

**AUDITED FINANCIAL STATEMENTS OF THE
GUYANA NATIONAL SHIPPING CORPORATION
LIMITED**

**FOR THE YEAR ENDED
31 DECEMBER 2006**

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

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

31 DECEMBER 2006

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AG: 132/2007

2 November 2007

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE GUYANA NATIONAL SHIPPING CORPORATION LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Chartered Accountants, Solomon, Parmesar & Company, have audited on my behalf the financial statements of Guyana National Shipping Corporation Limited for the year ended 31 December 2006, as set out on pages 3 to 17. The audit was conducted in accordance with the Audit Act 2004.

Respective Responsibilities of Management and Auditors

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.

Basis of Opinion

The audit was conducted in accordance with Generally Accepted Auditing Standards, including those of the International Organization of Supreme Audit Institutions (INTOSAI) and the International Standards on Auditing, issued by the International Federation of Accountants (IFAC). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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. I believe that my audit provides a reasonable basis for my opinion.

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, work 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.

Opinion

In my opinion, the financial statements on pages 1 to 16 present fairly, in all material respects, the financial position of the Guyana National Shipping Corporation Limited as at 31 December 2006, and the results of operations for the year then ended in conformity with International Financial Reporting Standards and the Companies Act 1991.



AUDITOR GENERAL (ag.)

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

SOLOMON, PARMESAR & CO.

Chartered Accountants/ Management Consultants
Correspondent firm of GRANT THORNTON



REPORT OF THE AUDITORS TO THE MEMBERS OF GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

We have audited the attached financial statements of Guyana National Shipping Corporation Limited for the year ended 31 December 2006 as set out in pages 3 to 17.

DIRECTORS' / MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS:

The Director's / Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS RESPONSIBILITY:

Our audit was conducted in accordance with International Standards on Auditing. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material mis-statements. 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.

OPINION:

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana National Shipping Corporation Limited as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International financial Reporting Standards and the Companies Act 1991.



SOLOMON, PARMESAR & CO.

SOLOMON, PARMESAR & CO.
30 October 2007

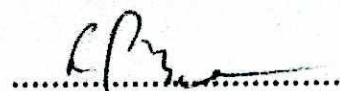
GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

BALANCE SHEET - 31 DECEMBER 2006

ASSETS	Note	2006 GS 000	2005 GS 000
NON - CURRENT ASSETS			
Property and equipment	3	538,890	510,786
Deferred tax	4	4,664	7,409
		-----	-----
		543,554	518,195
		-----	-----
CURRENT ASSETS			
Inventories	5	41,578	42,877
Receivables and prepayments	6	68,552	85,666
Taxation recoverable		21,781	21,781
External payment deposits		59	59
Cash and deposits	7	202,550	205,291
		-----	-----
		334,520	355,674
		-----	-----
TOTAL ASSETS		878,074	873,869
<hr/>			
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	8	2,797	2,797
Accumulated profits		684,849	667,792
Capital reserve	9	12,879	12,879
		-----	-----
		700,525	683,468
		-----	-----
NON - CURRENT LIABILITY			
Due to Privatisation Unit	10	55,911	74,420
		-----	-----
CURRENT LIABILITIES			
Payables and accruals	11	68,333	68,710
Due to Privatisation Unit	10	31,801	17,613
Taxation Payable		21,504	29,658
		-----	-----
		121,638	115,981
		-----	-----
TOTAL EQUITY AND LIABILITIES		878,074	873,869

The Board of Directors approves these financial statements for issue on 10 October 2007


.....
Director


.....
Director

The notes on pages 7 to 17 form an integral part of these financial statements.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 G\$ 000	2005 G\$ 000
Revenue	12	439,137	513,656
Operating Expense:			
Staff cost		121,117	129,853
Repairs		66,416	83,914
Hire of vessel		109,191	80,632
Other operating expenses		126,850	151,713
		<u>423,574</u>	<u>446,112</u>
Operating income		15,563	67,544
Other income		25,338	22,976
Finance cost		(5,222)	(5,309)
Profit before taxation	13	35,679	85,211
Taxation	14	18,622	19,081
Profit after taxation		<u>17,057</u>	<u>66,130</u>
EARNINGS PER SHARE	15	<u>6</u>	<u>24</u>

The notes on pages 7 to 17 form an integral part of these financial statements.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2006

