

GUYANA SUGAR CORPORATION INC.

2016 ANNUAL REPORT

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ABBREVIATIONS

Agriculture Services Department (ASD)
Board of Industrial Training (BIT)
Central Analytical & Environmental Monitoring Services (CAEMS)
Central Workshop (CWS)
Contributory Hospitalisation and Maternity Scheme (CH&MS)
Demerara Sugar Terminal (DST)
Diversified Products Division (DPD)
Environmental Protection Agency (EPA)
Estate Health and Safety Officers (EH&SO),
Field Record System (FRS)
Guyana Agricultural and General Workers Union (GAWU).
Guyana Dollars GYD)
Guyana Labour Union (GLU)
Guyana Rice Development Board (GRDB).
Guyana School of Agriculture (GSA)
High Quality Selection Programme (HQSP)
Human Resources Management Committee (HRMC),
Information Systems Department (ISD)
Mega Watts (MW)
National Grade Six Assessment (NGSA)
National Association of Agricultural, Commercial and Industrial Employees (NAACIE)
Occupational Health and Safety (OHS)
Pesticide and Toxic Chemical Control Board (PTCCB)
Skeldon Energy Inc. (SEI)
United States of America (USA)
United States Department of Agriculture (USDA)
World Trade Organization (WTO)

TABLE 1: Ten Year Review

| Operation | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|---------|---------|---------|---------|----------|---------|---------|----------|---------|---------|
| HECTARES HARVESTED | 39,757 | 44,262 | 43,556 | 36,510 | 45,411 | 43,616 | 40,676 | 45,302 | 42,782 | 38,671 |
| TONNES CANE MILLED ('000) | 3,099 | 2,767 | 2,764 | 2,762 | 3,196 | 2,710 | 2,461 | 2,837 | 2,816 | 2,367 |
| YIELDS: | | | | | | | | | | |
| ESTATE - TONNES CANE / HECTARE | 71.97 | 57.71 | 57.50 | 66.32 | 62.58 | 55.31 | 53.55 | 55.66 | 57.96 | 53.81 |
| TONNES CANE /TONNE SUGAR | 11.55 | 12.16 | 11.67 | 12.51 | 13.51 | 12.43 | 13.18 | 13.11 | 12.19 | 12.89 |
| TONNE SUGAR / HECTARE | 6.23 | 4.75 | 4.93 | 5.30 | 4.63 | 4.45 | 4.06 | 4.25 | 4.76 | 4.75 |
| PRODUCTION (TONNES) | | | | | | | | | | |
| SUGAR | 266,482 | 226,267 | 233,736 | 220,818 | 236,505 | 218,068 | 186,755 | 216,358 | 231,071 | 183,615 |
| MOLASSES | 115,048 | 99,280 | 109,598 | 122,281 | 132,733 | 107,617 | 71,162 | 110,145 | 113,564 | 93,880 |
| HOME CONSUMPTION (TONNES): | | | | | | | | | | |
| SUGAR | 23,480 | 23,345 | 23,594 | 22,341 | 20,031 | 22,387 | 22,141 | 20,799 | 21,768 | 22,827 |
| MOLASSES | 46,253 | 74,206 | 92,396 | 37,10 | 38,38 | 28,93 | 56,86 | 4 | 66,182 | 48,946 |
| EXPORT (TONNES): | | | | | | | | | | |
| SUGAR | 244,865 | 205,268 | 217,707 | 195,745 | 210,863 | 196,537 | 163,330 | 189,561 | 212,660 | 158,404 |
| MOLASSES | 57,282 | 19,169 | 12,271 | 70,77 | 92,43 | 79,55 | 14,01 | 0 | 42,164 | 59,083 |
| SALES: | | | | | | | | | | |
| DOMESTIC SUGAR (\$M) | 1,673 | 1,595 | 1,906 | 2,273 | 1,884 | 2,048 | 2,101 | 2,107 | 2,184 | 2,260 |
| AVERAGE PRICE / TONNE(\$) | 71,252 | 68,328 | 76,857 | 101,757 | 94,079 | 91,463 | 94,872 | 101,287 | 100,332 | 101,069 |
| EXPORT SUGAR (\$M) | 27,101 | 23,777 | 24,398 | 18,332 | 23,954 | 26,211 | 23,240 | 17,312 | 15,202 | 14,798 |
| AVERAGE PRICE / TONNE (\$) | 110,676 | 115,832 | 112,067 | 93,652 | 113,601 | 133,363 | 142,288 | 91,327 | 71,487 | 89,256 |
| AVERAGE PRICE / TONNE (US\$) | 545 | 570 | 552 | 462 | 558 | 654 | 694 | 443 | 347 | 433 |
| MOLASSES (\$M) | 1,667 | 1,306 | 1,815 | 1,815 | 3,428 | 3,129 | 2,639 | 2,789 | 2,822 | 2,410 |
| EMPLOYMENT COST | 17,373 | 17,580 | 15,571 | 15,787 | 18,518 | 19,413 | 20,094 | 22,385 | 21,673 | 18,256 |
| MATERIALS AND SERVICES (LOSS) / PROFIT BEFORE TAX AND LEVY | 8,958 | 10,858 | 10,629 | 11,565 | 12,626 | 11,271 | 11,546 | 13,100 | 9,596 | 8,938 |
| (LOSS) / PROFIT AFTER TAX BEFORE LEVY | 2,159 | (6,210) | (1,949) | (5,136) | (11,232) | (1,863) | (2,959) | (22,335) | (2,662) | (1,213) |
| | 630 | (4,089) | (1,323) | (7,387) | (13,896) | (1,246) | 5,736 | (15,730) | (1,868) | (905) |
| AVERAGE MID MARKET | | | | | | | | | | |
| EXCHANGE RATE (G\$/US\$) | 202.99 | 203.34 | 202.99 | 202.83 | 203.63 | 203.99 | 204.99 | 205.98 | 205.98 | 205.98 |

