not externally funded payables | 2105 4308 | 15,400,000 | 15,400,000 |
| 15 | Dec-14 | GOG - Deposits Work in Progress GOG Being correction of entries posted to incorrect account. Entries should not have been posted to 2105 | 2105 1202 | 29,337,564 | 29,337,564 |
| 16 | Dec-14 | IFNLAS 2014 Externally funded payables Being correction of retention entries posted to incorrect account. Entries should not have been posted to 2105 | 1202 2105 | 66,764,506 | 66,764,506 |

7. Debt Recovery Department

Condition:

Audit examination revealed that the company does not have a functioning debt recovery department.

Effect:

The company has no formal plan or policy as it relates to the recovery of outstanding debts. The company is managing its receivables poorly and as a result outstanding receivables as at 31 December, 2014 totaled \$6,093,664,333 before taking account of provisioning. Receivables outstanding for more than 365 days as at 31 December, 2014 totaled \$3,225,605,400.

Recommendation:

We recommend that the company establish a debt recovery department and ensure that this department is fully operational.

Management Response

The Company has already taken a proactive approach to collect overdue amounts from customers by employing a Debt Recovery Manager who will be working closely with the Divisional Managers to collect all amounts overdue while ensuring that current billings are collected within the Company's credit period.

7. Taxes

Condition:

Audit examination revealed the company has never submitted Corporation and Property Tax Returns to the GRA.

Effect:

The company is not compliance with local tax legislation. In addition, interest charges for late submissions will continue to be incurred until the company fulfills its obligations.

Recommendation:

We recommend that the company brings itself in compliance with the local tax requirements by filing all outstanding returns and paying backdated taxes as applicable.

Management response

A provisional sum was made in the Financial Statements. This is currently under review by management and the Board.

7. PAYE Submissions

Condition:

Audit examination revealed that the company incorrectly calculated PAYE for a number of staff and the GRA monthly PAYE deduction remittance form was incorrectly filled out and submitted. (see appendix 6).

Effect:

The company has incorrectly filled out its GRA monthly PAYE deduction remittance forms and has incorrectly calculated PAYE for a number of employees and is in breach of the requirements of PAYE for those employees.

Recommendation:

We recommend that the company ensure that PAYE is correctly calculated for all staff and that the GRA monthly PAYE deduction remittance forms are correctly filled in. In addition, there should be a system of recheck before these forms are submitted to identify and correct such errors.

Management response

We acknowledge your findings and this will be corrected.

8. VAT

Condition:

Audit examination revealed that the VAT payable and recoverable amounts in the general ledger differ from the amounts reported and submitted to the GRA on the monthly VAT forms. (see appendix 7.)

Effect:

There is a difference between the VAT recoverable amounts reported in the Statement of Financial Position. This results in an unreconciled difference. The reason for the difference was explained as the VAT forms being incorrectly filled out.

Recommendation:

We recommend that the company urgently seek to reconcile the difference between the amounts stated on the VAT forms and the general ledger.

Management response

We acknowledge that the Value Added Tax Return (VAT) Forms were incorrectly filled as there were some duplicated entries which were subsequently corrected in December 2014 claims.

8. Register of Company Seal

Condition:

The register of the Company's seal was not made available for inspection upon request by the auditors.

Effect:

We could not ascertain whether the company has a register of seal and if it is being used correctly.

Recommendation:

We recommend that the company maintain a Register of the Company Seal if one is not kept and ensure that all use of the Company's Seal is correctly and promptly recorded.

Management response

We agree with your recommendation. This will be implemented from 2016.

9. Provision for Doubtful Debts

Condition:

The provision for doubtful debts in the trial balance for the year ending 31 December, 2014 was \$3,920,442,643. The previous year's provision was \$4,039,222,312. Audit examination revealed that the decrease in provision was as a result of bad debts of \$118,779,669 being incorrectly written off with the entries **Dr:** Provision for Doubtful Debts and **Cr:** Receivables.

This was subsequently corrected upon the request of the auditors with the entries **Dr:** Bad Debts and **Cr:** Provision for Doubtful Debts. The result was that the provision for doubtful debts increased to \$4,039,222,312, the same amount as in 2013, meaning that the Company had not made any changes to the provision.

