

PROPERTY HOLDINGS INC.
ANNUAL REPORT 2004

CONTENTS

	Page
Notice of Meeting	4
Corporate Information	5
Report of the Directors	6
Report of the Auditors	9 - 12
Financial Statements	13 - 28
Form of Proxy	29

NOTICE OF MEETING

The **5th Annual General Meeting** of Property Holdings Inc (PHI) will be held at Princess Hotel on Tuesday November 17, 2009 at 5:00pm .

AGENDA

- To receive and consider the Report of the Directors and the Audited Accounts for the year ended 31st December, 2004.
- To transact any other business of an Annual General Meeting.

Only Shareholders or their duly appointed proxies may attend. Please bring this notice to gain entry to the meeting.

Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her. A person exercising a Proxy need not be a member of the Company. The Form of Proxy must be deposited with the Company Secretary at the Registered Office of the Company not less than 48 hours before the time for holding the meeting. A Proxy Form is attached for use.

Any corporation which is a member of the Company may, by resolution of its Board of Directors or other governing body, authorize such person as it thinks fit to act as its representative at the meeting.

BY ORDER OF THE BOARD



Dursatty Doodnauth

Company Secretary

Registered Office

126 Barrack Street, Kingston

September 29th, 2009

CORPORATE INFORMATION

CHAIRMAN

Mr. Manniram Prashad

DIRECTORS

Mr. Winston Brassington

Mr. Winfred Fries

CORPORATE SECRETARY

Mr. Winfred Fries

REGISTERED OFFICE

126 Barrack Street,

Kingston,

Georgetown

Telephone: (592) 225-0317

Facsimile: (592) 226-6426

AUDITORS

Office of the Auditor General (Nizam Ali and Company)

9 Church Street

Lacytown

Georgetown

Guyana

MANAGEMENT

Guyana Stores Ltd. managed PHI from incorporation to October 2000, when the major shareholder, National Industrial and Commercial Investments Ltd. (NICIL), under the auspices of the Privatisation Unit assumed management functions. This was due to the privatisation of Guyana Stores Ltd. to a private entity whose new majority owner has no shares in PHI.

REPORT OF THE DIRECTORS

INCORPORATION & NATURE OF BUSINESS

Government and GSL incorporated PHI on 5th October 1999 as a fully owned subsidiary of GSL. Shortly after, the GSL shareholders approved the vesting of twenty-four (24) non-core properties of GSL to PHI. These comprised all GSL properties except Universal and Hardware buildings.

The nature of PHI's business is simply to manage or dispose of the non-core GSL properties that were transferred from GSL. A detailed account of all property related transactions including third party related transactions involving shareholders and members of the Board of Directors, are provided for in the notes accompanying the accounts.

As a consequence of its business, PHI does not have any subsidiaries nor does it engage in other investment projects that carry investment risks nor has it borrowed any money from a licensed financial institution. Any debts of the Company are duly documented in the notes to the financial statements.

RESULTS

Total income amounted to G\$136,226,670 compared to G\$211,204,867 for 2003. The Company only sold one property in 2004. The total gain in operations amounted to G\$113,027,716 compared to G\$250,176,095 for the previous financial year.

Earnings per share amounted to G\$1.13.

DIVIDEND

No dividend was declared for the year 2004.

RETAINED EARNINGS

The gain in operations resulted in a retained earnings figure of G\$352,417,054, which also increased the shareholders' equity to G\$452,417,054 at the end of 2004.

DIRECTORS/OFFICERS

At incorporation, the Shareholders appointed Mr. Manniram Prashad as Chairman of the Board and Mr. Winfred Fries and Mr. Winston Brassington as Directors. All have continued to serve since inception and throughout the year.

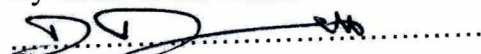
Save and except Mr. Winfred Fries who holds 100,000 shares in PHI, no other director or officer of PHI holds any shares in the Company. Any related party transactions that may have occurred over the years involving any member of the Board of Management of PHI is duly documented in the notes to the financial statements.

AUDITORS

PHI, being a Company whose majority shareholder is a wholly state-owned company, is required to have its financial statements audited by the Office of the Auditor General. The Auditor General has sub-contracted Nizam Ali & Company to assist in the audit of these financial statements.

