

**AUDITED FINANCIAL STATEMENTS OF THE
BERBICE MINING ENTERPRISE LIMITED**

**FOR THE YEAR ENDED
31 DECEMBER 2003**

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



Office of the Auditor General

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

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68/PC: 4/2

20 March 2006

Mr. Winston Brassington
Executive Director
NICIL
Parade & Barrack Streets
Kingston, Georgetown.

Dear Mr. Brassington,

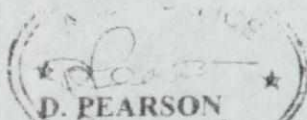
AUDIT OF THE FINANCIAL STATEMENTS
OF THE BERBICE MINING ENTERPRISE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2003

We are pleased to inform you that the audit of the Berbice Mining Enterprise Limited, for the year ended 31 December 2003, has been completed. Accordingly, we are pleased to forward three(3) copies of the audited financial statements, together with the Report of the Auditor General and Chartered Accountants, Ram and Mc Rae thereon.

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

With kind regards.

Yours sincerely,


D. PEARSON
AUDIT MANAGER (ag.)
for AUDITOR GENERAL



Office of the Auditor General

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

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AG:12/2006

20 March 2006

REPORT OF THE AUDITOR GENERAL
TO THE BOARD OF DIRECTORS OF
BERBICE MINING ENTERPRISE LIMITED
(WHOLLY OWNED SUBSIDIARY OF BAUXITE
INDUSTRY DEVELOPMENT COMPANY LIMITED)
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003

Chartered Accountants, Ram and Mc Rae, have audited on my behalf the financial statements of Berbice Mining Enterprise Limited for the year ended 31 December 2003 as set out on pages 1 to 16. The audit was conducted in accordance with the Audit Act 2004.

The preparation of the financial statements, including assertions relating to their completeness, accuracy and validity, and compliance with applicable laws, regulations and contractual obligations, is the responsibility of Management. My responsibility is to express an independent opinion on the statements based on these assertions and to report my opinion to you.

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. I concur with the qualified opinion, as attached, of Chartered Accountants, Ram and Mc Rae.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

REPORT OF THE INDEPENDENT CHARTERED ACCOUNTANTS RAM & McRAE TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF BERBICE MINING ENTERPRISE LIMITED FOR THE YEAR ENDED DECEMBER 31, 2003

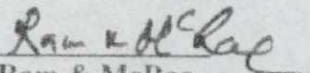
We have audited the balance sheet of **Berbice Mining Enterprise Limited** as at December 31, 2003, and the related statements of income, changes in shareholders equity and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Office of the Auditor General's auditing standards and International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We were not provided with adequate support for the balance of \$74,688,964 payable to Aroaima Mining Company Limited as shown in note 6 of these financial statements. During the period, significant inter-company transactions were made between Aroaima Mining Company Limited and the company for which we did not receive full assurance. There were no other procedures which we could have adopted to satisfy ourselves as to the reasonableness of the balances and transactions with Aroaima Mining Company Limited.

The financial statements have been prepared assuming that the company will continue as a going concern. As stated in note 1 however, the Government of Guyana dissolved the company on October 15, 2004 and transferred the operational assets and liabilities to Aroaima Mining Company Limited and National Industrial Commercial Investments Limited. The financial statements do not include any adjustments that resulted from the outcome of the dissolution.

In our opinion, except for any adjustments that may be necessary as a result of the preceding two paragraphs, the financial statements on pages 1 to 16 present fairly in all material respects, the state of the company's affairs at December 31, 2003 and of its profit and cash flows for the year then ended in conformity with International Financial Reporting Standards and the Companies Act, 1991.