Upon request of the auditors, management carry out a review of the provision and an amount of \$3,393,556,121 was then recognized as the new required provision for 2014.

Weakness:

The fact that the provision for doubtful debts had not changed from 2013 to 2014 indicates that management was not adequately monitoring the receivables balance and carrying out the necessary calculations to arrive at a suitable amount for the provision.

In addition, the Company's approved 'debt write-off policy' requires that if "the debt is aged greater than a period of 3 years for which no payments were made on account", then that debt should be classified as a bad debt and written off according to prescribed rules.

However, the Company did not write-off such debts but rather made a provision for these.

Recommendation:

We recommend that the Company closely monitor its receivables ensuring that the provision for doubtful debts is correctly calculated and that all assumptions used are prudent.

In addition, the company such seek to follow its approved 'debt write-off policy'.

Management response

The provision for bad has decreased by \$645,666,191 as a result of a review for the financial year 2014. The Company is reviewing the current Debt Write off Policy to include a more comprehensive approach to write offs and provisioning for bad debts.

Some key strategies identified and are currently being implemented include:

- *The Company has already taken a proactive approach to collect overdue amounts from customers by employing a Debt Recovery Manager who will be working closely with the Divisional Managers to collect all amounts overdue while ensuring that current billings are collected within the Company's credit period.*
- *The current metered customers are being reviewed and there will be more stringent reading, billing and delivering customers' bills which are intended to decrease the length of credit period currently extended to customers and improve cash flows.*
- *Unmetered customers quarterly billing cycle has also being reviewed and these categories of customers will be transitioned to monthly billing and delivering of bills which would improve cash flows and decrease receivables.*
- *A short term consultant has been employed to review all pending billing adjustments which would impact on a reduction of the receivable balance in order to arrive at the corrected customers' balances and would complement the above strategies.*

10. Receivables Confirmation

Condition:

As part of our audit procedures, we conducted a receivables confirmation via telephone of eighty customers.

The results are as follows:

| Number of customers selected | Customers successfully contacted | Customers who were unavailable | Customers with no contact information | Customers with incorrect contact information | Customers contact information not in service |
|------------------------------|----------------------------------|--------------------------------|---------------------------------------|--|--|
| 80 | 8 | 18 | 38 | 8 | 8 |

Weakness:

This substantiates the fact that the Company's customers' database is not up-to-date with relevant customer information.

There are non-existent customers on the database and these customers are still being billed for water services. This results in an overstatement of revenue and the receivables. In addition, there is customer information that is not up-to-date.

Recommendation:

We recommend that the company carry out a full scale customer verification exercise in order to update its customer database.

Management Response

No comments.

12. Insurance

Condition:

During our audit it was discovered that the company does not maintain adequate insurance coverage to safeguard its assets from potential loss. See table below:

| Non-Current Assets | NBV/Value | Sum Insured |
|---|-----------------------|----------------------|
| Building | 992,652,857 | 429,095,412 |
| Inventories | 1,018,296,994 | 739,000,000 |
| Machinery, Equipment & Water Infrastructure | 17,476,939,002 | 2,024,433,251 |
| Computer & Accessories | 50,546,734 | 44,735,517 |
| Software | 130,999,474 | - |
| Mechanical Electrical Plant | 1,328,945,135 | - |
| | 20,998,380,196 | 3,237,264,180 |

Effect:

It is prudent to have insurance coverage for the company's assets so that in the event of loss and/or damage the company will be adequately covered.

Recommendation:

It is recommended that the company consider the need for adequate insurance coverage for its assets.

Management response:

We agree with your recommendation. This will be looked into in the year coming year.

13. Deferred Income Write-off

It was noted that the company did not previously off-set grants received with the relevant expenses incurred.

There was previously no matching of grants received and expenses that the grants were used on. As such these grants continued to be shown as a liability with the corresponding expenses being overstated.

