

atlantic hotel inc.



2012

annual report

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CORPORATE INFORMATION

CHAIRMAN / DIRECTOR

Mr. Winston Brassington

REGISTERED OFFICE

**126 Parade & Barrack Streets,
Kingston,
Georgetown,
Guyana.**

Telephone: (592) 225-0317

Facsimile: (592) 226-6426

AUDITORS

Audit Office of Guyana

63 High Street,
Kingston,
Georgetown,
Guyana

REPORT OF THE DIRECTOR

The Board submits the Annual Report of the Atlantic Hotel Inc. (the Company) including its Audited Financial Statements for the year ended 31st December 2012.

Results

Profit for the period totaled G\$1.2m. This was derived from bank interest.

Dividends

No dividends were proposed.

Directors

The Director/Chairman, Mr. Winston Brassington, served throughout the year.

Directors Remuneration

No emoluments were paid to the Director during the year.

Service Contracts with Directors

There were no contracts between Atlantic Hotel Inc. and its Director during the year.

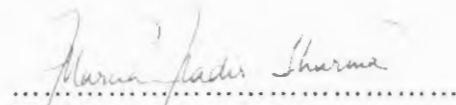
Going Concern

The Director is satisfied that the Company has adequate resources to continue to operate for the foreseeable future. For this reason, he continues to adopt the "going concern" basis for preparing the accounts.

Auditors

Atlantic Hotel Inc. is a subsidiary of National Industrial & Commercial Investments Ltd. (NICIL), a wholly state-owned company. AHI is therefore required by Section 24(1) of the Audit Act 2004, to have its financial statements audited by the Audit Office of Guyana.

By Order of the Board



Marcia Nadir-Sharma
Company Secretary

7th May, 2014

AUDITED FINANCIAL STATEMENTS

Of

atLantic hoteL inc.

For the year ended

31st DECEMBER, 2012



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: 122/2013

02 September 2013

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE ATLANTIC HOTEL INCORPORATED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

I have audited the accompanying financial statements of Atlantic Hotel Incorporated (AHI) which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The Audit was conducted in accordance with the Audit Act 2004.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

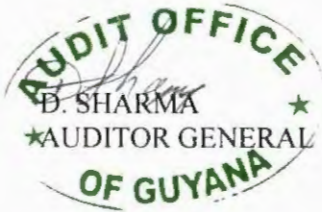
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements give a true and fair view of the financial position of the Atlantic Hotel Incorporated (AHI) as at 31 December 2012, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

ATLANTIC HOTEL INC.

(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012**

| | <u>2012</u> G\$ | <u>2011</u> G\$ |
|------------------------------|-------------------------|--------------------|
| Operating Revenues | - | - |
| Expenses | | |
| Lease Fees - GL&SC | 100,000 | |
| Lease Fees - NICIL | 899,079 | |
| Rates and taxes | 983,600 | |
| | <u>1,982,679</u> | <u>-</u> |
| Bank Interest | 3,158,102 | |
| Profit for the period | <u><u>1,175,423</u></u> | <u><u>-</u></u> |

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

ATLANTIC HOTEL INC.
(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

| | <u>Share Capital</u> GS | <u>Retained Earnings</u> GS | <u>Total</u> GS |
|------------------------------------|--------------------------------|------------------------------------|--------------------|
| Balance at 1 January 2011 | 1,000,000 | - | 1,000,000 |
| Issued during the period | - | - | - |
| Balance at 31 December 2011 | 1,000,000 | - | 1,000,000 |
| Profit for the period | | 1,175,423 | 1,175,423 |
| Issued during the period | 799,000,000 | | 799,000,000 |
| Balance at 31 December 2012 | 800,000,000 | 1,175,423 | 801,175,423 |

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

ATLANTIC HOTEL INC.

(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

| ASSETS | Notes | 2012 | 2011 | 2010 |
|-------------------------------------|--------------|-----------------------------|-----------------------------|-------------------------|
| | | G\$ | G\$ | G\$ |
| Non-current assets | | | | |
| Fixed assets - Work in Progress | 5. | 3,009,988,704 | 2,036,724,516 | - |
| Current assets | | | | |
| Accounts receivable - SCG | 6. | 179,891,624 | | 1,000,000 |
| Bank | | 727,743,878 | 75,484 | - |
| | | <u>907,635,502</u> | <u>75,484</u> | <u>1,000,000</u> |
| TOTAL ASSETS | | <u>3,917,624,206</u> | <u>2,036,800,000</u> | <u>1,000,000</u> |
| EQUITY AND LIABILITIES | | | | |
| Capital and reserves | | | | |
| Share Capital | 3. | 800,000,000 | 1,000,000 | 1,000,000 |
| Retained earnings | | 1,175,423 | - | - |
| | | <u>801,175,423</u> | <u>1,000,000</u> | <u>1,000,000</u> |
| Long-term Liabilities | | | | |
| Subordinated Bonds | 7. | 3,115,866,104 | 2,035,800,000 | - |
| Other creditors | | 582,679 | - | - |
| | | <u>3,116,448,783</u> | <u>2,035,800,000</u> | <u>-</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>3,917,624,206</u> | <u>2,036,800,000</u> | <u>1,000,000</u> |