BOARD OF DIRECTORS

The Board of Directors of the Guyana Sugar Corporation Inc., as of December 31, 2016 is as follows:

| | |
|-------------------------------|--|
| Dr. Clive Thomas | Chairman of the Board of Directors |
| Mr. Nizam Ali | Director, Chairman of the Finance Sub-Committee |
| Ms. Louise Bouyea | Director, Chairman of the Central Tender Procurement Sub-Committee |
| Mr. Fritz McLean | Director, Chairman of the Diversification Sub-Committee |
| Mr. John Browman | Director, Chairman of the Lands Sub-Committee |
| Mr. George Jervis | Director |
| Mr. Nigel Cumberbatch | Director |
| Mrs. Sharon Roopchand-Edwards | Director |
| Mr. Vishnu Panday | Director |

CHAIRMAN'S REPORT

After a much improved sugar production in 2015, production in 2016 was considerably lower at just over 183,000 tonnes sugar. The El Nino effect produced extremely dry conditions in the first half of the year, in stark contrast to that of the second half and this contributed significantly to the reduced sugar production. The under-capitalization of the industry in previous years continued to plague operations, as run down field infrastructure, lack of adequate machinery and equipment and inadequate investment in the factories all contributed to the inefficiency of operations. Poor turnout of harvesters, particularly in the Demerara region, and crop husbandry personnel continue to be a cause for concern.

Prolonged rains, which delayed the startup of the second crop and industrial relations issues affected the industry in the second half of the year and contributed to the carryover of 150,000 canes into the 1st crop of 2017.

The Wales factory was closed in December 2016. Tillage and planting employees were offered work at the Uitvlugt estate during 2016 and cane harvesters were offered work at the same estate from January 2017. The decision was taken to transition the estate into diversified activities. The diversification initiatives to be pursued include:

- Livestock, including beef and dairy cattle
- Value added processing –juice and milk plants
- Ducks
- Apiculture
- Aquaculture
- Fruit crops
- Grains and legumes
- Seed paddy production

In relation to seed paddy production the Corporation has commenced a 450-485 hectares seed paddy pilot project, in collaboration with the Guyana Rice Development Board. The Corporation commissioned an independent Aquaculture Farming Consultant, AqualSol Inc., to conduct a feasibility study on aquaculture. The feasibility report should be completed in early 2017.

The difficulties experienced by the industry have also resulted in extremely poor liquidity with the Corporation unable to make significant inroads into its backlog of debts and also took extended periods of time in paying its suppliers. A subsidy of \$11bn was received from the Government of Guyana, which assisted in sustaining routine operations throughout the year. Unfortunately little of this subsidy went towards expenditure on capital inputs which will not assist in the under-capitalization of the industry.

As a result of the low performance and not being able to generate sufficient cash for its operations it was rather disheartening that the Corporation was unable to provide a wage increase for its workers for the second consecutive year. This was a major interference in advancing our

industrial relations, with a significant number of strikes recorded. The Board and the Corporation endeavor to work diligently to prevent such a recurrence; however the support of all workers within the industry is critical in this task. It is essential that everyone works together with the same goal of seeing the Corporation return to stable grounds which will certainly be a benefit to all concerned.

In light of the challenges faced by the Corporation, the Board is pleased to know that the Corporation is committed to equipping management and staff with the vital skills necessary for the survival of the industry through training and financial assistance towards education.