126 Barrack Street
Kingston, Georgetown

By Order of the Board


.....
Company Secretary



PROPERTY HOLDINGS INC.
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2004



Audit Office of Guyana

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana
Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

AG:40.2008

23 May 2008

**REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS OF
THE PROPERTY HOLDINGS INC.
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2004**

I have audited the financial statements of the Property Holdings Inc. for the year ended 31 December 2004, as set out on pages 13 to 28. These statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies as set out on page 17.

Respective Responsibilities of Management and Auditors

The preparation of the financial statements, including assertions relating to their completeness, accuracy, validity and compliance with applicable laws, regulations and contractual obligation, is the responsibility of the management of the Property Holdings Inc. 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

I conducted my audit in accordance with generally accepted auditing standards, including those of the International Organisation of Supreme Audit Institutions (INTOSAI) and 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 from material misstatement. An audit includes examining, on the 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.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Property Holdings Inc. as at 31 December 2004, its financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following matters:

a)

As stated in note 7 to the financial statements, the Company requested approval from the Commissioner General, Guyana Revenue Authority, to use a revised valuation for the purpose of calculating property tax and capital gains tax. The Commissioner General has agreed to consider that the Company use a revised valuation that meets his requirements; however, to date the Company has not provided the valuation to the Commissioner General. The Company has recalculated its property and capital gains tax on the basis of nominal values used in transferring the property from Guyana Stores Limited in 1999. This resulted in a reversal of tax provision for the years 1999 to 2002 in the amount of sixty-five million and forty-seven thousand two hundred and twenty-seven dollars (\$65,047,227).

b)

Note 2(a) of the financial statements indicates that the financial statements have been prepared in accordance with International Financial Reporting Standards. The Company has elected to account for investment properties at cost in accordance with IAS 40 *investment properties*. Under IAS 40, disclosure of the fair value of all investment properties is required, regardless of the measurement model used. The Company did not undertake a recent valuation of investment properties. Consequently, the information relating to the fair value of investment properties was not disclosed in these financial statements.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA



Nizam Ali & Company

Chartered Accountants

**9 Church Street
Georgetown
Guyana**

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(592)-227-8825
Telefax (592)-227-8824
E-mail: nizamali@guyana.net.gy**

**REPORT OF CHARTERED ACCOUNTANTS
NIZAM ALI & COMPANY
TO THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
PROPERTY HOLDINGS INC.
FOR THE YEAR ENDED DECEMBER 31, 2004**

We have audited the accompanying financial statements of Property Holdings Inc., which comprise the balance sheet as at December 31, 2004 and the statement of profit and loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the 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 responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Audit Office of Guyana Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following matters:

- a) As stated in note 7 to the financial statements, the Company requested approval from the Commissioner General, Guyana Revenue Authority that a revised valuation be used for the purpose of calculating property and capital gains tax. The Commissioner General has agreed to consider that the Company use a revised valuation that meets his requirements; however, to date the Company has not provided the valuation to the Commissioner General. The Company has recalculated its property and capital gains tax on the bases of nominal values used in transferring the property from Guyana Stores Limited in 1999. This resulted in a tax recoverable for the years 1999 to 2002 of sixty-five million and forty-seven thousand, two hundred and twenty-seven dollars (\$65,047,227).
- b) Note 2(a) of the financial statements indicates that the financial statements have been prepared in accordance with International Financial Reporting Standards. The Company has elected to account for investment properties at cost in accordance with IAS 40 *investment properties*. Under IAS 40, disclosure of the fair value of all investment properties is required, regardless of the measurement model used. The Company did not undertake a recent valuation of investment properties. Consequently, the information relating to the fair value of investment properties was not disclosed in these financial statements.