	Share Capital GS 000	Retained Earnings GS 000	Capital Reserves GS 000	Total GS 000
Year Ended 31 December 2005				
Balance as at beginning of year	2,797	601,662	12,879	617,338
Profit for the year	-	66,130	-	66,130
Balance as at end of year	<u>2,797</u>	<u>667,792</u>	<u>12,879</u>	<u>683,468</u>
Year Ended 31 December 2006				
Balance as at beginning of year	2,797	667,792	12,879	683,468
Profit for the year	-	17,057	-	17,057
Balance as at ended of year	<u>2,797</u>	<u>684,849</u>	<u>12,879</u>	<u>700,525</u>

The notes on pages 7 to 17 form an integral part of these financial statements.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

OPERATING ACTIVITIES	2006 GS 000	2005 GS 000
Operating profit	35,679	85,211
Adjusted for:		
Interest receivable	(6,741)	(7,602)
Interest payable	4,275	5,128
Depreciation	21,679	23,796
	-----	-----
Operating profit before working capital changes	54,892	106,533
Decrease / (increase) in inventories	1,299	(5,163)
Decrease / (increase) in receivables and prepayments	17,113	(14,348)
(Decrease) / increase in payables and accruals	(377)	5,037
	-----	-----
Cash generated from operations	72,927	92,059
Taxes paid	(24,030)	(27,085)
Interest paid	(4,275)	(5,128)
	-----	-----
Net Cash Inflow - Operating Activities	44,622	59,846
	-----	-----
INVESTING ACTIVITIES		
Acquisition of property and equipment	(49,783)	(42,177)
Interest received	6,741	7,602
	-----	-----
Net Cash Outflow - Investing Activities	(43,042)	(34,575)
	-----	-----
FINANCING ACTIVITIES		
Loan repaid	(4,321)	(16,759)
	-----	-----
Net Cash Outflow - Financing Activities	(4,321)	(16,759)
	-----	-----
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	(2,741)	8,512
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF YEAR	205,291	196,779
	-----	-----
CASH AND CASH EQUIVALENTS AS AT END OF YEAR	202,550	205,291
	=====	=====

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

1. INCORPORATION AND BUSINESS ACTIVITIES.

(a) Incorporation.

The Company is a state-owned enterprise incorporated under the Companies Act 89:01 and continued under the Companies Act 1991.

(b) Principal Activity

The principal activities of the Company are the provision of shipping services, berthing and storage facilities.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are :

(a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified for the revaluation of certain fixed assets. The accounting policies conform with International Financial Reporting Standards.

(b) Property and Equipment

Property and equipment are stated at cost or valuation less accumulated depreciation. Depreciation is provided on the straight line method at rates estimated to write off the assets over their expected useful lives.

Current rates of depreciation are:

Coastal crafts	-	14%
Motor vehicles	-	25%
Plant and machinery	-	7 1/2% -20%
Office equipment	-	10% - 12 1/2%
Computer equipment	-	20% - 25%

Depreciation on buildings is provided on the revalued amounts over the estimated useful lives. Buildings under 30 years old are depreciated at rate of 2% and those over 30 years old are depreciated at 4%.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted average method.

(d) Foreign Currencies

Foreign currency transactions completed during the year are translated to Guyana dollars at the Republic Bank Limited cambio rates of exchange ruling at the dates of such transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Guyana dollars at the Republic Bank Limited cambio exchange rates ruling at that date. Gains and losses are accounted for in the statement of income.

(e) Pension Scheme

The Company participates in defined benefit pension scheme for its employees. The contributions are held in a trustee administered fund which is separate from the Company's finances.

An actuarial valuation as at 31 December 2003 revealed a past service surplus of G\$325M. However the proportion of this surplus relating to Guyana National Shipping Corporation Limited has not yet been ascertained.

The actuaries recommended that participating companies continue to contribute at the current rate of 7% of the member's salaries up to \$ 2,880 per annum and 13% of the members' salaries in excess of \$2,880 per annum.

During the year the Company's contribution to the scheme was G\$3.874M (2005 G\$ 3.682M)

With regards to the Company's compliance with International Accounting Standards 19 (Revised 2000) the Company estimated that there would be insignificant (if any) net benefit obligations after taking into account the fair value of the plan assets. Also the current service cost is a fair reflection of the cost of the Company.

The next actuarial valuation was due on or before 31 December 2006. However, the Company is awaiting commencement of the valuation by the actuary.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Deferred Taxation

The Company provides for deferred tax using the liability method for all temporary differences arising between the tax base of the assets and liabilities and their carrying values for financial reporting purposes. Tax rates used to determine deferred tax are those currently enacted.

The principal temporary differences arise from depreciation on property, plant and equipment. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(g) Revenue Recognition

All revenue arising from the rendering of service is recognised on an accrual basis in the statement of income.

(h) Trade Receivables

Trade receivables are carried at original invoice value less a provision made for doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when identified.