The Board therefore foresees 2017 as a critical year, as the Corporation continues its drive to improve on the production level, strive for productivity improvements and a lower cost base, as costs are now well in excess of the average price it receives for sugar sold. The Board is confident that Management and staff will work hard together to bring the Corporation back on track.

The Board will also continue to work assiduously with management for the success of the Corporation and its workers.

I take this opportunity to thank the members of the Board, management and workforce for their support and commitment throughout the year and challenge all to continue their dedication and diligence during the coming year.

Professor Clive Thomas
Chairman
Guyana Sugar Corporation Inc.

AGRICULTURE OPERATIONS

OVERVIEW

Operation during the year was influenced by extreme tropical weather conditions. During the first crop, the industry experienced a continuing of the *El Niño* weather phenomenon which began in the second half of 2015. The second crop was affected, in part by the late cessation of the May-June extreme rainy season which forced a delay in the commencement of the crop, and a continuation of the crop into the year-end rains. As a result of the adverse weather conditions, cane growth; field yields; sugar recoveries; and the achievement of the estates' land preparation, replanting, harvesting and crop husbandry work programmes were all negatively affected. The late start of the second crop ultimately resulted in the carrying-forward of some 3,961.2 hectares of unharvested canes into the first crop of 2017.

A total of 183,615 tonnes of sugar was produced from the harvesting of 44,272.8 hectares. This represents an achievement of 76.7% of the budgeted sugar production budgeted for 2016.

The adverse weather during the year influenced a rodent outbreak that affected the entire industry to varying degrees. This upsurge in rodent infestation and damage is expected to severely impact yields and recoveries during 2017.

As a result of the difficulties brought on by the unfavourable weather, Estates were forced to commit additional resources in pursuit of their work programmes. Private farmers were similarly affected, and this was evident in the severe underachievement of their respective production programmes. Water management during the first crop was very critical, as Estates had to recirculate drainage water into the navigation system to facilitate punt flotation and allow for continuous factory operations. The Estates were also supported in their water management efforts by the various Conservancies Boards which instituted water rationing measures.

Adequate fertilizers, cane-ripeners and pesticides were available throughout the year. However, estates continued to struggle with fielding adequate labour for timely implementation of agricultural operations, including field sanitation and the application of agro-chemicals. Some estates did not have machines and implements fully operable and in the numbers required to compensate for the labour shortage, and to execute field operations as needed.

Machine availability and utilization throughout the year averaged 60.2% and 53.2%, respectively. In addition to land preparation, other critical operations that have been mechanized over the years, and which includes ratoon drain rehabilitation and mechanical application of fertilizers and herbicides, were also affected adversely.

The Wales estate permanently ceased sugar production the week of December 23, 2016. During the second crop it had harvested some brought-forward canes that were in better condition than the true-crop canes; as such the second crop closed without all the canes being harvested.

PRODUCTION

TABLE 2: Estates' and Farmers' Hectares Harvested, Cane Yields, Cane and Sugar Production for 2016

| Location | Hectares Harvested | Cane Yields / tonnes canes per hectare | Canes Harvested / tonnes | Factory Recoveries / tonnes cane per tonne sugar | Sugar Produced / tonnes |
|-----------------|--------------------|--|--------------------------|--|-------------------------|
| Estate | | | | | |
| Skeldon | 7,734 | 49.07 | 379,525 | 14.21 | 26,712 |
| Albion | 8,342 | 60.42 | 504,042 | 11.19 | 45,050 |
| Rose Hall | 5,349 | 52.08 | 278,592 | 14.36 | 19,401 |
| Blairmont | 5,646 | 69.17 | 390,574 | 11.84 | 33,000 |
| East Demerara | 5,772 | 44.98 | 259,645 | 13.85 | 18,751 |
| Wales | 2,421 | 44.56 | 107,898 | 13.54 | 7,971 |
| Uitvlugt | 3,406 | 47.17 | 160,648 | 13.12 | 12,246 |
| Total | 38,671 | 53.81 | 2,080,925 | 12.76 | 163,131 |
| Farmers | | | | | |
| Skeldon | 1,835 | 42.31 | 77,630 | 15.31 | 5,070 |
| Albion | 212 | 42.69 | 9,041 | 12.99 | 696 |
| Rose Hall | 502 | 57.78 | 29,020 | 13.17 | 2,204 |
| Blairmont | | | | | |
| East Demerara | 252 | 32.39 | 8,170 | 13.83 | 591 |
| Wales | 2,298 | 52.47 | 120,569 | 13.64 | 8,838 |
| Uitvlugt | 541 | 76.60 | 41,446 | 13.44 | 3,085 |
| Total | 5,640 | 50.69 | 285,876 | 13.96 | 20,484 |
| INDUSTRY | | | | | |
| Skeldon | 9,569 | 47.78 | 457,155 | 14.38 | 31,782 |
| Albion | 8,554 | 59.98 | 513,083 | 11.22 | 45,746 |
| Rose Hall | 5,852 | 52.57 | 307,613 | 14.24 | 21,605 |
| Blairmont | 5,646 | 69.17 | 390,574 | 11.84 | 33,000 |
| East Demerara | 6,024 | 44.46 | 267,815 | 13.85 | 19,342 |
| Wales | 4,719 | 48.41 | 228,467 | 13.59 | 16,809 |
| Uitvlugt | 3,947 | 51.20 | 202,094 | 13.18 | 15,330 |
| Total | 44,311 | 53.41 | 2,366,801 | 12.89 | 183,615 |