The company correctly adjusted for this in the current year's financial statements with the necessary restatements. However, for the deferred income written off for the years 2002-2008, no documents could be presented for audit verification. Below is a summary of the amount written off by year:

| Funding Source | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | Total |
|-------------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------|----------------------|
| External Funding - GOGHC/Part | | | 129,311,963 | 123,056,975 | 123,346,547 | 562,616,776 | 202,084,383 | 1,141,216,648 |
| External Funding - DFID | | | | 637,089,519 | 480,564,187 | 158,555,276 | 97,017,263 | 1,273,226,249 |
| External Funding - World Bank | 159,894,936 | 333,117,241 | | | 132,549,561 | 67,773,360 | 121,739,537 | 815,074,636 |
| External Funding - EIB | 336,636,672 | | | | | | | 336,636,672 |
| External Funding - IDB | | | | 66,516,506 | 163,340,333 | 236,163,127 | 121,577,701 | 592,507,668 |
| External Funding - CDB | 409,946,749 | 929,028,354 | | | | | | 1,338,975,103 |
| External Funding - EU | | | 31,185,630 | 16,370,328 | 16,370,330 | 16,370,332 | 16,370,334 | 96,666,953 |
| External Funding - JICA | | | | | | | 256,436,545.00 | 256,486,545 |
| TOTAL | 906,478,357 | 1,262,146,095 | 160,497,593 | 743,033,327 | 921,170,950 | 1,041,478,871 | 816,075,767 | 5,850,880,074 |

Management response:

We acknowledge your comments. Funding received from 2002-2008 were accounted for in the relevant funding sources and were previously reviewed in those years. However, we have exhausted all efforts to locate these documents.

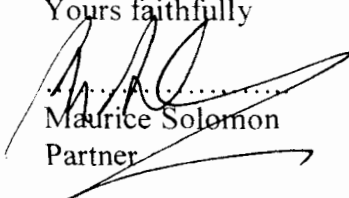
GENERAL

We would be pleased to discuss these comments and recommendations with you at your convenience. This report is intended for the information and use of Engineering and Agricultural Consultants Inc.'s management and is not intended to be and should not be used by anyone else.

We wish to express our gratitude for the cooperation given to our staff during the course of the audit.

Best Regards.

Yours faithfully


Maurice Solomon
Partner

Appendix 1

No supporting documents were seen for the following:

Grants

| Date | Name | Description | Amt \$ | Vouchers No# |
|----------|--------------------------|---|-----------|--------------|
| 17/12/14 | MITCO Water Laboratories | Procurement of gas chlorinator (Vacuum Regulator) | 1,531,295 | WT 221 |
| 18/12/14 | James Vaughn | Service connection upgrade and metering Div 3 | 1,028,398 | 950013362 |

Expenses

| | <u>Local Travel</u> | | | |
|------------|------------------------------|-------------------------------|-------------|------------|
| 8/3/2014 | Lisa -Ho -A-Lim | Bridge toll | 4,200 | 95009801 |
| | Marcena Anthony | | 76,000 | |
| | | | | |
| | <u>Telephone</u> | | | |
| 31/01/2014 | Digicel Accrual | Jan 2014 Div#3 | (24,688) | |
| | | | | |
| | <u>Meals</u> | | | |
| 9/9/2014 | | Advance for Manager | 49,555 | 950011782 |
| 28/02/2014 | | correction for meals 1506 a/c | 57,700 | |
| 28/04/2014 | Maggie | | 22,000 | 950011720 |
| 9/6/2014 | Maggie | | 38,651 | 950010987 |
| 25/09/2014 | Maggie | | 22,000 | 4928 |
| | Lisa Ho-A-Lim | | 27,679 | 950009801 |
| | | | | |
| | <u>Material Cost</u> | | | |
| 10/1/2014 | | Inventory Receipt | (717,175) | GRN #01631 |
| 31/05/2014 | | Inventory Receipt | (1,579,090) | |
| | | | | |
| | <u>Other Fuel and Diesel</u> | | | |
| 8/1/2014 | Double platinum | Reference #917276 | 510,000 | 950008457 |
| 8/1/2014 | Double platinum | Reference #917278 | 510,000 | 950084657 |

Appendix 1

No supporting documents were seen for the following:

