

atlantic hotel inc.

2013 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 31<sup>st</sup> December 2013.

### **Results**

Loss for the period totaled G\$0.5m. (2012 – Profit G\$1.2m)

### **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.

### **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). NICIL is a wholly state-owned company and is required by Section 24(1) of the Audit Act 2004, to have its financial statements and its subsidiaries audited by the Audit Office of Guyana.

By Order of the Board



Marcia Nadir-Sharma  
Company Secretary

October, 2014

audited financial statements

of

atlantic hotel inc.

for the year ended

31<sup>st</sup> december, 2013



## 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: 56/2014

10 July 2014

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 2013

I have audited the accompanying financial statements of Atlantic Hotel Incorporated (AHI), which comprise the statement of financial position as at 31 December 2013, 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, in all material respects, of the financial position of Atlantic Hotel Incorporated (AHI) as at 31 December 2013, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 FINANCIAL POSITION

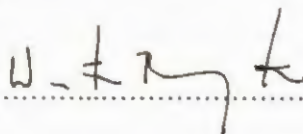
AS AT 31 DECEMBER 2013

	Notes	2013 GS	2012 GS	2011 GS
<b>ASSETS</b>				
<b>Non-current assets</b>				
Fixed assets	5.	6,851,392,904	3,009,988,704	2,036,724,516
<b>Current assets</b>				
Accounts receivable	6.	25,512,000	179,891,624	-
Bank		63,937,382	727,743,878	75,484
		<u>89,449,382</u>	<u>907,635,502</u>	<u>75,484</u>
<b>TOTAL ASSETS</b>		<u><u>6,940,842,286</u></u>	<u><u>3,917,624,206</u></u>	<u><u>2,036,800,000</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share Capital	3.	800,000,000	800,000,000	1,000,000
Retained earnings		694,240	1,175,423	-
		<u>800,694,240</u>	<u>801,175,423</u>	<u>1,000,000</u>
<b>Long-term Liabilities</b>				
Subordinated Bonds	7.	3,315,866,104	3,115,866,104	2,035,800,000
Other Creditors		-	582,679	-
Due to SCG (retention)		324,555,946	-	-
		<u>3,640,422,050</u>	<u>3,116,448,783</u>	<u>2,035,800,000</u>
<b>Current Liabilities</b>				
Due to Parent Company		1,255,116,050	-	-
Due to SCG		1,244,609,946	-	-
		<u>2,499,725,996</u>	<u>-</u>	<u>-</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,940,842,286</u></u>	<u><u>3,917,624,206</u></u>	<u><u>2,036,800,000</u></u>

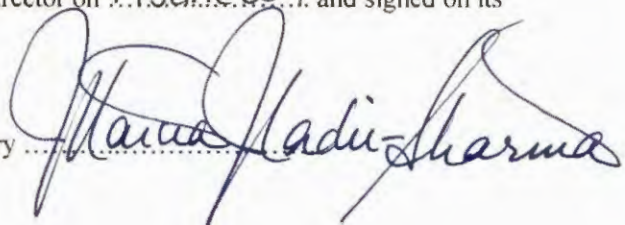
"The accompanying notes form an integral part of these financial statements".

The financial statements were approved by the Board of Director on 19 June 2014 and signed on its behalf by:

Director



Company Secretary





**ATLANTIC HOTEL INC.**

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

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

	<u>2013</u> <u>G\$</u>	<u>2012</u> <u>G\$</u>
<b>Operating Revenues</b>	-	-
<b>Expenses</b>		-
Lease Fees - GL&SC	50,000	100,000
Lease Fees - NICIL	299,693	899,079
Rates and taxes	491,800	983,600
Bank Charges	71,100	-
	<u>912,593</u>	<u>1,982,679</u>
Bank Interest	431,410	3,158,102
<b>Profit for the period</b>	<u>(481,183)</u>	<u>1,175,423</u>

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

**ATLANTIC HOTEL INC.**  
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**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

	<u>Share Capital</u> G\$	<u>Retained Earnings</u> G\$	<u>Total</u> G\$
<b>Balance at 1 January 2012</b>	<b>1,000,000</b>	-	<b>1,000,000</b>
Profit for the period		1,175,423	1,175,423
Issued during the period	799,000,000	-	799,000,000
<b>Balance at 31 December 2012</b>	<b>800,000,000</b>	<b>1,175,423</b>	<b>801,175,423</b>
Profit for the period		(481,183)	(481,183)
<b>Balance at 31 December 2013</b>	<b>800,000,000</b>	<b>694,240</b>	<b>800,694,240</b>

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

**ATLANTIC HOTEL INC.**  
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**CASH FLOW STATEMENT**  
**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

