

**AUDITED FINANCIAL STATEMENTS OF THE
KWAKWANI UTILITIES INCORPORATED**

**FOR THE YEAR ENDED
31 DECEMBER 2013**

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



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AG: 22/2015

31 March 2015

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
ON THE FINANCIAL STATEMENTS OF THE
KWAKWANI UTILITIES INC.
FOR THE YEAR ENDED 31 DECEMBER 2013

I have audited the accompanying financial statements of Kwakwani Utilities Inc. (KUI) which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, 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 information. 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 Organization 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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.

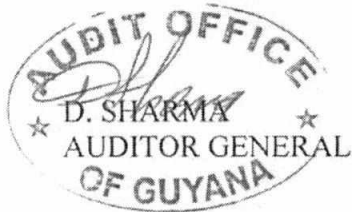
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Kwakwani Utilities Inc. as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying my opinion, I would like to draw attention to the License Agreement and the Electricity Sector Reform Act Chapter 57:01 Section 38(a-b) which requires the Company to develop and maintain sustainability programme for five years, which is to be revised annually, however, this was not done since the establishment of the Company in 2005.



AUDIT OFFICE
63 HIGH STREET
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KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2013

ASSETS	Note	2013 G\$	2012 G\$
<i>Non - Current Assets</i>			
Fixed Assets	6	75,752,819	101,400,095
<i>Total Non - Current Asset</i>		75,752,819	101,400,095
<i>Current Assets</i>			
Due from Related Company	7	27,446,941	24,998,886
Guyana Revenue Authority		16,151,365	13,443,654
Staff Debtors		137,329	217,329
Cash on hand and at bank	8	709,026	8,967,777
Inventory	9	8,400,211	10,320,489
<i>Total Current Assets</i>		52,844,872	57,948,135
TOTAL ASSETS		128,597,691	159,348,230
 EQUITY & LIABILITY			
<i>Capital & Reserves</i>			
Share Capital	10	4,408,599	4,408,599
Deposit on Shares	11	135,169,360	135,169,360
Retained Earnings		(53,410,613)	(8,686,172)
<i>Total Capital & Reserves</i>		86,167,346	130,891,787
<i>Current Liabilities</i>			
Due to Related Companies	12	21,713,312	21,713,312
Due to Bauxite Company of Guyana		20,717,033	6,743,131
<i>Total Current Liabilities</i>		42,430,345	28,456,443
TOTAL EQUITY AND LIABILITIES		128,597,691	159,348,230

The Financial Statements were approved by the Board of Directors on the 4th March 2015

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 Director

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 Director

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

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Note	2013 G\$	2012 G\$
Revenue	3	346,995,177	351,015,827
Generation and Distribution Cost	4	<u>(314,484,096)</u>	<u>(291,856,738)</u>
Gross Profit		32,511,081	59,159,089
Administration	5	(48,823,723)	(47,143,507)
Depreciation		(28,411,799)	(22,768,999)
Net loss for the Year		<u><u>(44,724,441)</u></u>	<u><u>(10,753,417)</u></u>

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

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note	<u>Share Capital</u> G\$	<u>Retained Earnings</u> G\$	<u>Deposit on Ordinary Shares</u> G\$	<u>Total</u> G\$
Balance at January 1, 2012	4,408,599	2,067,245	54,952,051	61,427,895
Net Loss for the year		(10,753,417)		(10,753,417)
Deposit Made by Parent			80,217,309	80,217,309
Balance at December 31, 2012	<u>4,408,599</u>	<u>(8,686,172)</u>	<u>135,169,360</u>	<u>130,891,787</u>
Net Loss for the year		(44,724,441)		(44,724,441)
Balance at December 31, 2013	<u><u>4,408,599</u></u>	<u><u>(53,410,613)</u></u>	<u><u>135,169,360</u></u>	<u><u>86,167,346</u></u>