Procurement

| | <u>Contracts</u> | | | |
|------------|-----------------------------------|---|------------|---------------|
| 20/05/2014 | Kissoon contracting services | Rehabillation of chesney office | 11,308,000 | GW1 2014/3655 |
| 30/12/2014 | AAV Ragobeer General construction | Management of water in Port Kaituma REG#1 | 14,800,000 | GW1 2014/5375 |

Receivables

| | <u>Staff Advances</u> | | | |
|------------|-----------------------|---------|---------|-----------|
| 10/11/2014 | Stacy Quintyn | Advance | 370,000 | 950012748 |
| 16/12/2014 | Jullane Joseph | Advance | 305,000 | 950013204 |

Non- Current Assets

| | <u>Acquisition Test</u> | | | |
|----------|-------------------------|---------------------------------|-----------|--------------------------|
| 1/1/2013 | | Nissan Frontier 4*4 PO#18762 | 5,300,000 | Asset code- 950004884 |

Payables and Accruals

| | <u>AP Accruals</u> | | | |
|--|-------------------------------------|--|------------|------------------|
| | Guyana National News paper Ltd | | 753,903 | 4972, 4677, 4563 |
| | Guyana National News paper Ltd | | 2,597,070 | 950013684 |
| | Universal Trading & Engineering co. | | 11,502,641 | PO#4399 |

Appendix 1

No supporting documents were seen for the following:

| | <u>Accruals</u> | | | |
|-----------|-------------------------|-------------------------------------|-----------|-----------|
| 30/1/2014 | Raphael Trots | Leak Repairs | 262,580 | 950013821 |
| 1/30/2015 | Ratesh Singh | | 478,536 | 950013822 |
| 22/1/2014 | | Subscription fees owing for 2014 | 470,750 | 950013686 |
| 29/1/2014 | Gafsons Industries Inc | | 1,457,200 | 950013785 |
| 2/4/2014 | National Television Net | | 334,500 | 950013854 |
| 2/19/2015 | Starcom Office | | 526,330 | 950014119 |
| | | | | |

Appendix 2

Assets that were on the premises of GWI but could not be located on the non-current assets register.

Division #3 Georgetown Head Office

| Assets No. | Description |
|-------------------|-------------------------|
| 310201E200032 | Black chair with arms |
| 310201E400004 | 4 Drawer filing cabinet |
| 310201H700005 | Photocopying machine |
| 310201E800001 | AC unit |
| 310201E500008 | Key Board |
| 310201E3000002 | Long Bench |
| HO211E8000003 | AC Unit |
| HO101H1000009 | CPU |
| H0310C400038 | PH Meter |

Division # 3 Linden

| Asset No. | Description |
|------------------|------------------------------|
| 320101E0000017 | Desk |
| 320101E0000018 | Desk. |
| 320101E0000025 | Black chair |
| 3LINH5000002 | Computer |
| 320101E8000004 | Computer |
| | West watoka Flow Meter 250MM |
| | HPJ295 |
| 320101H1000004 | CPU |
| 320101E0000002 | 4 Drawer Cabinet |

Division # 5 Corentyne Berbice

| Asset No. | Description |
|------------------|-----------------------|
| 510101C300034 | Office lighting panel |
| 510101C300035 | Office lighting panel |
| 510101C300036 | Key Locker |
| 5F41010 | Gate Valve |

Appendix 3

Assets where codes present on asset did not match the codes on the asset register or where assets did not bear any codes.

HO DIV#3

| ASSETS | DESCRIPTIONS |
|---------------|--|
| HO304B1000004 | Container 40 - 40 ft. on wheels |
| HO304B3000005 | Billboard |
| HO304B3000007 | Guard Hut |
| HO304B1000013 | 20" Container |
| HO101C1000001 | Generator - Thai Honda |
| HO101C1000007 | Stand by Generator |
| HO101C1000020 | Generator - Thai Honda |
| HO101C1000100 | High Pressure Pump |
| HO101C1000011 | Black Hach DR 2800 Spectrophotometer |
| HO101C1000029 | Yellow and white Cimaree 2 Thermolyne |
| HO101C1000004 | Generator - 5000 Watts |
| HO101C1000018 | Generator - FG Wilson |
| HO102C1000010 | Mobile Prime Generator |
| HO104C1000002 | Jet Pump Sewer Tanker |
| HO104C1000029 | New Motor Lorry PO#20079 Admin Dept |
| HO104C1000030 | Toyota Hiace Pitbull Admin. Department PO#21847 |
| HO104C1000031 | Toyota Fielder Admin. Department Vehicle#PPP6361 PO#21847 |
| HO104C1000040 | HID XENON KIT 6000K PO#23329 Veh# PJJ 7386 |
| HO101C1000040 | Nissan Navara Double Cab Pick Up |
| HO101C1000008 | Mobile Generator |