The total production achieved for 2016 was 183,615 tonnes sugar. All estates fell below their budgeted production (tonnes cane and tonnes sugar); yields (tonnes cane per hectare) and sugar recovery (tonnes cane per tonnes sugar) values, possibly resulting from a combination of several factors which included unfavourable weather and growing conditions; water stress; elevated soil salinity; inadequate cane nutrition; extended burning-to-grinding intervals, and the worsening impact of pests, particularly rodent damage. Private farmers associated with the estates were also affected by the preceding factors. The first crop production was 56,645 tonnes, falling

23,625 tonnes below the budgeted target of 80,270 tonnes. The second crop realised a production of 126,970 tonnes of sugar, with a deficit of 32,273 tonnes below the target of 159,243 tonnes sugar.

While cane yields in the second crop were significantly better than the first crop, the entire crop could not be taken off. This happened as a result of a delayed start to the second crop of between two and six weeks on the different estates, due in part to adverse weather conditions. Ultimately, all estates with the exception of Uitvlugt closed their crop in the latter two weeks of December 2016 with unharvested mature canes in cultivations.

Estates' factories continued to suffer extended periods of out-of-cane which resulted mostly from labour shortages among the harvesters, and under-utilization of the mechanical harvesters and Bell cane-loaders. Harvesters' turnout for 2016 averaged 54.4%, with a poorer turnout for the 1st crop. Strikes resulted in a significant loss of harvester man-days. The shortage of labour resulted in the extension of both crops into the rainy periods.

TABLE 3: Average Percentage (5) Turnout for Cane Harvesters on Each Estate for 2016

| Estate / Crop | SWR | AN/PM | RHE | BCF | EDE | GV | ICBU | INDUSTRY |
|----------------------|------|-------|------|------|------|------|------|----------|
| 1 st Crop | 53.0 | 52.8 | 46.9 | 56.0 | 42.1 | 53.9 | 48.5 | 50.2 |
| 2 nd Crop | 62.3 | 61.9 | 57.7 | 56.2 | 49.4 | 57.1 | 53.0 | 56.7 |
| Year | 60.2 | 58.5 | 54.1 | 56.2 | 46.6 | 55.8 | 50.8 | 54.4 |

TABLE 4: Out-of-Cane Hours for each Factory/Estate for 2016

| Estate / Crop | SWR | AN/PM | RHE | BCF | EDE | GV | ICBU | INDUSTRY |
|----------------------|-------|-------|-------|-------|-------|---------|---------|----------|
| 1 st Crop | 157.3 | 391.8 | 196.5 | 244.1 | 406.7 | 512.6 | 565.3 | 2,474.2 |
| 2 nd Crop | 245.1 | 543.0 | 429.6 | 293.7 | 370.7 | 598.4 | 536.6 | 3,017.1 |
| Year | 402.4 | 934.7 | 626.1 | 537.9 | 777.4 | 1,111.0 | 1,101.8 | 5,491.3 |

LAND PREPARATION AND PLANTING

Land Preparation

In 2016 the industry completed 4,960.3 hectares of land preparation against a budget of 8,467.9 hectares (58.6% achievement). Of this total, farmers' tillage was 234.5 hectares (24.7% of the farmers' tillage programme). Shortfall in tillage was mainly as a result of a late start of the harvesting and tillage programmes, due to continuing mid-year rainfall, and low availability and utilization of the field machinery fleet. The average opportunity days available to the estates were of 25 and 42 days for the first and second crops, respectively.

By the end of 2016, the estates had a total of 721.6 hectares of prepared land (under wet fallow conditions) that was available for planting.

Planting

Estates completed 4,792.3 hectares of planting against a budget of 7,349 hectares (65.2% achievement), while farmers planted 285.4 hectares against a budget of 950.0 hectares (30.0% achievement). Farmers were, primarily, hesitant/reluctant to undertake tillage and replanting of their fields, or to take up additional lands that were available, citing their reasons for being reluctant was due to the high investment costs, and the continuing low price being paid for sugar.