Ram & McRae
Chartered Accountants
Professional Services Firm
157 'C' Waterloo Street
GEORGETOWN

March 9, 2006

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Balance Sheet

As at December 31, 2003

| | Notes | 2003 G\$ | Restated 2002 G\$ |
|-----------------------------------|-----------|---------------------|-------------------------|
| Current assets | | | |
| Inventories | 2 (d) & 3 | - | 196,838,146 |
| Trade and other receivables | 4 | 301,651,321 | 195,337,944 |
| Cash and bank | | 10,036,802 | 8,140,914 |
| Total current assets | | <u>311,688,123</u> | <u>400,317,004</u> |
| Current liabilities | | | |
| Trade payables | | 33,264,595 | 122,642,634 |
| Other payables | | - | 142,318,081 |
| Bank overdraft | 5 | - | 190,306,860 |
| Related parties | 6 | 74,688,964 | 292,108,521 |
| Loans | 8 | 217,543,466 | 344,079,779 |
| Total current liabilities | | <u>325,497,025</u> | <u>1,091,455,875</u> |
| Net current liabilities | | (13,808,902) | (691,138,871) |
| Non current assets | | | |
| Property, plant and equipment | 2 (c) & 7 | 1,002,345,558 | 1,268,280,159 |
| Non-current liabilities | | | |
| Loans | 8 | - | 318,573,668 |
| Net assets | | <u>988,536,656</u> | <u>258,567,620</u> |
| Represented by: | | | |
| Stated capital | 9 | 50,000,000 | 50,000,000 |
| Reserves | 10 | 3,397,787,923 | 2,840,553,936 |
| Accumulated deficit | | (2,459,251,268) | (2,631,986,316) |
| Total shareholders' equity | | <u>988,536,656</u> | <u>258,567,620</u> |

The notes on pages 5 to 16 form an integral part of these financial statements.

Winston Brangie
Director

[Signature]
Director

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Statement of Income

For the year ended December 31, 2003

| | Notes | 2003 G\$ | 2002 G\$ |
|--|-------|----------------------|----------------------|
| Sales | 2(b) | 1,735,163,216 | 873,903,339 |
| Cost of sales | 11 | <u>1,415,395,330</u> | <u>1,174,019,929</u> |
| Gross profit / (loss) | | <u>319,767,886</u> | <u>(300,116,590)</u> |
| Marketing | | - | 6,611,658 |
| Administrative | | 33,968,898 | 34,736,689 |
| Financial charges (interest payable) | | 49,613,379 | 95,418,479 |
| Community development | 12 | 8,813,093 | 20,059,030 |
| Severance payments | | - | 213,329,345 |
| Pension fund surplus | | - | (24,500,000) |
| (Gain)/loss on foreign exchange | | (1,081,319) | 18,022,392 |
| Total expenses | | <u>91,314,051</u> | <u>363,677,593</u> |
| Operating profit | | 228,453,835 | (663,794,183) |
| Other income | 13 | 10,080,355 | 38,362,077 |
| (Loss) / gain on disposal of property, plant and equipment | | (67,488,610) | 44,115,355 |
| Profit / (loss) before taxation | 14 | <u>171,045,580</u> | <u>(581,316,751)</u> |
| Taxation | 16 | - | - |
| Profit / (loss) after taxation | | <u>171,045,580</u> | <u>(581,316,751)</u> |

The notes on pages 5 to 16 form an integral part of these financial statements.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2003

| | Stated capital G\$ note 9 | Reserves G\$ note 10 | Accumulated deficit G\$ | Total G\$ |
|--|------------------------------------|----------------------------|-------------------------------|--------------------|
| Balance at January 1, 2002 | 50,000,000 | 2,533,167,205 | (2,050,669,564) | 532,497,641 |
| Movement on revaluation reserve | - | (17,242,614) | - | (17,242,614) |
| Severance funded by Government | - | 213,329,345 | - | 213,329,345 |
| Capitalisation of investment by parent (NICIL) | - | 111,300,000 | - | 111,300,000 |
| Net loss for the period | - | - | (581,316,751) | (581,316,751) |
| Balance at December 31, 2002 | 50,000,000 | 2,840,553,936 | (2,631,986,316) | 258,567,620 |
| Balance at January 1, 2003, as previously stated | 50,000,000 | 2,729,253,936 | (2,631,986,316) | 147,267,620 |
| Capitalisation of investment by parent (NICIL) | - | 111,300,000 | - | 111,300,000 |
| Balance at January 1, 2003, as restated | 50,000,000 | 2,840,553,936 | (2,631,986,316) | 258,567,620 |
| Movement on Government of Guyana reserve | - | 494,150,303 | - | 494,150,303 |
| Capitalisation of investment by parent (NICIL) 6 | - | 81,540,624 | - | 81,540,624 |
| Movement on revaluation reserve | - | (16,767,472) | - | (16,767,472) |
| Revaluation surplus realised | - | (1,689,468) | 1,689,468 | - |
| Net profit for the period | - | - | 171,045,580 | 171,045,580 |
| Balance at December 31, 2003 | 50,000,000 | 3,397,787,923 | (2,459,251,268) | 988,536,656 |