Nizam Ali & Company

Chartered Accountants

Georgetown, Guyana

May 15, 2008

Balance Sheet

For the year ended December 31, 2004 with comparative figures for 2003

(Expressed in Guyana dollars)

	Notes	2004 <u>G\$</u>	2003 <u>G\$</u>
Non-current assets			
Plant and equipment	3	-	40,996
Investment properties	4	<u>89,218,900</u>	<u>94,043,100</u>
		<u>89,218,900</u>	<u>94,084,096</u>
Current assets			
Due from related company (NICIL)	10	232,556,490	109,277,035
Receivables	5	820,000	94,620,000
Taxes recoverable		46,491,353	-
Cash on hand and at bank		<u>121,430,108</u>	<u>70,977,547</u>
		<u>401,297,951</u>	<u>274,874,582</u>
Total Assets		<u>490,516,851</u>	<u>368,958,678</u>
Liability and shareholders' equity			
Current liabilities			
Due to related companies	11	577,325	929,140
Payables	12	11,674,228	2,620,225
Taxation		<u>25,848,244</u>	<u>26,019,975</u>
		<u>38,099,797</u>	<u>29,569,340</u>
Shareholders' equity			
Share Capital	6	100,000,000	100,000,000
Retained earning		<u>352,417,054</u>	<u>239,389,338</u>
		<u>452,417,054</u>	<u>339,389,338</u>
Total liability and shareholders' equity		<u>490,516,851</u>	<u>368,958,678</u>

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

The financial statements were approved by the Board of Directors on May 15, 2008 and signed on its behalf by:

Director Winston Branyik

Director R. Soosay

Statement of Profit & Loss

For the year ended December 31, 2004 with comparative figures for 2003

(Expressed in Guyana dollars)

	<u>Notes</u>	<u>2004</u> <u>G\$</u>	<u>2003</u> <u>G\$</u>
Income	7	136,226,670	211,204,867
Administrative Expenses			
Legal and professional		3,438,875	1,990,000
Rates and taxes		13,298,703	36,952
Insurance premiums		937,761	1,594,754
Security		628,030	488,743
Contract Labour		-	275,000
Directors' fees		50,000	35,000
Bank charges		1,200	7,250
Miscellaneous		585	4,821
Advertisements		132,860	108,200
Survey		183,028	59,950
Loss on disposal		40,996	-
Audit fees		<u>100,000</u>	<u>100,000</u>
		18,812,038	4,700,670
Selling costs		1,050,000	-
Depreciation		<u>-</u>	<u>5,856</u>
Profit before taxation		116,364,632	206,498,341
Taxation	8	<u>(3,336,916)</u>	<u>43,677,754</u>
Profit for the year	9	<u><u>113,027,716</u></u>	<u><u>250,176,095</u></u>
Earnings per share in Guyana dollars		<u><u>1.13</u></u>	<u><u>2.50</u></u>

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

Statement of Changes in Equity
For the year ended December 31, 2004 with comparative figures for 2003
(Expressed in Guyana dollars)

	Share Capital G\$	Retained Earnings G\$	Total G\$
Balance as at January 1, 2003	100,000,000	(10,786,757)	89,213,243
Net profit for the year	<u>-</u>	<u>250,176,095</u>	<u>250,176,095</u>
Balance as at December 31, 2003	<u>100,000,000</u>	<u>239,389,338</u>	<u>339,389,338</u>
Balance as at January 1, 2004	100,000,000	239,389,338	339,389,338
Net profit for the year	<u>-</u>	<u>113,027,716</u>	<u>113,027,716</u>
Balance as at December 31, 2004	<u>100,000,000</u>	<u>352,417,054</u>	<u>452,417,054</u>

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

Statement of Cash Flow
For the year ended December 31, 2004 with comparative figures for 2003
(Expressed in Guyana dollars)

	2004	2003
	G\$	G\$
Cash flows from operating activities		
Profit before taxation	116,364,632	206,498,341
Adjustments for:		
Gain on disposal of investment property	(134,925,800)	(209,679,400)
Loss on disposal of plant and equipment	40,996	-
Depreciation	-	5,856
Operating loss before working capital changes	<u>(18,520,172)</u>	<u>(3,175,203)</u>
Increase in due from related companies	(123,279,455)	(109,277,035)
Decrease (increase) in receivables	93,800,000	(37,804,927)
(Decrease) increase in due to related companies	(351,815)	929,140
Increase (decrease) in payables	9,054,003	(125,000)
Taxes paid	<u>(50,000,000)</u>	<u>-</u>
Net cash used in operating activities	<u>(89,297,439)</u>	<u>(149,453,025)</u>
Cash flow from investing activities		
Proceeds from the sale of investment properties	<u>139,750,000</u>	<u>214,225,000</u>
Net cash from investing activities	<u>139,750,000</u>	<u>214,225,000</u>
Increase in cash and cash equivalents	50,452,561	64,771,975
Cash and cash equivalents at the beginning of year	<u>70,977,547</u>	<u>6,205,572</u>
Cash and cash equivalent at the end of year	<u>121,430,108</u>	<u>70,977,547</u>
Cash and cash equivalent comprise:		
Cash on hand and at bank	<u>121,430,108</u>	<u>70,977,547</u>