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

The financial statements were approved by the Board of Director on 26 AUG 2013 and signed on its behalf by:

Director W. K. Ryt Company Secretary Manoj Pradi Sharma

ATLANTIC HOTEL INC.*(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)***CASH FLOW STATEMENT****FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012**

| | 2012 | 2011 |
|---|----------------------|------------------------|
| | G\$ | G\$ |
| Operating activities | | |
| Net loss for the year | 1,175,423 | - |
| Adjustments for: | | |
| Depreciation | - | - |
| (Increase)/ decrease in receivables | (179,891,624) | 1,000,000 |
| Increase in payables | 582,679 | 2,035,800,000 |
| Decrease in other creditors | - | - |
| | <hr/> | <hr/> |
| Cash provided by operating activities | (178,133,522) | 2,036,800,000 |
| Investing activities | | |
| Movement in work in progress | (973,264,188) | (2,036,724,516) |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (973,264,188) | (2,036,724,516) |
| Financing activities | | |
| Increase in subordinated bonds | 1,080,066,104 | - |
| Increase in share capital | 799,000,000 | - |
| | <hr/> | <hr/> |
| Net provided by financing activities | 1,879,066,104 | - |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 727,668,394 | 75,484 |
| Cash and cash equivalents at the beginning of the period | 75,484 | - |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 727,743,878 | 75,484 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

ATLANTIC HOTEL INC.
(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)
NOTES TO THE ACCOUNTS
FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

1. Incorporation

Atlantic Hotel Inc. was incorporated on 10 September 2009 as a public-private partnership company to engage in hotel development and hospitality services. This includes the construction, ownership and operation of a five-star international hotel and entertainment

2. Summary of significant of accounting policies

(a) Accounting convention

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

(b) Fixed assets

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

| | |
|-------------------------|-----|
| Buildings | 2% |
| Furniture and Equipment | 20% |
| Motor Vehicles | 25% |

(c) Foreign currency

Foreign currency transactions completed during the year are translated to Guyana dollars at the Republic Bank Ltd. Cambio rates of exchange ruling at the dates of such transactions. At the Statement of Financial Position date all amounts denominated in foreign currencies are translated to Guyana dollars at the Republic Bank Ltd. Cambio exchange rates ruling at that date or at rates agreed by Bank of Guyana. Gains and losses resulting from such transactions are included in the statement of comprehensive income for the year.

ATLANTIC HOTEL INC.
(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)
NOTES TO THE ACCOUNTS
FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

2. Summary of significant of accounting policies cont'd

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using primarily the weighted average cost basis.

(e) Expenditures

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

| | 2012 G\$ | 2011 G\$ |
|--|----------------------|------------------|
| 3. Share Capital | | |
| Authorised | | |
| 300,000 (2011 - 10,000 @ G\$100) ordinary shares @ G\$10,000 | 3,000,000,000 | 1,000,000 |
| Issued & Fully Paid | | |
| 80,000 (2011 - 10,000 @ G\$100) ordinary shares @ G\$10,000 | 800,000,000 | 1,000,000 |

4. 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.

ATLANTIC HOTEL INC.

(Wholly owned subsidiary of National Industrial & Commercial Investments Ltd.)

NOTES TO THE ACCOUNTS

FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

| 5. Fixed Assets | 2012 | 2011 |
|---|----------------------|----------------------|
| Summary of Work in Progress | G\$ | G\$ |
| SCG - Value of Works Completed | 2,950,522,600 | 2,036,724,516 |
| Geotech Associates Ltd. | 15,866,104 | - |
| M A Angeliades Inc. - Construction Management | 43,600,000 | - |
| | 3,009,988,704 | 2,036,724,516 |
| | 137,291,624 | 42,600,000 |
| | 179,891,624 | - |

6. Accounts receivable

SCG International Caribbean Ltd. (i)
M A Angeliades Inc. (ii)

137,291,624
42,600,000

179,891,624

(i) This amount represents the balance due from SCG on the mobilisation advance, less excess works completed. The amount is secured by a Mobilisation Advance Bond. The balance arose as a result of an agreed payment schedule change in December 2012. The mobilization advance will be amortised over 8 payments of which 4 has been recovered to date. Payments will be made to SCG only in excess of the value of the monthly amortised amount (US\$1.27m).