The notes on pages 5 to 16 form an integral part of these financial statements.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Statement of Cash Flows

For the year ended December 31, 2003

| | 2003 G\$ | Restated 2002 G\$ |
|---|---------------------|-------------------------|
| Cash flows from operating activities | | |
| Net profit / (loss) before taxation | 171,045,580 | (581,316,751) |
| Adjustments for: | | |
| Depreciation charges | 194,373,027 | 223,396,290 |
| Movement in deferred expenditure | - | 53,425,353 |
| Loss / (gain) on disposal of fixed assets | 67,488,610 | (44,115,355) |
| Operating profit / (loss) before working capital changes | 432,907,217 | (348,610,464) |
| Decrease in inventories | 196,838,146 | 53,346,872 |
| (Increase) in trade and other receivables | (106,313,377) | (137,951,966) |
| (Decrease) / increase in related parties payable | (217,419,557) | 177,246,675 |
| (Decrease) in trade and other payables | (231,696,120) | (13,143,474) |
| Net cash flow from operating activities | 74,316,309 | (269,112,357) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (82,679,291) | (73,813,201) |
| Proceeds from sale of property, plant and equipment | 69,984,784 | 95,615,776 |
| Net cash flow from investing activities | (12,694,507) | 21,802,575 |
| Net cash from financing activities | | |
| Amounts transferred to Government of Guyana Reserve | 494,150,303 | 213,329,345 |
| Investment by NICIL (Capital Reserves) | 81,540,624 | 111,300,000 |
| Proceeds from long term borrowing | - | 157,000,000 |
| Repayments of long term borrowing | (445,109,981) | (141,727,123) |
| Net cash flows from financing activities | 130,580,946 | 339,902,222 |
| Net (decrease) / increase in cash and cash equivalents | 192,202,749 | 92,592,440 |
| Cash and cash equivalents at the beginning of the year | (182,165,946) | (274,758,386) |
| Cash and cash equivalents at the end of the year | 10,036,802 | (182,165,946) |
| Cash and cash equivalents as shown in the balance sheet | | |
| Cash and bank | 10,036,802 | 8,140,914 |
| Bank overdraft | - | (190,306,860) |
| Total | 10,036,802 | (182,165,946) |

The notes on pages 5 to 16 form an integral part of these financial statements.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

1. Incorporation and principal activity

The Company is a state-owned entity which was incorporated in the Co-operative Republic of Guyana on June 19, 1992 by Order No. 19 of 1992 under the Companies Act Cap 89:01 and continued under the Companies Act, 1991 on July 2, 1999. Under the Order, all property of Guymine located in the County of Berbice including all land, buildings, mining leases, licenses, etc. was transferred to Bermine.

The principal activity of the company is the mining and processing of bauxite.

In August 2002 the Government announced that the company will be merged with Aroaima Bauxite Company Limited (ABC). In September 2002 Aroaima Mining Company Limited (AMC) (wholly owned subsidiary of Aroaima Bauxite Company Limited) was given responsibility to manage and operate the assets of the company for the benefit of the company, its existing customers and creditors. Charges to the company will be at cost, with AMC utilising the infrastructure necessary to provide the most efficient delivery of services.

On October 21, 2003, the Government decided that liabilities payable to the Government and State Owned Entities will be absorbed by the Government (please refer to Note 10 (a)).

On October 15, 2004, the company was legally dissolved following the vesting order # 25/2004 by the Government. Certain assets and liabilities were transferred to Aroaima Mining Company Limited and National Industrial Commercial and Investments Limited (NICIL). AMC and NICIL are both State-owned companies.

These financial statements were approved by majority members of the Board of Directors existing at dissolution on March 8, 2006.