(i) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash on deposit and cash at bank.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

3. PROPERTY AND EQUIPMENT

(a) Cost or Valuation	Land and Buildings G\$ 000	Machinery, Plant & Equipment G\$ 000	Motor Vehicles G\$ 000	Total G\$ 000
At beginning of year	490,324	333,085	20,089	843,498
Additions	-	50,335	-	50,335
Disposals	(196)	(552)	-	(748)
At end of year	<u>490,128</u>	<u>382,868</u>	<u>20,089</u>	<u>893,085</u>
Comprising:				
Valuation	14,496	1,167	-	15,663
Cost	475,632	381,701	20,089	877,422
	<u>490,128</u>	<u>382,868</u>	<u>20,089</u>	<u>893,085</u>
Depreciation				
At beginning of year	48,438	268,235	16,039	332,712
Charges for the year	8,486	11,843	1,350	21,679
Charges written back	(196)	-	-	(196)
At end of year	<u>56,728</u>	<u>280,078</u>	<u>17,389</u>	<u>354,195</u>
Net Book Value				
At end of year	<u>433,400</u>	<u>102,790</u>	<u>2,700</u>	<u>538,890</u>
At beginning of year	<u>441,886</u>	<u>64,850</u>	<u>4,050</u>	<u>510,786</u>

Certain assets were revalued by the Directors on 26 May 1976 to bring them in line with the value in the books of the previous owners. Also, the land and buildings were revalued at 1 January 1982 based on professional advice.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	2006 G\$ 000	2005 G\$ 000
4. DEFERRED TAXATION		
Deferred tax asset arising from:		
Excess depreciation over capital allowances		
At beginning of year	7,409	5,548
(Charge) / credit for the year	(2,745)	1,861
	<u>-----</u>	<u>-----</u>
At end of year	<u>4,664</u>	<u>7,409</u>
	<u>=====</u>	<u>=====</u>
5. INVENTORIES		
Stores	<u>41,578</u>	<u>42,877</u>
	<u>=====</u>	<u>=====</u>
6. RECEIVABLES AND PREPAYMENTS		
Trade receivables	30,864	34,618
Due from Governmental Organisations	29,210	43,919
Sundry receivables	7,147	4,745
Prepayments	1,331	2,384
	<u>-----</u>	<u>-----</u>
	<u>68,552</u>	<u>85,666</u>
	<u>=====</u>	<u>=====</u>
7. CASH AND DEPOSITS		
Savings account - (a)	153,538	148,060
Cash on deposit - (b)	12,823	-
Foreign exchange retention account - (c)	4,290	1,055
Business Cash Management account - (d)	14,846	67,854
Current account	17,053	(11,678)
	<u>-----</u>	<u>-----</u>
	<u>202,550</u>	<u>205,291</u>
	<u>=====</u>	<u>=====</u>

(a) Interest is earned at an average of 5 % per annum

(b) Cash on deposit represents a performance bond guarantee by the Republic Bank Guyana Limited for the sum of G\$12,500,000 to satisfy Guyana Sugar Corporation Inc.'s contract for movement of bulk sugar. During 2006 the Company made a deposit at the bank for said amount. Interest is earned at an average rate of 2.45-3.25% per annum.

(c) Interest is earned at an average rate of 1.75-2.75 % per annum.

(d) Interest is earned at an average of 2.45-3.00 % per annum.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	2006	2005
8. SHARE CAPITAL	G\$ 000	G\$ 000
Authorised		
4,000,000 Ordinary shares of no par value		
Issued and Fully Paid		
2,796,644 ordinary shares at no par value	2,797	2,797
	<u> </u>	<u> </u>
9. CAPITAL RESERVE	12,879	12,879
	<u> </u>	<u> </u>
<p>This represents the difference between compensation price and the valuation of fixed assets at 26 May 1971 and the surplus on the revaluation of land and buildings at 1 January 1982.</p>		
10. DUE TO PRIVATISATION UNIT	87,712	92,033
	<u> </u>	<u> </u>
Amount repayable within 1 year	31,801	17,613
	<u> </u>	<u> </u>
Amount repayable within 2-5 years	55,911	74,420
	<u> </u>	<u> </u>

The amount is payable for the Guyana Pharmaceutical Corporation Limited's properties located at La Penitence. The balance of the purchase price plus interest at the rate of 8% per annum should be repaid in quarterly installments in arrears over a ten (10) years period commencing on the 29 September 2000.

The purchase price of this property is three hundred million Guyana dollars plus interest.