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

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

1 Incorporation and activities

Property Holdings Inc. (PHI) was incorporated on October 5, 1999 as a wholly owned subsidiary of Guyana Stores Limited (GSL).

Prior to the privatisation of GSL which occurred on September 30, 2000, certain properties owned by GSL with a nominal value of \$100,000,000 were transferred by vesting order to PHI, and this was used as consideration for acquiring all PHI's shares. GSL during 1999 declared a dividend and distributed its shareholdings acquired in PHI as payment for this dividend. This resulted in a shareholding in PHI that mirrored the GSL shareholdings.

The Government of Guyana through the National Industrial and Commercial Investments Ltd. owns 73.33% of PHI and minority shareholders hold collectively 26.77% of the issued share capital.

2 Significant accounting policies

(a) Accounting convention

The financial statements are prepared in accordance with International Financial Reporting Standards and under historical cost basis except for properties vested in the Company on October 5, 1999 which is valued at nominal values agreed at the time of vesting.

(b) Revenue recognition

In relation to sale of property, gain/loss is recognised when the significant risks and rewards of ownership of these properties have been transferred to the buyer. Significant risks and rewards of ownership are transferred to the buyer upon signing of agreement of sale.

Interest and other income is recognised as it accrues unless the ability to collect is in doubt.

(c) Property, plant and equipment and depreciation

Depreciation is based on the estimated useful lives of fixed assets and is provided on the straight-line method at the following annual rates:-

Plant and equipment	-	10%
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(d) Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or both. Investment properties are measured at cost.

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

2. Significant accounting policies, continued

(e) Foreign Currency

Foreign currency transactions completed during the year are translated at the National Bank of Industry and Commerce Limited cambio rates of exchange at the date of each transaction. At the balance sheet date, all monetary assets and liabilities denominated in foreign currencies are translated at the National Bank of Industry and Commerce Limited cambio rate of exchange ruling at that date or at rates agreed by the Bank of Guyana.

Gains and losses arising from the translation of foreign currencies are included in the profit and loss account for the year.

(f) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and deposits held on call with the banks.

(g) Dividend on ordinary shares

Dividend on ordinary shares are recognised in the period in which they are declared.

(h) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(i) Use of Estimates

The preparation of the financial statements in conformity with International Financial Reporting Standards (IFRS) requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(j) Receivables

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company reviews the trade accounts receivable and determines the necessity and amount of an allowance for doubtful accounts at their best estimate of probable credit losses in existing accounts receivable. The Company does not have any off-balance sheet credit exposure related to its customers.

Notes to the Financial Statements
December 31, 2004
(Expressed in Guyana dollars)

3. Plant and equipment

	At 1.1. 2004 Cost \$	Disposal \$	At 12.31.2004 Cost \$
	<u>58,566</u>	<u>(58,566)</u>	<u>-</u>
Depreciation	At 1.1. 2004	Write back	At 12.31.2004
	<u>17,570</u>	<u>(17,570)</u>	<u>-</u>
Net book values	<u><u>40,996</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

4. Investment properties

(a)	2004 \$	2003 \$
Cost at January 1, 2004	94,043,100	94,043,100
Disposal	<u>(4,824,200)</u>	<u>-</u>
Cost at December 31, 2004	<u><u>89,218,900</u></u>	<u><u>94,043,100</u></u>

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

4. Investment properties, continued

- (b) Subsequent to incorporation, the following assets were vested to the Company from Guyana Stores Limited, by Vesting Order number 36 of 1999 dated October 13, 1999.

As at December 31, 2004, items numbered (1), (3), (6), (8), (9), (10), (11), (12), (13), (21) and (22) below were disposed of.