The shortfall in planting on the estates occurred despite an extension of the planting season by four to six weeks in the respective crops. The deficit was partially a result of the limited amount of land tilled and made available progressively for planting, but more so the inadequacy of labour for planting.

Supplying

Estates were able to complete 3,217.1 hectares of supplying, against a budget of 3,062.1 hectares (105.1% achievement). Albion and Uitvlugt estates surpassed their supplying targets by 400.3 and 223.0 hectares, respectively. Estates took advantage of favourable rainy weather conditions during the mid-year and December periods to maximize supplying, especially in an effort to make up for the shortfall in planting.

TABLE 5: Industry’s Land Preparation, Planting and Supplying Achievements for 2016

| | Tillage | Planting ha | Supplying |
|-----------------|----------------|------------------------|------------------|
| Skeldon | 1,026 | 1,016 | 487 |
| Albion | 901 | 1,178 | 892 |
| Rose Hall | 454 | 546 | 219 |
| Blairmont | 650 | 716 | 334 |
| East Demerara | 731 | 580 | 271 |
| Uitvlugt | 911 | 757 | 1,014 |
| Industry | 4,675 | 4,792 | 3,217 |

PROVISION OF TECHNICAL SUPPORT

During 2016, the Agriculture Services Department continued to provide support to Estates and private farmers, ensuring that there was optimal availability of agricultural inputs such as fertilizers and pesticides, and technical skills to address critical issues. However, the unavailability of sufficient funds affected the replacement and maintenance programmes for the current fleet of field machinery, implements and other equipment, as well as water management and transport infrastructure. As a result of this inadequate expenditure on equipment and infrastructure, all Estates continued to operate with some amount of deficiency.

During the year, the Department was involved in providing technical support and supervision for a number of initiatives, including:

- i. New and ongoing civil works, which included the refurbishment of several buildings at the LBI Estate that when completed will facilitate the relocation and consolidation of all Head Office operations to LBI; and the construction of a new office building at Enmore Estate to facilitate consolidation of the East Demerara Estate's administration;
- ii. The evaluation of field machinery and equipment that can be adapted and introduced for routine agricultural use;
- iii. Conducting cadastral surveys and preparing estimates for (a) developing lands identified for agricultural diversification at Wales Estate, and (b) for establishing road linkages between the Wales farmers and the Uitvlugt factory;
- iv. Monitoring the condition of drainage and irrigation (D & I) infrastructure and liaising with the National Drainage and Irrigation Authority (NDIA) for maintenance and improvements where applicable;
- v. Determining the extent of Drainage and Irrigation services currently being provided to communities by GuySuCo, and the costs associated with these services;
- vi. Determining the cost of providing road access to non-cane farmers and other parties who operate within or at the back of estate lands, and preparing a proposal for recovering such costs; and,

The Agriculture Services Department (ASD) also facilitated a preliminary review of the Guyana Defence Force's farming operations at Garden of Eden, with a view of improving land use, waste disposal, drainage and irrigation.

Staff of the Department were also routinely involved as resource personnel for training programmes conducted by the Estates, and also by the workers' union – the Guyana Agricultural and General Workers Union (GAWU).

AGRICULTURAL INFORMATION MANAGEMENT SYSTEMS

The Agricultural Statistics arm of the Department continued to aggregate and collate agricultural production data from all Estates, and to facilitate the use of such data as means of monitoring progress, timeliness of agricultural operations and the use of resources on the estates. The continual improvement of the daily and weekly operation reports and the Field Record System (FRS) and the training of Estate personnel in the use and updating of these in-house monitoring tools, were key areas of focus for this sub-department.

Collaboration with the Information Systems Department (ISD). in the pilot testing of the *CanePro* agricultural information system software at the East Demerara Estate, and the transfer of data from the FRS to *CanePro* was also an important project for the Statistics unit.

Monitoring of work standards; verification of field estimates; agricultural quality control, and investigations of anomalies in agricultural practices and results were also done on a routine basis by the agricultural specialists in the Department. The agricultural engineers in the Department continually monitored the maintenance, availability and appropriate utilization of field machinery and equipment on the Estates. Focus also increased on the quality of spares and

materials used for machine and equipment repairs, as well as the quality of workmanship accepted by Estates' field workshops.

AGRICULTURAL ENGINEERING / CAPITAL WORKS

During 2016, the Central Workshop (CWS) at Albion manufactured 34 new cane punts, and assisted the Albion Estate with re-bottoming another 122 punts. In addition, the CWS performed 276 major repair and fabrication works for the different estates and other facilities in GuySuCo.

A total of 2.204 billion dollars (GYD) was budgeted for capital projects in the agriculture department. However, due to the severe shortage of funds only 107 million dollars (4.85% of amount budgeted) was approved and expended.