Appendix 4

Acquired assets / assets ranges with nil value.

Ranges

210101F2050000 - 210101F2053614
110101F2050000 - 110101F2050006
310101F2050001 - 310101F2050064
310101F2331018 - 310101F2331099
330101F2050000 - 330101F2050004
340101F2050000 - 340101F2051372
340101F2050000 - 410101F2050011
410101F841026 - 410101F841045

Assets

110101F2111523 510101F2151030
110101F2111524 510101F2151033
110101F2111542 510101F2151040
120101F2012502 510101F2151042
120101F2012503 510101F2151079
120101F2012504 510101F2151098
210101F3021581 HO305B1000012
210101F3021650
210101F3021727
210101F3021731
210101F3022128
210101F3022167
210101F3022417
210101F3022428
210101F3022645
310101B1000001
310101F2331127
310101F2331165
310101F2331191
310101F2331231
310101F2331256
320101F2004104
330101F2233041
330101F2233049
330101F2233050
330101F2233065
510101F2050000
510101F2050001

Appendix 5

Journals which had inadequate or no narration

| No. | Date | Description | Account No. | Debit | Credit |
|-----|--------|-------------------------------------|-------------|------------|------------|
| 1 | Jan-14 | GOG - Savannah Inn Guest House | 2109 | 800,000 | |
| | | Guyana Bank For Trade & Industries | 2109 | 6,981,969 | |
| | | Grants Clearing | 2108 | | 7,781,969 |
| 2 | Apr-14 | IDB - LWSRP Foreign Account | 2108 | 511,906 | |
| | | LWSRP Bank | 1721 | | 511,906 |
| 3 | May-14 | GOG - GSIP Local | 1719 | 8,037,467 | |
| | | Payables | 2105 | | 8,037,467 |
| 4 | May-14 | GOG - Gadeshwar Ishwardeen | 1710 | 95,000 | |
| | | Creditors | 2105 | | 95,000 |
| 5 | Aug-14 | GOG - Transfer from Hinterland | 1710 | 4,000,000 | |
| | | Gadeshwar Ishwardeen | 1710 | 23,080 | |
| | | Creditors | 2105 | | 4,023,080 |
| 6 | Aug-14 | IDB - GOG | 1719 | 19,040 | |
| | | Payables | 2105 | | 19,040 |
| 7 | Aug-14 | IDB - Merell Cheque #538 | 1723 | 5,800 | |
| | | Payables | 2105 | | 5,800 |
| 8 | Oct-14 | IDB - LWRSP Foreign a/c October UEM | 2108 | 24,299,416 | |
| | | LWSRP Foreign a/c November UEM | 2108 | 34,041,776 | |
| | | LWSRP Foreign Bank a/c | 1721 | | 58,341,193 |
| 9 | Oct-14 | IDB - LWRSP Foreign a/c October UEM | 2108 | 182,246 | |
| | | LWRSP Foreign a/c Egis Eau November | 2108 | 100,923 | |
| | | LWSRP Foreign a/c UEM November | 2108 | 255,313 | |
| | | LWSRP Foreign Bank a/c | 1721 | | 538,482 |
| 10 | Oct-14 | GOG - Gadeshwar Ishwardeen | 1710 | 19,000 | |
| | | Avinash Parsram | 1710 | 15,400,000 | |
| | | Monohar Services | 1710 | 73,500 | |
| | | Externally funded creditors | 2105 | | 15,492,500 |