2. Summary of significant accounting policies

(a) Basis of Accounting

These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain property, plant and equipment. The accounting policies conform with those International Financial Reporting Standards adopted in Guyana.

(b) Turnover

Turnover represents the value of bauxite sold to third parties.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

2. Summary of significant accounting policies continued

(c) Property, plant and equipment

Property, plant and equipment are stated at historical cost (except for equipment vested in 1992 which is stated at valuation) less accumulated depreciation and impairment losses. A full year's depreciation is charged in the year of disposal but none in the year of acquisition. Depreciation is provided on the straight line basis at rates sufficient to write off the cost of the assets over their estimated useful lives as follows:

| | |
|------------------|--------------------------------|
| Building | - Varying lives up to 35 years |
| Machinery | - Varying lives up to 10 years |
| Office equipment | - Varying lives up to 10 years |
| Leasehold | - Over the life of the lease |

(d) Inventories

Inventories are valued at the lower of cost and net realisable value and is primarily based on the weighted average method. Cost includes direct labour, materials, expenses, production and other attributable overheads.

(e) Income and expenditure

Income and expenditure are dealt with in these financial statements on the accruals basis.

(f) Reporting currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year are translated at the exchange rates prevailing at the dates of these transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are expressed at the rates prevailing at those dates. Gains and losses arising from the translation of foreign currency balances are included in the profit and loss account for the year except, as permitted under International Financial Reporting Standards, those that are capitalised during the period of construction of Property, Plant and Equipment where the monetary balance can be specifically attributable to that asset.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

2. Summary of significant accounting policies continued

(g) Pension fund

The Company participated jointly with Linden Mining Enterprise Limited and Bauxite Industry Development Company in a contributory pension scheme for their employees. The contributions were held in trustee administered funds which were separate from the Company's finances.

The cost of providing benefits under the plan was determined using the projected unit credit actuarial valuation method. Past service actuarial gains and losses were recognised as income or expense immediately.

The company withdrew from the plan in October 2002 after severing its employees.

3. Inventories

Inventories held at the end of the financial period were transferred at book value to AMC in settlement of debts owing to AMC.

| | 2003 G\$ | 2002 G\$ |
|--|-------------|--------------------|
| The balance is made up as follows: | | |
| Bauxite inventories | - | 90,980,501 |
| Stores and other supplies | - | 105,857,645 |
| Total inventories | - | 196,838,146 |
| <i>Bauxite inventories:</i> | | |
| Crude stock | - | 73,049,646 |
| Finished stock | - | 108,441,893 |
| Semi-processed stock | - | 48,357,719 |
| | - | 229,849,258 |
| Less: provision for stock write-off | - | (138,868,757) |
| Total bauxite inventories | - | 90,980,501 |
| <i>Stores and other supplies:</i> | | |
| Spares and other miscellaneous items | - | 464,668,719 |
| Fuel and diesel | - | 36,614,138 |
| Less: provision for stock obsolescence | - | (395,425,212) |
| Total stocks and other supplies | - | 105,857,645 |

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

| | 2003 | 2002 |
|--|--------------------|--------------------|
| | G\$ | G\$ |
| 4. Trade and other receivables | | |
| Trade debtors | 294,894,859 | 149,526,046 |
| Advance payment on materials | - | 5,387,297 |
| Other debtors and prepayments | 8,683,276 | 48,036,134 |
| Sub-total | <u>303,578,135</u> | <u>202,949,477</u> |
| Less: provision for bad and doubtful debts | (1,926,814) | (7,611,533) |
| Total | <u>301,651,321</u> | <u>195,337,944</u> |

5. Bank overdraft

The company maintains the following overdraft facility:

| | | |
|--|----------|--------------------|
| Guyana National Co-operative Bank (GNCB) | - | 190,306,860 |
| | <u>-</u> | <u>190,306,860</u> |

The GNCB facility has a limit of \$186Mn with interest being charged at 2% below the Bank's floating prime lending rate which was 17.5% at December 31, 2002. On October 21, 2003, the Government agreed to absorb the balance on this account.