AGRICULTURE RESEARCH

In 2016, the Department's scientists have contributed monitoring and advisory support to estates where necessary. The department continues to support the Estates in technical advice and support. The weather overall in 2016 was reasonable when compared to the very dry 2015, the mean annual rainfall was 2055 mm, just over 2% above the historical mean of 2002 mm. In terms of annual distribution, extreme dry conditions prevailed during the months of January to March, with the Berbice region being driest and Demerara not far behind, with actual readings for each month recording levels well below the Long Term means for the respective months across the Industry.

Emphasis continued to be placed on the High Quality Selection Programme (HQSP) which is being run with close cooperation with the High Quality programme of the West Indies Sugar Central Sugarcane Breeding Station; the department commenced 2016 with 118,729 seedlings, 1,600 clones and 2,381 varieties under evaluation. During the year, 47,715 seedlings were planted for stage one evaluation, 15,023 of which were established to facilitate analysis of the crosses as family. In addition, 1,913 clones were advanced to stage three and assigned their permanent identification numbers. Ten very promising varieties were selected for further evaluation in Stage four with the prospect of becoming commercial varieties in the near future.

Throughout the year there were no major outbreaks or severe widespread infestation and damages by any of our major or minor insect or rodent pest, throughout the year. Seasonal rodent outbreak was somewhat widespread across the industry during November-December period. Weed management in GuySuCo continues to emphasise pre-emergent or early post-emergent herbicide applications. When effectively utilised, these chemicals allow for adequate control and result in the minimal use of post-emergent spot spraying. Screening new formulations and combinations, for efficacy and phytotoxicity continued at all estates. Efforts to bring existing problem weeds to a manageable level continued throughout 2016.

The department continues to work with the Ministry of Agriculture, the Pesticide and Toxic Chemical Control Board (PTCCB) and Environmental Protection Agency (EPA) on safe

working area and practices for aerial application of agrichemicals. The Central Analytical & Environmental Monitoring Services (CAEMS) Forty Four Thousand Seven Hundred and Ten (44,710) analyses were conducted on Eight Thousand Eight Hundred and Sixty Eight (8,868) samples during the year. The majority of these analyses were required for the monitoring of routine operations and research projects carried out by the Corporation's Agriculture and Factory Departments.

FACTORY OPERATIONS

PRODUCTION

Sugar production for 2016 totalled 183,615 tonnes.

The 'El Nino' weather phenomenon in the first ^t crop resulted in severe cane shortages and loss of production by 23,624 tonnes to 56,645 tonnes against an estimate of 80,270 tonnes. The second crop production of 126,970 tonnes against an estimate of 137,764 tonnes was affected by factory problems and delayed start of grinding. Both crops were also affected by labour shortages particularly in the Demerara locations affecting continuous cane supply to the factories.

These challenges also resulted in very high diesel engine use, an extended crop period and a consequential increase in cost.

WEEKLY GRINDING HOURS

Average weekly grinding hours for all factories were only 102.45 hours against a budget of 130.0 hours, notwithstanding , performance from Blairmont and Albion Estates was outstanding..

TABLE 6: Average Weekly Grinding Hours for 2016

| FACTORY | 1st CROP | 2nd CROP | YEAR 2016 |
|------------------|----------------------------|----------------------------|------------------|
| SKELDON | 85.48 | 104.51 | 100.45 |
| ALBION | 97.72 | 110.57 | 105.99 |
| ROSEHALL | 91.41 | 100.60 | 97.68 |
| BLAIRMONT | 122.31 | 121.91 | 122.05 |
| ENMORE | 86.57 | 106.16 | 99.56 |

| | | | |
|-----------------|--------------|---------------|---------------|
| WALES | 84.80 | 96.12 | 92.14 |
| UITVLUGT | 91.04 | 94.50 | 92.82 |
| INDUSTRY | 95.65 | 106.00 | 102.45 |

OVERALL TIME UTILIZATION

Out of cane due to labour shortages and poor weather condition at all locations was significantly greater in 2016 compared to 2015.

TABLE 7: Factory Time Loss (Hours) due to Strikes, Out of Cane and Factory Issues

| FACTORY | STRIKE | OUT OF CANE | FACTORY TIME LOSS |
|------------------|---------------|--------------------|--------------------------|
| SKELDON | 132.50 | 402.05 | 674.73 |
| ALBION | 136.59 | 934.74 | 391.70 |
| ROSEHALL | 433.26 | 626.07 | 486.80 |
| BLAIRMONT | 263.83 | 537.87 | 308.98 |
| ENMORE | 179.32 | 777.40 | 594.82 |
| WALES | 126.08 | 1111.00 | 392.85 |
| UITVLUGT | 32.75 | 1101.84 | 200.69 |

POWER GENERATION

Steam generation and power house operation were the major areas of lost time at all locations, more particularly, at Skeldon, Rose Hall and East Demerara Estates. Achieving the scheduled maintenance of engines and generators timely was a major challenge over the year 2016.