Description of property	Nominal Value	
	Land \$	Building \$
(1) 43 and 44 Water Street, Robbstown, Georgetown with all building and erections thereon	588,500	1,208,800
(2) Tract 'Z' being portion of East 1/2 of Lots A 13 and 14 South Cummingsburg District, Georgetown with all building and erections thereon	1,353,600	82,218,280
(3) Sublot lettered 'B' being parts of lot numbered 49, 50, 51 and 52 Water Street, Robbstown, Georgetown with building and erections thereon	-	4,824,200
(4) Lot 8 New Amsterdam with building, wharf railing, hardwood railing and erections thereon and Lot 8 New Amsterdam	474,300	2,806,900
(5) Lot 'N' and Area 'B' Plantation Lima, Essequibo with building and erections thereon	2,900	80,500
(6) Lots 248, 250 and, 252 being portions of Section 'K' Part of parcel 'A' part of lot 43 Linden with building and erection thereon	54,000	2,509,000
(7) South 1/2 of lot A8 Water Street, South C/burg with buildings and erections thereon	-	287,000
(8) 1 Bel Air Gardens, Georgetown with buildings and erections thereon	94,500	162,500
Balance carried forward	<u>2,567,800</u>	<u>94,097,180</u>

Notes to the Financial Statements
December 31, 2004
(Expressed in Guyana dollars)

4. Investment properties, continued

Balance brought forward	2,567,800	94,097,180
(9) 3 Bel Air Gardens, Georgetown with buildings and erections thereon	113,500	186,000
(10) 12 Bel Air Gardens, Georgetown with buildings and erections thereon	59,500	142,600
(11) 13 Bel Air Gardens, Georgetown with building and erection thereon	60,600	150,600
(12) 16 Bel Air Gardens, Georgetown with building and erection thereon	72,300	163,700
(13) 43 Bel Air Gardens, Georgetown with building and erection thereon	53,600	144,500
(14) Lot 18 Queenstown, Georgetown with building and erection thereon	72,700	225,500
(15) Lot 304 and South 1/2 of Lot 305 Cummingsburg District, Georgetown with building and erections thereon	161,600	310,800
(16) Lots 205, 206 and 207, North Cummingsburg, Georgetown with building and erections thereon	95,500	331,000
(17) East 1/2 of lot 27 South C/burg District with building and erections thereon	-	380,000
(18) Lot 18 and South 1/2 of lot 19 Werk-en-Rust, Georgetown with building and erections thereon	-	184,000
(19) East 1/2 of the South 2/3 of West 3/4 of lot 3 Section 'A', Golden Grove, East Coast Demerara with building and erections thereon	13,000	82,125
Balance carried forward	<u>3,270,100</u>	<u>96,398,005</u>

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

4. Investment properties, continued

Balance brought forward	3,270,100	96,398,005
(20) Zone E.B.D. Block XXX Parcels 1864 and 1865 Ruimveldt, Georgetown with building and erections thereon	10,933	128,262
(21) Area 'E' being a portion of Block 'G' and Area 'F' La Penitence with building and erections thereon	-	7,500
(22) Guystac Trade 11 (Sports Club)	-	185,300
Total	<u>3,281,033</u>	<u>96,719,067</u>

- (c) Pursuant to Schedule J of the Share Sale and Purchase agreement between National Industrial and Commercial Investments Limited and Royal Investment Inc., Guyana Stores Limited (GSL) has the option to buy the following properties which are being occupied by them rent free for varying periods up to three years commencing October 5, 2000. GSL pays all costs associated with these properties such as security costs and rates and taxes. The rent free occupation period of these properties has expired, however, GSL continues to occupy these properties rent free with the exception of (1) below which was sold in 2004. The Company has commenced legal proceedings against GSL for the illegal occupation of these properties.