6. Related parties

This represents amounts owing to associated companies for payments made on behalf of Bermine.

| Details of the balance are as follows: | 2003 | Restated 2002 |
|--|--------------------|--------------------|
| | G\$ | G\$ |
| Linden Mining Enterprise Limited | - | 8,117,513 |
| Aroaima Mining Company Limited | 74,688,964 | 283,991,008 |
| Total | <u>74,688,964</u> | <u>292,108,521</u> |
| National Industrial and Commercial Investment Ltd.(NICIL) | | |
| Refund of Community services expense | 99,482,857 | - |
| Investment | 81,540,624 | 111,300,000 |
| | <u>181,023,481</u> | <u>111,300,000</u> |

(a) Linden Mining Enterprise Limited (Linmine) was also formed on June 19, 1992 as a result of Order No. 19 of 1992 allocating the assets of Guymine to Linmine and Bermine.

In October 2003, pursuant to the liquidation of BIDCO, the Government of Guyana, being the only shareholder of BIDCO, took a decision to write off the amount of \$8,117,513 owed to Linmine, a subsidiary of BIDCO.

(b) In September 2002, Aroaima Mining Company Limited (AMC) was made the manager of the company. Accordingly, AMC managed all operations of the company including but not limited to the financial management. This management agreement continued until the company was liquidated.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

| | 2003 | 2002 |
|--|------|------|
| | G\$ | G\$ |

6. Related parties - Cont'd

During this period of management, AMC made a number of payments to suppliers, contractors and employees on behalf of the company. A summary of the payments made by type are as follows:

| | | |
|---------------------------|----------------------|----------|
| 1. Payment to Suppliers | 45,053,502 | - |
| 2. Payment to Contractors | 22,694,683 | - |
| | <u>67,748,184.53</u> | <u>-</u> |

During this period of management, AMC also collected sales proceeds from shipments made to the company's customers. Sales proceeds received from customers were as follows:

| | US\$ | |
|---------------------------------|------------------|----------|
| 1. Alcoa | 6,201,400 | - |
| 2. General Chemical Corporation | 1,711,698 | - |
| | <u>7,913,098</u> | <u>-</u> |

AMC also provided crude and dried bauxite ore to the company during this period to allow the company to meet contractual requirements. Total Ore sold to the company for the period amounted to \$275,682,438.

Pursuant to a commitment by the Government of Guyana, the cost of providing social services (water, electricity, etc.) to the Kwakwani community were reimbursed by NICIL (representative of the Government of Guyana). The amount reimbursed of \$99,482,857 was collected by AMC.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of the Bauxite Industry Development Company Limited)

Notes to the financial statements

As at December 31, 2003

7. Property, plant and equipment

| | Freehold | Buildings | Plant, machinery & equipment | | Furniture and fittings | Office Equipment | Motor Vehicles | Construction Work-in-Progress | Total |
|---------------------------------|----------------|--------------------|------------------------------|--------------------|------------------------|-------------------|-------------------|-------------------------------|----------------------|
| | Land | | Owned | Leased | | | | | |
| | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ | G\$ |
| Cost/valuation | | | | | | | | | |
| At January 1, 2003 | 164,419 | 309,030,555 | 3,323,346,330 | 341,426,733 | 36,225,360 | 63,155,769 | 56,152,323 | 39,870,209 | 4,169,371,698 |
| Additions | - | - | 74,890,552 | - | 236,990 | 998,642 | 6,553,107 | - | 82,679,291 |
| Disposals | - | - | (327,524,274) | - | - | - | (14,066,933) | (39,870,209) | (381,461,416) |
| At December 31, 2003 | 164,419 | 309,030,555 | 3,070,712,608 | 341,426,733 | 36,462,350 | 64,154,411 | 48,638,497 | - | 3,870,589,573 |
| Accumulated depreciation | | | | | | | | | |
| At January 1, 2003 | - | 239,285,817 | 2,423,134,031 | 112,839,834 | 33,139,400 | 43,646,583 | 49,045,874 | - | 2,901,091,539 |
| Current year charges | - | 8,341,040 | 138,649,281 | 56,419,923 | 942,584 | 4,492,649 | 2,295,022 | - | 211,140,499 |
| Reversal on disposals | - | (58,823) | (234,591,039) | - | 229,337 | (12,559) | (9,554,939) | - | (243,988,023) |
| At December 31, 2003 | - | 247,568,035 | 2,327,192,272 | 169,259,757 | 34,311,321 | 48,126,673 | 41,785,957 | - | 2,868,244,015 |
| Net Book Value | | | | | | | | | |
| At December 31, 2003 | 164,419 | 61,462,520 | 743,520,336 | 172,166,976 | 2,151,029 | 16,027,738 | 6,852,540 | - | 1,002,345,558 |
| At December 31, 2002 | 164,419 | 69,744,738 | 900,212,299 | 228,586,899 | 3,085,960 | 19,509,186 | 7,106,449 | 39,870,209 | 1,268,280,159 |