During 2004 the loan repayment schedule was revised after a lump sum payment for sixty million Guyana dollars was made by the Company. The new interest rate is 5% per annum.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	2006	2005
	G\$ 000	G\$ 000
11. PAYABLES AND ACCRUALS		
Trade payables	35,547	28,004
Sundry payables	10,034	18,600
Accruals	22,752	22,106
	<u>68,333</u>	<u>68,710</u>
12. REVENUE		
The Company's revenue was as follows :-		
Handling / stevedoring charges	114,823	185,504
Rental - premises	64,499	64,111
Freight	161,380	160,848
Agencies	32,596	24,754
Hire - cargo handling equipment	12,223	27,750
Others	53,616	50,689
	<u>439,137</u>	<u>513,656</u>
13. PROFIT BEFORE TAXATION		
Profit before taxation is shown:		
After crediting:		
Interest received	6,741	7,602
Rental	78,370	77,134
After charging:		
Depreciation	21,679	23,795
Auditors' remuneration	1,100	1,340
Hire of equipment	113,654	93,096
Directors' emoluments	273	493
Interest paid	4,275	5,129

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

14. TAXATION	2006	2005
	G\$ 000	G\$ 000
The provisional charge for taxation in the financial statements is made up as follows:		
Current		
Corporation tax (35%)	10,488	30,830
Property tax	5,389	5,583
Deferred corporation tax (35%)	2,745	(1,861)
Prior year tax	-	(15,471)
	<u>18,622</u>	<u>19,081</u>
Reconciliation of corporation tax expense and accounting profit		
Profit before taxation	<u>35,679</u>	<u>85,211</u>
Corporation tax (35%)	12,488	29,824
Interest income exempt from corporation tax	745	(855)
Property tax	5,389	5,583
Prior year tax	-	(15,471)
	<u>18,622</u>	<u>19,081</u>
15. EARNINGS PER SHARE		
Earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary of shares in issue during the year.		
Profit attributable to shareholders	<u>17,057</u>	<u>66,130</u>
Weighted average number of shares in issue	<u>2,797</u>	<u>2,797</u>
Basic earnings per share in dollars	<u>6</u>	<u>24</u>

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

	2006	2005
	G\$ 000	G\$ 000
16. COMMITMENTS AND CONTINGENCIES		
(a) Bonds entered into with the Comptroller of Customs and Excise	9,500	9,500
	=====	=====
(b) Capital commitments Approved and contracted for	70,000	68,021
	=====	=====

There were four pending litigation matters at 31 December 2006. The outcome of these cases cannot be determined at this stage.

17. RISK MANAGEMENT

(i) Foreign currency risk

The Company is exposed to foreign currency risk due to fluctuation in exchange rates balances that are denominated in foreign currencies. The Guyana dollar equivalent of assets and liabilities denominated in United States dollars are stated below. The Company's exposure to foreign currency risk is minimal.

	2006	2005
	G\$ 000	G\$ 000
Assets - (Foreign Debtors)	14,295	16,811
	=====	=====
Liabilities - (Foreign Creditors)	22,601	15,761
	=====	=====

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

17. RISK MANAGEMENT (CONT'D)

(ii) Interest rate risk

Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk is minimal.

(b) Credit risk

The Company faces credit risk in respect of its receivables. However this risk is controlled by close monitoring of these assets by the Company. The maximum credit risk faced by the Company is the balance reflected in the financial statements.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The following table shows the distribution of assets and liabilities by maturity.

	<u>Within 1 year</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	G\$ 000	G\$ 000	G\$ 000	G\$ 000
Assets	334,520	-	-	334,520
Liabilities	(121,638)	(55,911)	-	(177,549)
	-----	-----	-----	-----
As at 31 December 2006	212,882	(55,911)	-	156,971
	=====	=====	=====	=====
Assets	337,441	-	-	337,441
Liabilities	(115,981)	(74,420)	-	(190,401)
	-----	-----	-----	-----
As at 31 December 2005	221,460	(74,420)	-	147,040
	=====	=====	=====	=====

(d) Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company's exposure to market risk arises from its local and foreign securities.

Management continually identifies, evaluate, underwrite and diversify risk to minimise the total cost of carrying such risk.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2006

18. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions.

Listed below are transactions with related parties:

	2006	2005
	G\$ 000	G\$ 000
Directors / Senior Officers		
(i) Directors' emoluments		
Chairman	70	110
Three Directors - sharing equally	203	383
	<u> </u>	<u> </u>
(b) Governmental organisations		
Due from Governmental Organisations	29,210	43,919
	<u> </u>	<u> </u>
Due to Privatisation Unit	87,712	92,033
	<u> </u>	<u> </u>
(c) Compensation of Key management personnel		
The remuneration paid to key management personnel during the year were as follows:		
Short - term employee benefits	18,019	9,260
	<u> </u>	<u> </u>