Failure of the 2.5 mega watts (MW turbo alternator, critical to operations at East Demerara Estate, resulted in excessive use of diesel generators and high usage of diesel fuel to generate electrical power in order to allow grinding operations to continue in the second crop. The 2.5 MW set from Wales Estate was identified as a replacement since it had the same specifications.

The poor state of the Skeldon boilers resulted in a premature end to the second crop grinding operations. Skeldon Energy Inc. (SEI) contracted external boiler examiners who pronounced the boilers were unsafe for operation and recommended immediate upgrade and replacement of high pressure components for each boiler.

INTERNATIONAL ORGANIZATION FOR STANDARDIZATION (ISO) CERTIFICATION

ISO 9001 Ratification Audit was successfully retained at Blairmont and Enmore factories.

CAPITAL EXPENDITURE

Capital expenditures were limited due to financial difficulties. Approximately \$200M was spent across all factories from a proposed budget of \$1.5 Billion.

PACKAGING PLANTS

The Enmore and Blairmont Estates Packaging Plants packaged for local and overseas market a total of 36,335 tonnes of sugar which represent 70% of the sugar produced in 2016 for both locations.

DRAINAGE PUMPS

Factory operation continues to overlook the maintenance and operation of the sixty four Drainage pumps located between Uitylugt and Skeldon Estate factories.

TECHNICAL SUPPORT

Three consultants were recruited to lend technical support to the department over the period and additional recruitment is planned, especially in the areas of Electrical Engineering and Instrumentation to boost the capabilities of factories.

HUMAN RESOURCES

HUMAN RESOURCES MANAGEMENT COMMITTEE (HRMC)

Approval was given by the Board at the meeting of January 12, 2016 for the establishment of the Human Resources Management Committee (HRMC), which was composed of the following:

- Human Resources Director – Chairman
- Finance Director
- General Manager, Agricultural Services
- General Manager, Technical Services
- Head, Agriculture Research Centre
- Head, Information Systems Department

The Committee was established to oversee the revised Performance Management and Development process and for coordinating a new Corporate Succession Structure, amongst others.

HUMAN RESOURCES MANAGEMENT

Workshops were held in the following critical areas of Human Resources Management during 2016 to promote best practices:

- To Review the Corporate Human Resources Manual
- To Develop a Corporate Communication Strategy
- To Review Occupational Health and Safety Policy
- To Review Development of Quality Assurance
- To Draft an Education, Training and Development Framework
- The Implementation of Performance Appraisal System
- To Review the Roles of the Industrial Welfare Officers, Community Development Officers, and Industrial Welfare Officers/Community Development Officers

Workshop groups consisted of Human Resources Practitioners and counterparts from Finance, Agriculture, Factory, Agriculture Research, Agriculture Services and Factory Operations Departments.

TRAINING AND DEVELOPMENT

A renewed emphasis was placed on training and development in 2016 with the reintroduction of induction programmes, along with the achievement of both in-house and external training programmes on the following areas:

- Sugar Cane Agronomy
- Rodenticides
- Information Technology Audit for Non-Information Technology Auditors and Practitioners
- Maximising Momentum in the Office
- Documentation Requirements for Management System
- Understanding the Requirements of the ISO 9001:2015 Standards

GuySuCo Training Centre/Port Mourant (GTC/PM)

Graduates

GuySuCo Training Centre – Port Mourant (GTC/PM) held its 55th Apprentices Graduation Ceremony on August 3, 2016. Fifty seven (57) apprentices graduated after successfully completing the four year Apprenticeship Programme, except for Sugar Boilers who completed a three year programme.

The areas of training and number of students who passed in each course included the following:

| Areas of Training | | Number of Students |
|------------------------------|---|--------------------|
| ▪ Electrical | - | 7 |
| ▪ Fitter Machining | - | 17 |
| ▪ Agricultural Mechanic | - | 14 |
| ▪ Auto Electrician | - | 6 |
| ▪ Instrument Repair Mechanic | - | 8 |
| ▪ Sugar Boiling Technology | - | 5 |

Intake

Fifty five (55) Apprentices were enrolled in 2016, inclusive of one (1) female. Two apprentices subsequently left the programme.