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

| | 2003 | 2002 |
|--|--------------------|--------------------|
| | G\$ | G\$ |
| 8. Loans | | |
| (a) Government of Guyana | - | 162,280,853 |
| (b) Citibank (Lease / purchase) | 94,779,288 | 198,946,204 |
| (c) Royal Bank of Trinidad and Tobago | 20,317,840 | 116,438,018 |
| (d) National Bank of Industry and Commerce Limited | 102,446,338 | 137,772,355 |
| (e) Government of Guyana | - | 47,216,017 |
| Total loans | <u>217,543,466</u> | <u>662,653,447</u> |
| Due within one year | 217,543,466 | 344,079,779 |
| Due after two year but before five years | - | 303,445,400 |
| Due after five years | - | 15,128,268 |
| | - | 318,573,668 |
| | <u>217,543,466</u> | <u>662,653,447</u> |

(a) Government of Guyana

This Loan was disbursed over the 4 year period 1995 to 1998. The stipulated repayment period is 15 years at an interest rate of 4% per annum. A moratorium was granted for a period of 5 years during which interest was capitalised. In October, 2003, the Government agreed to transfer the balance to the reserve account.

(b) Lease / purchase (Citibank)

On November 30, 2000, the company entered into an equipment lease/purchase agreement with Citicorp Merchant Bank Limited, a company incorporated in Trinidad and Tobago amounting to US\$1,754,678. Interest is linked to the Bank's US Dollar Prime Rate and was fixed at 10% at December 31, 2003. The facility is repayable in 48 monthly instalments of US\$45k inclusive of interest and is secured by two Caterpillar Trucks and a Komatsu Backhoe.

(c) Royal Bank of Trinidad and Tobago

The company received a loan of US\$1,237,000 to refinance purchases made from E.C. Vieira and G.N.I.C. Interest is charged at the rate of 2% above the Royal Bank of Trinidad and Tobago Limited US Dollar Commercial Prime Lending Rate which was 9.25% at December 31, 2003. The loan principal is repayable at the rate of US\$34,361.12 per month for 36 months commencing February 28, 2001 and is secured by Ship's mortgages on four barges, guarantee by E.C. Vieira Investments Limited for US\$1,237,000 and letter of comfort from the Government of Guyana for US\$1,237,000.

(d) National Bank of Industry and Commerce Limited

The company had a revolving line of credit with Republic Bank Limited, a company incorporated in Trinidad and Tobago. This facility was repaid via an NBIC Standby Letter of Credit of US\$950,000 and cash payments by Bermine following a demand by the Bank. The letter of credit has been converted to a demand loan by the Bank.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

8. Loans continued

(e) Government of Guyana

This represents a loan from the Government of Guyana based on agreement dated March 28, 2001. Interest is at the rate of 15% per annum with the first six months of interest being capitalised. In October, 2003, the Government agreed to transfer the balance to the reserve account.

| 9.a Stated capital | 2003 | 2002 |
|--------------------------------|-------------------|-------------------|
| | G\$ | G\$ |
| Issued: 50,000 ordinary shares | <u>50,000,000</u> | <u>50,000,000</u> |

By its Articles the company is authorised to issue a maximum of 50,000 ordinary shares at a minimum issue price of \$1,000 each. The company is a state-owned entity and all shares were vested in the Bauxite Industry Development Company Limited (BIDCO), a company which is itself wholly-owned by the State. Shares can only be transferred with the permission of the State. Following the liquidation of BIDCO, the shares in the company were vested with National Industrial and Commercial Investments Limited (NICIL).