| | | | | | |
|----|--------|--|--------------|------------|------------|
| 11 | Oct-14 | GOG - Gadeshwar Ishwardeen Transportation | 019101015505 | 58,000 | |
| | | Gadeshwar Ishwardeen Accomodation | 019101015507 | 23,000 | |
| | | Ramchand Jailal Meals | 019101015506 | 23,712 | |
| | | Ramchand Jailal Transportation | 019101015505 | 46,000 | |
| | | Ramchand Jailal Accomodation | 019101015507 | 21,000 | |
| | | Avinash Parsram Transportation | 019101015505 | 83,100 | |
| | | Avinash Parsram Accomodation | 019101015507 | 19,400 | |
| | | GOG Local account | 1710 | | 274,212 |
| 12 | Dec-14 | IDB - Grants clearing | 2108 | 2,054,085 | |
| | | Mohamed Ahamad | 2103 | | 651,850 |
| | | University of Guyana | 2103 | | 30,000 |
| | | Julius Crawford | 2103 | | 1,372,235 |
| 13 | Dec-14 | IDB - GSIP Foreign a/c | 1721 | 10,177,455 | |
| | | LWSRP Foreign a/c | 1718 | | 3,671,271 |
| | | Exchange Rate Gain/Loss | 10113055528 | | 6,506,184 |
| 14 | Dec-14 | GOG - Refund from Manohar Services | 2105 | 15,400,000 | |
| | | Other operating income | 4308 | | 15,400,000 |
| 15 | Dec-14 | GOG - Deposits | 2105 | 29,357,584 | |
| | | Work in Progress GOG | 1202 | | 29,357,584 |
| 16 | Dec-14 | IFMAS 2014 | 1202 | 58,764,506 | |
| | | Externally funded payables | 2105 | | 58,764,506 |

Appendix 6

GUYANA WATER INC

| YEAR | NAME OF EMPLOYEE | DIVISION | PAYE CALCULATED BY AUDITORS | PAYE SUBMITTED TO GRA | VARIANCE |
|------|------------------|----------|-----------------------------|-----------------------|----------------|
| | | | S | S | S |
| 2014 | Bonnie Odwin | 1 | 35,418 | 5,524 | 29,894 |
| 2014 | Evon Gardner | 2 | 15,400 | 3,899 | 11,501 |
| 2014 | Maxwell Winter | 3 | 95,249 | 95,021 | 228 |
| 2014 | Kevin Chapman | 3 | 212,062 | 203,117 | 8,945 |
| 2014 | Suresh Krishend | 4 | 13,907 | 863 | 13,044 |
| 2014 | Lloydren Ward | 5 | 9,808 | - | 9,808 |
| 2014 | Shermon Hope | 5 | 12,768 | 2,224 | 10,544 |
| 2014 | David Harry | 5 | 13,288 | - | 13,288 |
| 2014 | Roydon Maltay | 5 | 11,720 | 226 | 11,494 |
| 2014 | Jamie Benn | 5 | 19,730 | 13,176 | 6,554 |
| | | | | | <u>115,300</u> |



Appendix 7

Differences in VAT forms and General Ledger.

| MONTH | GENERAL LEDGER AMOUNT | VAT FORM AMOUNT | VARIANCE |
|-----------|--------------------------|--------------------|---------------------|
| JANUARY | 1,704,032 | 1,694,320 | 9,712 |
| FEBRUARY | 2,431,546 | 1,522,201 | 909,345 |
| MARCH | 2,236,347 | 2,409,508 | (173,161) |
| APRIL | 3,799,177 | 2,278,309 | 1,520,868 |
| MAY | 3,949,126 | 2,593,913 | 1,355,213 |
| JUNE | 2,761,145 | 6,940,388 | (4,179,243) |
| JULY | 4,125,436 | 3,058,426 | 1,067,010 |
| AUGUST | 4,025,841 | 3,723,753 | 302,088 |
| SEPTEMBER | 6,274,036 | 7,542,301 | (1,268,265) |
| OCTOBER | 5,039,343 | 2,140,411 | 2,898,932 |
| NOVEMBER | 3,710,886 | 3,101,760 | 609,126 |
| DECEMBER | 4,298,556 | 18,395,405 | (14,096,849) |
| | 44,355,471 | 55,400,695 | (11,045,224) |