Description of property	<u>Duration of rent free occupation</u>
(1) The building at sublots lettered 'B' being parts of lots numbered 49, 50, 51 and 52 Water Street, Robbstown Georgetown together with right title and interest in sublots lettered 'B'	1 year
(2) East 1/2 of lot 27 South C/burg District, Georgetown with building and erections thereon	1 year
(3) Tract 'Z' being portion of East 1/2 of A13 and A14 South C/burg District, Georgetown with all building and erections thereon	1 year
(4) Parcel of land known as lot 'N' Plantation Lima, Essequibo with the building thereon	3 years

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

4. Investment properties, continued

Description of property	<u>Duration of rent free occupation</u>
(5) Area 'B' being part of the land of Plantation Lima, Essequibo, no buildings thereon	3 years
(6) Parcel of land at lot 9 New Amsterdam with buildings, wharf railing hardwood railing and erection thereon	3 years
(7) Parcel of land at lot 8 Smythtown, New Amsterdam, Berbice	3 years
(d) Included in the vesting order is property located at east half of lot 109 Kingston. This property was not owned by GSL. The inclusion of this property in the vesting order was based on the assumption that the building commonly known as the Sports Club was located at the lot 109 Kingston. It has since been discovered that the Sports Club is not at this location but is on land owned by the state.	

Considering the above, the property at 109 Kingston was excluded from PHI's fixed assets. The exclusion of this property resulted in the omission of the Sports Club from PHI's assets; however, the Privatisation Board has agreed to compensate PHI for the Sports Club building and erections. An independent valuation was performed by Rodrigues Architects Ltd. which showed a value of \$13,225,000 for the Sports Club building and erections. This amount was paid to the Company in 2003.

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

	2004	2003
	<u>G\$</u>	<u>G\$</u>
5. Receivables		
Panday's Inc	-	94,500,000
Creation Craft	420,000	-
Guysuco	<u>400,000</u>	<u>120,000</u>
	<u>820,000</u>	<u>94,620,000</u>
6. Share Capital		
Authorised		
100,000,000 ordinary shares of no par value		
Issued and fully paid shares		
100,000,000 ordinary shares stated value	<u>100,000,000</u>	<u>10,000,000</u>
7. Income		
Gain on disposal of properties		
43-44 Water Street	-	103,202,700
Guystac Trade II Sports Club	-	13,039,700
Kara Kara, Linden	-	93,437,000
49-52 Water Street	<u>134,925,800</u>	<u>-</u>
	134,925,800	209,679,400
<i>Other Income</i>		
Interest	140,870	150,097
Rental	1,160,000	700,000
Other	-	675,370
Colgrain pool dues	<u>-</u>	<u>-</u>
	<u>136,226,670</u>	<u>211,204,867</u>
8. Taxation		
Capital Gains	-	18,687,400
Property Tax	<u>3,336,916</u>	<u>2,682,073</u>
	<u>3,336,916</u>	<u>21,369,473</u>
Prior year (see note below)		
2002 - Property tax	-	(13,964,319)
2001 - Capital gains	-	(800,000)
2001 - Property tax	-	(14,068,180)
2000 - Property tax	-	(14,371,272)
1999 - Capital gains	-	(6,332,796)
1999 - Property tax	<u>-</u>	<u>(15,510,660)</u>
	<u>-</u>	<u>(65,047,227)</u>
	<u>3,336,916</u>	<u>(43,677,754)</u>

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

8. Taxation, continued

The Company previously provided for property tax on the basis of a valuation done by the Chief Valuation Officer, Ministry of Finance. However, during 2005 the Company requested approval from the Commissioner General to use a revised valuation for the purpose of calculating property tax after being advised by the Commissioner General that the 25 Years Rule will apply for the purpose of computing capital gains tax (CGT). Properties transferred from Guyana Stores Limited (GSL) were deemed to be owned by the Company for the period that GSL owned those properties. Under the 25 Years Rule, capital gains on disposals of property that has been owned for a period of 25 years or more are exempt from CGT.

The Company has not provided the Commissioner General with a revised valuation; however, during 2003 the Company recomputed its property tax and CGT obligation on the basis of the nominal value of assets transferred from GSL. This resulted in a reversal of provisions previously made for taxes amounting to \$65,047,227. Tax for 2003 and the current year have also been computed on the basis of these nominal values.