| 10. Reserves | 2003 | Restated 2002 |
|-----------------------------------|----------------------|----------------------|
| | G\$ | G\$ |
| (a) Government of Guyana Reserves | 2,282,978,551 | 1,788,828,248 |
| (b) Capital reserves | 644,172,283 | 644,172,283 |
| (c) Capital reserves (NICIL) | 192,840,624 | 111,300,000 |
| (d) Revaluation reserves | 64,467,120 | 82,924,060 |
| (e) Other reserves | 213,329,345 | 213,329,345 |
| | <u>3,397,787,923</u> | <u>2,840,553,936</u> |
| (a) Government of Guyana Reserves | 2,282,978,551 | 1,788,828,248 |

The balance is comprised of the following:

- (1) The balance on the Sysmin on-lent loan to Bermine by the Government of Guyana. The Ministry of Finance has instructed that this amount be treated as a reserve.
- (2) On October 21, 2003, the Government decided that liabilities payable to the Government and State Owned Entities would be absorbed by the Government. In this regard, these balances were transferred as a reserve.

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

| 10. Reserves | 2003 | Restated 2002 |
|------------------------------|--------------------|--------------------|
| | G\$ | G\$ |
| (b) Capital reserves | 644,172,283 | 644,172,283 |
| (c) Capital reserves (NICIL) | 192,840,624 | 111,300,000 |
| | <u>837,012,907</u> | <u>755,472,283</u> |

(b) The amount of \$ 644,172,283 represents the net adjustments arising from the takeover of the assets and liabilities of the Guyana Mining Enterprise Limited which was dissolved by Order No.19 of 1992.

(c) This represents contributions by NICIL to facilitate the merger with ABC. This amount was used to rehabilitate the assets of the company but is transferred to Aroaima Mining Company Limited. The investment was made as follows:

| | | |
|---|--------------------|--------------------|
| Investment during 2002 now included in the financial statements | 111,300,000 | 111,300,000 |
| Investment during 2003 | 81,540,624 | - |
| | <u>192,840,624</u> | <u>111,300,000</u> |

| | | |
|--------------------------|------------|------------|
| (d) Revaluation reserves | 64,467,120 | 82,924,060 |
|--------------------------|------------|------------|

This amount represents the net adjustments arising from the takeover of the assets and liabilities of the Guyana Mining Enterprise Limited which was dissolved by Order No.19 of 1992.

| | | |
|--------------------|-------------|-------------|
| (e) Other reserves | 213,329,345 | 213,329,345 |
|--------------------|-------------|-------------|

The Government of Guyana injected these funds into the company to enable the company to make severance payments to severed employees.

| | | |
|--------------|----------------------|----------------------|
| Total | <u>3,397,787,923</u> | <u>2,840,553,936</u> |
|--------------|----------------------|----------------------|

Berbice Mining Enterprise Limited

(wholly owned subsidiary of National Industrial and Commercial Investments Limited)

Notes to the financial statements

For the year ended December 31, 2003

| | 2003 | 2002 |
|---|----------------------|----------------------|
| | G\$ | G\$ |
| 11. Cost of sales | | |
| Employment costs | 348,931,503 | 274,865,000 |
| Fuel and lubricants | 339,922,130 | 243,501,000 |
| Maintenance and supplies | 110,507,056 | 50,592,000 |
| Freight and other shipping expenses | - | 148,373,000 |
| Depreciation and amortisation | 128,574,390 | 166,196,000 |
| Subcontractor costs | - | 104,588,000 |
| Lease rental and hire of equipment | 111,123,802 | 56,420,000 |
| Channel fees | - | 3,300,000 |
| Outside services | 65,362,043 | 63,350,000 |
| Income credits | - | (9,346,000) |
| Other- CWIP adjustment | (78,388,834) | (14,375,071) |
| Operating expenses | 1,026,032,090 | 1,087,463,929 |
| Stripping costs absorbed / (deferred) | - | 21,494,000 |
| Change in quantity of bauxite inventory 11.a | (205,237,702) | (16,864,000) |
| Ore purchased from Aroaima Mining Company Limited | 275,682,438 | 22,460,000 |
| LIMINE write off | (7,498,090) | - |
| Provision for loss and write off of bauxite inventories | - | 95,351,000 |
| Provision for obsolescence of spares | - | (9,785,000) |
| Costs allocated to capping sales | - | (26,100,000) |
| Adjustment to provision for Inventory and Bad Debts | (37,781,660) | - |
| Selling expenses | 351,372,354 | - |
| Dredging expenses | 12,825,900 | - |
| | <u>1,415,395,330</u> | <u>1,174,019,929</u> |
| 11.(a) Change in bauxite inventory | | |
| Opening Balance | (229,400,995) | (16,864,000) |
| Provision for Crude Ore deemed not saleable | 24,163,293 | - |
| | <u>(205,237,702)</u> | <u>(16,864,000)</u> |