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

KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
	G\$	G\$
	<hr/>	<hr/>
Operating Activities		
Net loss for the year	(44,724,441)	(10,753,417)
Adjustments for:		
Depreciation	28,411,799	22,768,999
Increase in Receivables	(2,627,711)	(3,488,658)
Increase in Dues from Related Companies	(2,448,055)	(10,656,743)
Decrease in Inventory	1,920,278	548,500
Increase in Due to Related Companies	-	22,100
Decrease in other Creditors	13,973,902	(1,214,788)
	<hr/>	<hr/>
Cash Flow from (Used) / Generated from Operations	(5,494,228)	(2,774,007)
 Cash Flow from Investing Activities		
Acquisition of Property, Plant & Equipment	(553,796)	(73,270,508)
Additions to Metering Project	(2,210,727)	-
	<hr/>	<hr/>
Net Cash (Used) / Generated from Investments	(2,764,523)	(73,270,508)
 Cash Flow from Financing Activities		
Deposit on Shares	-	80,217,309
	<hr/>	<hr/>
Net Cash (Used) / Generated from Financing	-	80,217,309
 Net Increase / (Decrease) in Cash & Cash Equivalents	 (8,258,751)	 4,172,794
 Net Increase / (Decrease) in Cash & Cash at the Beginning of the Period	 8,967,777	 4,794,983
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Net Increase / (Decrease) in Cash & Cash at the End of the Period	709,026	8,967,777
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The accompanying notes form an integral part of these financial statements.

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. Incorporation

Kwakwani Utilities Inc. (K.U.I) was incorporated as a Company under the Companies Act Chapter 89:01 on the 6 January 2005. The objectives of the company are the supply of Electricity, Water and Sewerage Management services in Kwakwani.

2. Summary of significant of accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

(b) Fixed assets

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

Buildings	2%
Furniture and equipment	20%
Motor vehicles	25%
Generation Equipment	20%
Distribution Systems	7.5%

(c) Foreign currency

Foreign currency transactions completed during the year are translated to Guyana dollars at the Republic Bank (Guyana) Limited Cambio rates of exchange ruling at the dates of such transactions. At Balance sheet date all amounts denominated in foreign currencies are translated to Guyana dollars at the Republic Bank (Guyana) Limited Cambio exchange rates ruling at that date or at rates agreed by Bank of Guyana. Gains and losses resulting from such transactions are included in the profit and loss account for the year.

(d) Revenue

Revenue consisted primarily of of Subvention received from Government of Guyana.

(e) Expenditure

Expenditure are dealt with in these financial statements on the accrual basis.

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> G\$	<u>2012</u> G\$
3. Revenue		
Subvention Received from GOG	345,734,287	349,922,825
Income from TV Operations	611,240	567,000
Revenue from Customers	642,650	378,900
Other Income	7,000	147,102
Total Revenue Collected	<u><u>346,995,177</u></u>	<u><u>351,015,827</u></u>
4. Generation & Distribution Cost		
Community Electricity	282,016,700	252,283,226
Community Fuel	18,183,936	18,316,233
Community Rental Equip.	120,120	120,120
Distribution System Maintainance	13,061,603	19,362,204
Plant Maintainance	1,101,737	1,774,955
Total Generation & Distribution Cost	<u><u>314,484,096</u></u>	<u><u>291,856,738</u></u>
5. Administrative Expenses		
Training	171,700	100,000
Wages And Salaries	38,714,598	36,296,189
Professional & Service Fees	194,356	181,019
Internet Charges	77,000	75,000
Repairs & Maintenance: Building/Hut/	10,431	326,552
Transport, Travelling & Postage	479,540	452,270
Telephone Charges	363,782	391,517
Bank Charges	43,400	23,760
Subsistence Allowance	605,223	732,120
Repairs & Maintenance: Equipment & Motor Vehicles	2,713,087	2,688,260
Cleaning & Clearing	805,090	798,131
Operating Expense	1,191,020	1,962,001
Operating Expense NCN	188,744	108,322
Entertainment	282,469	421,020
Photocopying / Printing	324,640	-
Insurance	52,275	50,970
Donation	182,241	203,790
Rental of Equipment	32,000	61,000
Maintenance of Infrastructure		-
Fuel	2,392,127	2,271,586
Total Administration Expenses	<u><u>48,823,723</u></u>	<u><u>47,143,507</u></u>