(ii) This amount represents the balance due from MA Angeliades Inc. on the mobilization advance. The amount is secured by a Mobilisation Advance Bond. Repayment of this advance will be amortised starting from the 9th payment. Five payments have been made to date.

7. Subordinated Bonds

AHI has by its Board resolution passed on 11th April 2013, created one hundred and fifty five thousand (155,000) subordinated bonds in the Company of one hundred U.S. Dollars (US\$100) each. ("Subordinated Bonds"), to be constituted as provided in the Subordinated Bond Agreement and issued as consideration for NICIL's provision of US\$15,500,000 debt financing to AHI.

1. Interest on the Subordinated Bonds shall be paid by the Company to the Bondholders at the rate of 0%;
2. The maturity date for the Subordinated Bonds shall be 30th April, 2028 (being 15 years from the date of Financial Close).
3. AHI retains the right and/or option to make partial payments or equal installments of 1/15th or full payment on the principal prior to the Maturity Date in accordance with Schedule B of the Subordinated Bond Agreement.
4. Any sums expended by NICIL under the SCG contract's provisional sum of US\$1.5m will be treated as a Subordinate Bond issued in favour of NICIL.

ATLANTIC HOTEL INC.

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NOTES TO THE ACCOUNTS

FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

8. Related Party Transactions

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

(a) Transactions with National Industrial & Commercial Investments Ltd. (NICIL):

Since Incorporation of the Company the administrative functions of AHI were done by the office of NICIL. No management fees have been charged or paid.

Net transactions with NICIL for the year is G\$582,679.

9. Leases

(a) GL&SC Lease Agreement

AHI entered into a Lease Agreement dated 16th of March, 2011 with Guyana Lands and Surveys Commission (GL&SC) for Tract "P" comprising 1.264 and Tract "R" comprising 1.162 acres. The term of the lease is for 99 years commencing from October 12, 2010. The annual basic rent is GYD\$50,000 payable in advance on the first day of each year. The Lessee is also liable for payment of rates and taxes, insurance and maintenance of the demised tracts and all drainage and irrigation works as may be specified by the Sea Defence Board.

Clause 19 of the GL&SC Lease Agreement representing Fees, states that "Any and all applicable fees related to the registration of the lease shall be borne solely by the lessee." However, pursuant to the Lands Department Act, Cap.59:01 and further to the powers conferred to the President and the Commissioner under the State Lands Act, Cap.62:01, leases issued by the Guyana Lands and Survey Commission on behalf of the State for State Land do not require advertisement in accordance with procedures set out in Deeds Registry Act or Land Registry Act.

(b) Block Alpha Lease Agreement

AHI entered into a Lease Agreement with NICIL executed on the 28th day of January 2010, to lease the demised unit (land only) known as "Block Alpha" comprising of 6.88 acres (299,693 sq. ft.) located at the North Western Part of Kingston, Georgetown at an annual rent of one Guyana dollar (GYD\$1) per square foot of the Demised Unit. Rent is payable in advance on the first day of each year. Under the Block Alpha Lease Agreement, AHI has the option to purchase the demised unit for One Million Dollars USD (\$1,000,000) or the Guyana Dollar equivalent any time after the commencement of hotel operations or substantial completion of construction whichever is earlier. Additionally, under the Block Alpha Lease Agreement the Company must pay all rates and taxes, insurance and is responsible for the maintenance of the demised unit and all costs, charges and expenses, including legal and survey fees incurred in finalizing the Block Alpha Lease Agreement.

ATLANTIC HOTEL INC.

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NOTES TO THE ACCOUNTS

FOR THE PERIOD 1 JANUARY 2012 TO 31 DECEMBER 2012

10. Pending Litigations

- (a) Case:** Action No. 342-W of 2012 - Pegasus Hotels of Guyana Ltd. et al v. Atlantic Hotel Inc. et al
- Summary:** Pegasus Hotel applied for an order that they have a right to drainage, various injunctive reliefs, damages and costs as well as such further or other order as the Court deems just with respect to the use of a drain currently situated on Block Alpha.
- Counsel:** Timothy Jonas
- Status:** Court removed interlocutory injunction by consent of parties. Substantive action to progress in normal course.

FORM OF PROXY

The Secretary
Atlantic Hotel Inc.,
126 Parade & Barrack Streets,
Georgetown
Region No. 4
Guyana.

I/ We.....of

.....

A Member / Member of Atlantic Hotel Inc. hereby appoint

.....

or in his/her absenceof

.....as my/ our Proxy to vote in
my/ our name(s) and my/ our behalf upon any matter proposed at the 3rd Annual General Meeting
of the Atlantic Hotel Inc. to be held on, 2014 or any adjournment thereof in such manner
as such Proxy may think proper.

As witness my hand thisDay of.....

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 14 days
before the time appointed for the meeting or adjourned meeting.