Berbice Mining Enterprise Limited

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Notes to the financial statements

For the year ended December 31, 2003

12. Community development costs

This represents total expenditure incurred in providing basic infrastructural services to the residents of the bauxite communities. During the period, the Government of Guyana assumed responsibility for such costs.

| 13. Other income | 2003 | 2002 |
|----------------------------------|-------------------|-------------------|
| | G\$ | G\$ |
| Sale of capping | - | 46,623,365 |
| Cost of capping sold | - | (38,634,191) |
| <i>Profit on sale of capping</i> | - | <i>7,989,174</i> |
| Sale of inventory items | - | 982,115 |
| Storage and terminal fees | - | 26,799,635 |
| Sale of miscellaneous items | 10,080,355 | 2,591,153 |
| | <u>10,080,355</u> | <u>38,362,077</u> |

14. Profit / (loss) before taxation

Included therein are the following charges:

| | | |
|--|--------------|-------------|
| Directors remuneration (see note 15a) | | |
| - directors | - | 1,821,440 |
| Depreciation | 154,720,576 | 221,057,438 |
| Amortisation of lease | 56,419,923 | 56,419,923 |
| Auditors remuneration | 4,000,000 | 4,100,000 |
| (Loss) / Gain on disposal of fixed asset | (67,488,610) | 44,115,355 |

14a. Directors remuneration

Subsequent to the operational merger with Aroaima Mining Company Limited, Winston Brassington (Chairman), Robeson Benn and Maurice Stuart were appointed to serve on the company's board. No remuneration has been received by these individuals for their services as at December 31, 2003.

15. Foreign currency risks

| Balances denominated in foreign currency are as follows: | US\$ | US\$ |
|--|----------------|--------------------|
| Cash and bank | 34,800 | 500 |
| Accounts receivable | 1,507,951 | 781,751 |
| Accounts payable | (105,584) | (269,609) |
| Related parties | (381,924) | (1,517,234) |
| Loans and leases | (588,551) | (3,464,481) |
| | <u>466,692</u> | <u>(4,469,073)</u> |
| Year end exchange rate | 195.56000 | 191.27063 |

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Notes to the financial statements

For the year ended December 31, 2003

16. Taxation

The Company has been granted a waiver on all taxes, duties and other taxes on imports.

17. Employee benefits

| | 2003 | 2002 |
|----------------------------------|----------|--------------------|
| | G\$ | G\$ |
| Staff costs | - | 203,775,304 |
| Pension fund (surplus) / deficit | - | (24,500,000) |
| Severance costs | - | 213,329,345 |
| | <u>-</u> | <u>392,604,649</u> |

Pension fund

The Bauxite Industry Pension Plan was wound up in October 2004 leaving a surplus of \$10,436,370.

18. Prior period restatement

The financial statements of the prior period were restated to recognised an investment of \$111,300,000 by NICIL as stated in note 10 (c).

19. Going Concern

These accounts have been prepared using the accounting principles applicable to a going concern which contemplate the realisation of assets and liquidation of liabilities in the normal course of business. As stated in note 1, the Government of Guyana has (subsequent to the year end) liquidated the company and vested its assets with Aroaima Mining Company Limited and National Industrial Commercial and Investments Limited. No adjustments have been made to the assets and liabilities to reflect the above decision.