**(WHOLLY OWNED SUBSIDIARY OF NICIL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

6. Fixed Assets

	Furniture & Equipment G\$	Building G\$	Motor Vehicles G\$	Distribution Systems G\$	Metering G\$	Generation Equipment G\$	Total G\$
Cost							
As at December 31, 2012	5,221,672	711,939	9,792,768	27,523,974	14,444,361	124,345,298	182,040,012
Additions	508,709	45,087	-	-	2,210,727	-	2,764,523
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
As at December 31, 2013	5,730,381	757,026	9,792,768	27,523,974	16,655,088	124,345,298	184,804,535
Depreciation							
As at December 31, 2012	4,281,012	14,240	9,792,768	27,523,974	-	39,027,923	80,639,917
Adjustment	-	-	-	-	-	2,898,071	2,898,071
Charge for the year	629,528	15,141	-	-	-	24,869,060	25,513,728
Write back on disposal	-	-	-	-	-	-	-
As at December 31, 2013	4,910,540	29,381	9,792,768	27,523,974	-	66,795,054	109,051,716
Net Book Values							
As at December 31, 2012	940,660	697,699	-	-	14,444,361	85,317,375	101,400,095
As at December 31, 2013	819,841	727,645	-	-	16,655,088	57,550,244	75,752,819

Meters are transferred from Inventory to Fixed Assets when they are installed and becomes operational at a consumer's residence. These are subsequently depreciated at 7.5% per annum on a straight line basis over there expected useful life of thirteen (13) years.

7. Due From Related Company

Due From AMC	18,906,873	16,458,818
Due From NICIL	8,540,068	8,540,068
	27,446,941	24,998,886

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>2013</u> G\$	<u>2012</u> G\$
8 Cash on hand and at Bank		
Cash at Bank	356,815	8,454,046
Cash on Hand	352,211	513,731
Total Cash on Hand and at Bank	<u><u>709,026</u></u>	<u><u>8,967,777</u></u>
9 Inventory		
Balance as at January 1	10,320,489	10,868,989
<i>Add:</i> Uninstalled Meters & Materials acquired during the period		-
<i>Deduct:</i> Meters and Materials used during 2013	(1,920,278)	(548,500)
Balance as at December 31	<u><u>8,400,211</u></u>	<u><u>10,320,489</u></u>
 Total Inventory represents the value of uninstalled meters and surplus materials procured for the Metering Project at the end of the period.		
10 Share Capital		
Authorised, issued and fully paid Ordinary Shares @ G1 each	<u><u>4,408,599</u></u>	<u><u>4,408,599</u></u>
The above balance consists of the following:		
Registry fees for incorporation	33,550	33,550
Computers transferred from Linmine	251,075	251,075
Payment to service distribution systems	4,123,974	4,123,974
	<u><u>4,408,599</u></u>	<u><u>4,408,599</u></u>
11 Deposit On Ordinary Shares		
Balance as at January 1	135,169,360	54,952,051
Deposit Made by Parent	-	80,217,309
Balance as at December 31	<u><u>135,169,360</u></u>	<u><u>135,169,360</u></u>
 <u>Total Deposit held in advance by NICIL:</u> Deposit on Shares held for NICIL represents monies paid by NICIL to complete the metering of all		
12 Due to Related Company		
NICIL	21,713,312	21,713,312
Total Due to Related Companies	<u><u>21,713,312</u></u>	<u><u>21,713,312</u></u>

**KWAKWANI UTILITIES INCORPORATED
(WHOLLY OWNED SUBSIDIARY OF NICIL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

	2013	2012
	G\$	G\$

13 Key Management Personnel

The Company's key management personnel comprise its Directors, Chief Executive Officer and its Managers. The remuneration paid to key management personnel during the year was as follows:

Short-term benefits

	<u>8,818,107</u>	<u>11,885,459</u>
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14 Directors Fees

No fees were paid to member of the Board of Directors in relation to services provided during the year ended December 31, 2013.