<b>Operating activities</b>	<b>2013</b> <b>G\$</b>	<b>2012</b> <b>G\$</b>
<b>Net profit/ (loss) for the year</b>	<b>(481,183)</b>	<b>1,175,423</b>
Adjustments for:		
Depreciation	-	-
(Increase)/decrease in receivables	154,379,624	(179,891,624)
Increase in long-term liabilities	323,973,267	-
Increase in creditors	2,499,725,996	582,679
<b>Cash provided by operating activities</b>	<b>2,977,597,704</b>	<b>(178,133,522)</b>
<b>Investing Activities</b>		
Movement in fixed assets	(3,841,404,200)	(973,264,188)
<b>Net cash used in investing activities</b>	<b>(3,841,404,200)</b>	<b>(973,264,188)</b>
<b>Financing activities</b>		
Increase in Subordinated Bond	200,000,000	1,080,066,104
Increase in Share Capital	-	799,000,000
<b>Net provided by financing activities</b>	<b>200,000,000</b>	<b>1,879,066,104</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(663,806,496)</b>	<b>727,668,394</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>727,743,878</b>	<b>75,484</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>63,937,382</b>	<b>727,743,878</b>

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

**ATLANTIC HOTEL INC.**

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**NOTES TO THE ACCOUNTS**

**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

**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 complex.

**2. Summary of significant 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.**  
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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

**2. Summary of significant 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) Expenditure**

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

	<b>2013</b>	<b>2012</b>
	<b>G\$</b>	<b>G\$</b>
<b>3. Share Capital</b>		
<b>(a) Authorised</b>		
300,000 ordinary shares @ G\$10,000	<b>3,000,000,000</b>	<b>3,000,000,000</b>
<b>Issued &amp; Fully Paid</b>		
80,000 ordinary shares @ G\$10,000	<b>800,000,000</b>	<b>800,000,000</b>

**(b) Subscription Agreement and Shareholders' Agreement**

A Share Subscription Agreement and Shareholders' Agreement was executed with ACE Square Investments Ltd. on the 12th day of April 2013 for the purchase of one hundred and sixty thousand (160,000) of the common (ordinary) shares in the Company to be issued as of the Completion Date, representing 67% of the issued common shares of the Company.

**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

**(ii) Fair values**

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

**ATLANTIC HOTEL INC.**

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**NOTES TO THE ACCOUNTS**

**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

<b>5. Fixed Assets</b>	<b>2013</b>	<b>2012</b>
<b>(a) Summary of Work in Progress</b>	<b>GS</b>	<b>GS</b>
SCG - Value of Works Completed	6,491,118,800	2,950,522,600
Marriott International Design & Construction Services	18,008,000	-
Geotech Associates Ltd.	15,866,104	15,866,104
M A Angeliades Inc. - Construction Management	126,400,000	43,600,000
	<u><b>6,651,392,904</b></u>	<u><b>3,009,988,704</b></u>
 <b>(b) Freehold Land</b>	 <u><b>200,000,000</b></u>	 <u><b>-</b></u>

The Option to Purchase, granted under the Lease to Block Alpha between NICIL and the Company executed on the 28th of January, 2010, has been exercised under a Sale Agreement between NICIL and the Company dated July 15, 2013. The Company has acquired exclusive freehold title to Block Alpha via Vesting Order No. 15 of 2013.

<b>6. Accounts receivable</b>	<b>2013</b>	<b>2012</b>
	<b>GS</b>	<b>GS</b>
SCG International Caribbean Ltd. <i>(i)</i>	-	137,291,624
M A Angeliades Inc. <i>(ii)</i>	25,512,000	42,600,000
	<u><b>25,512,000</b></u>	<u><b>179,891,624</b></u>

*(i)* This amount represents the balance due from SCG on a mobilisation advance (secured by a Mobilisation Advance Bond), less excess works completed. The mobilisation advance was amortised over 8 payments of which all have been recovered to date. Payments will be made to SCG when the value of the monthly amortised amount exceeds US\$1.27M.

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

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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

**7. Subordinated Bonds**

AHI has by Board resolution passed on 11th April 2013, created 155,000 subordinated bonds in the Company of US\$100 each, 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.

- a. Interest on the Subordinated Bonds shall be paid by the Company to the Bondholders at the rate of 0%;
- b. The maturity date for the Subordinated Bonds shall be the Full Repayment Date. Full Repayment Date means the date that is 60 days after the ending date of the 15th full Financial Year after the Opening Date;
- c. AHI retains the right and/or option to make partial payments or equal installments of 1/15<sup>th</sup> or full payment on the principal prior to the Maturity Date in accordance with Schedule B of the Subordinated Bond Agreement.

**Subordinate Bond Threshold**

The Company's Subordinate Bond threshold was increased by shareholder's resolution passed on July 15, 2013, which created 25,125 additional subordinated bonds of US\$100 each.

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**NOTES TO THE ACCOUNTS**  
**FOR THE PERIOD 1 JANUARY 2013 TO 31 DECEMBER 2013**

**8. Related Party Transactions**

The company considers related party transactions to be those 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 has been charged or paid.

Net transactions with NICIL for the year is G\$1,254,533,371.

**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 Section 13.

**(b) Block Alpha Lease Agreement (Superseded by Sale)**

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 2013 TO 31 DECEMBER 2013**

**10. Pending Litigations**

**(a) Case:** Action No. 242-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 absence .....of

.....as my/ our Proxy to vote in  
my/ our name(s) and my/ our behalf upon any matter proposed at the 4th 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 this .....Day 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.