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

	2004 \$	2003 \$
9. Profit/loss for the year	<u>113,027,716</u>	<u>250,176,095</u>
After charging auditor's remuneration	<u>100,000</u>	<u>100,000</u>
 10. Due from related companies (NICIL)		
Kara Kara, Linden (Call Center)	96,000,000	96,000,000
GPC - Lot 1 La Penitance	-	1,375,000
Deposit of 43-44 Water St. 49-52 Water Street	-	10,500,000
Bel Air Properties	135,154,455	-
	<u>1,402,035</u>	<u>1,402,035</u>
	<u>232,556,490</u>	<u>109,277,035</u>
 11. Due to related companies (NICIL)		
RK's Security Service - Security PHI Young St.	148,000	148,000
Guyenterprise - Real estate - Advertisements	91,400	91,400
RK's Security Service - Security PHI Young St.	163,200	163,200
Guyenterprise - Real estate - Advertisements	16,800	16,800
Rodrigues Architects Ltd - Survey for PHI 304, 305 East Street	157,925	59,950
MP Insurance - Premium Paid	-	449,790
	<u>577,325</u>	<u>929,140</u>
 12. Payables		
Security Linden	2,200,544	2,200,544
Administration Costs (GSL)	119,681	119,681
Rates and Taxes	8,954,003	-
Auditor fees	400,000	300,000
	<u>11,674,228</u>	<u>2,620,225</u>

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

13. Financial Instruments

(i) Credit risk

The Company's cash holdings are with substantial financial institutions. Credit risk on trade receivables are shown net of provision for bad debts. Management believes that there is no additional risk beyond amounts provided for collection losses.

(ii) Fair values

The fair value of cash and bank balances, receivable and payables balances are not materially different from their carrying amounts.

14. Related Party

The Company considers related party transactions to be those with Directors, the Government, and persons and entities affiliated with the Government.

(a) Transactions with State Owned Entities:

- (i) On privatisation of Guyana Stores Ltd., the administrative functions of PHI were moved to the office of the National Industrial and Commercial Investments Ltd. No management fee has been charged or paid.
- (ii) Property located at lot 18 Lamaha Street has been rented to Guyana Sugar Corporation for an annual rental of \$280,000. This is the continuation of a rental arrangement that existed between Guyana Stores Limited and Guyana Sugar Corporation prior to the incorporation of PHI. The terms of the rental agreement provided that Guyana Sugar Corporation shall pay the cost of maintenance and rates and taxes during the period of occupancy of the property.

Notes to the Financial Statements

December 31, 2004

(Expressed in Guyana dollars)

14. Related Party, continued

(b) Transactions with Government of Guyana:

- (i) 304-305 East Street: This property has been occupied by the Ministry of Health prior to the privatisation of Guyana Stores Limited and transfer of non-core properties to PHI. Ministry of Health has been paying all outgoings for the building in lieu of rent, save and except insurance and rates and taxes.
- (ii) 205-207 Camp Street: Occupation of the Colgrain Pool and Colgrain Flat (located next to the pool) was granted to the Ministry of Culture, Youth and Sport on the basis that the Ministry would be responsible for the payment of all out goings in lieu of rent.
- (iii) 205 Camp Street (Colgrain House): This property has been occupied by the CARICOM free of rent. Management is currently negotiating an appropriate compensation from the Government.

(c) Other Transactions:

- (i) Prior to incorporation of PHI and transfer of non-core properties from Guyana Stores Ltd. to PHI, M.P. Insurance Brokers & Consultants, a company affiliated with one of its Directors, has performed the services of brokers for Guyana Stores Ltd. This relationship continues to date, without influence being exercised by the related Director. No service fees are paid by PHI to the insurance broker. During the year, the Company paid insurance premiums amounting to \$514,920.



FORM OF PROXY

The Secretary
Property Holdings Inc.
126 Barrack Street,
Kingston, Guyana

I/We _____

of _____

A Member/Members of Property Holdings Inc. hereby appoint _____

or in his/her absence _____

of _____

as my/our Proxy to vote in my/our name (s) and on my/our behalf upon any matter proposed at the 5th Annual General Meeting of the Property Holdings Inc. to be held on Tuesday November 17, 2009 or any adjournment thereof in such manner as such Proxy may think proper.

As witness my hand this _____ day of _____ 2009.

Signed by the Said _____
(Name of Member/s)

(Signature of Member/s)

Note: To be valid, this form must be completed and deposited with the Secretary at least 48 hours before the time appointed for the meeting or adjointed meeting.