Apprenticeships Management Committee

An Apprenticeships Management Committee was established and was tasked with the following:

- Conducting an examination of the second year curricula for the various trades considering technicality and relevance in the field, factory and field workshop
- Examining the academic capacity and delivery competence of the Instructors
- Reviewing the estate programmes for 3rd and 4th year Apprentices
- Examining the role of Coordinator for the development of a consistent range of responsibilities and methodologies for delivery of programmes across all locations
- Training Instructors and Coordinators in teaching methodologies
- Upgrading the capacity of the training for the utilization of computerized technology
- Examining the regrading and reclassification scheme for consistency
- Addressing other issues
- Preparing a comprehensive report to inform corporate policy and for implementation

In-Plant Apprentice Training

Twenty seven (27) students participated in a one-day per week In-plant Training at Albion/Port Mourant Factory.

Seventeen (17) Fitting and Machining Apprentices also completed a one week In-Plant programme at Albion/Port Mourant Factory, while there was a six week In-Plant Training at the same location.

National Training for Youth Empowerment – Evening Class Programme

The GuySuCo Training Centre, in collaboration with the Board of Industrial Training (BIT) , continued to offer Evening Class Programmes from which 140 persons graduated.

Technical Vocational and Educational Training (TVET) Encounter

Two Monitor Inspectors from the Technical (TVET) Council , conducted a Quality Assurance Inspection at GTC/PM from November 21 – 24, 2016 to assess its readiness for TVET.

Collaborative Efforts - Guyana School of Agriculture and The University of Guyana

The Training Unit conducted discussions with the Academic Staff of the Guyana School of Agriculture (GSA) with regard to the performance of GuySuCo's students. These included three (3) Field Foremen and one (1) Field Chargehand.

The main areas of discussion included the following:

- Overview of the two (2) year course curriculum
- Duration of Sugar Cane Agronomy course one term is considered too short to fully benefit GuySuCo's Cadets
- Quality of lectureship in Fisheries and Micro Biology

A similar meeting was held with the GuySuCo's cadets at the University of Guyana.

Assistance to Study

Nine (9) employees benefitted from the scheme in the sum of \$687,346 to pursue studies in the following disciplines: accounting, information technology and human resources development.

Bursary Awards

Forty-two (42) children of employees throughout the Industry who wrote the National Grade Six Assessment (NGSA) were awarded bursaries by the Corporation. The total sum awarded to the selected students was \$252,000, and will amount to \$1,680,000 for the full five years.

RESUSCITATION OF SPORTS

The Chief Executive was instrumental in the resuscitation of the Sports Committee, which is involved in coordinating and facilitating sports activities across the Corporation.

The Human Resources Department also provided support to the coordination of sports activities in observance of the Jubilee - 50th Independence Anniversary celebrations in May, and Agriculture Month celebrations. The GuySuCo Pheasants emerged as the winners of the Ministry of Agriculture Inter-Agency Sports.

OCCUPATIONAL HEALTH AND SAFETY

Safety Committees Programmes

There were 265 meetings for Occupational Health and Safety (OHS) Committees. During the reporting year, 1,660 hazards were identified. and approximately 78 % of the safety violations were corrected.

Fire Safety

Fire incidents responses fell to seventy one; representing 29% fewer calls than in 2015. These incidents resulted in fire crews responding to forty eight calls on the estates and twenty three in the neighbouring communities.

Training

A total of 5,633 employees attended OHS education and training sessions. The topics covered essential information relating to the OHS Act 32 of 1997, these included:

- Safe System of Work
- Safety Statistics
- Fire Safety
- Incident Reporting and Investigation, inter alia.

Four hundred and fifty two employees attended counselling sessions, primarily in relation to frequent personal injuries, and related absenteeism.

Workshops were also done to review the structure, role and responsibilities of Occupational Health and Safety Committees, and Estate Health and Safety Officers (EH&SO), training and awareness programmes, medical surveillance and substance abuse, medical management of injury cases, and to update the Safety Booklet,

The recommendations from the Workshop were compiled into a revised Manual to be distributed for use in 2017.

Injuries/Accident Statistics

Lost Time Accidents per 100,000 man-hours worked was 4.24, this was the second best achievement in 17 years. However, it represented a meagre improvement of 2.7% on 2015.

There were four (4) serious accidents in the factories: Rose Hall Estate two (2) and two (one at each estate) at Skeldon and Blairmont Estates *Lost Man Days*

The average Lost Time per Lost Time Accidents was 17 days, representing an increase of 21.4 % when compared to 2015.

Fatal Injuries

During the year, two fatal injuries were caused by bee stings in the Agriculture operations at Blairmont and Skeldon Estates.

HEALTH SERVICES

Health Programme

GuySuCo's Health Services Department provides appropriate, effective and timely medical care to employees, their dependents and pensioners. It continued to be a vital part of the benefits offered to workers, staff and their families. Important aspects of the function of the Health Service included:

- Periodic and Pre-employment Medical Examinations
- Health Education and Health Promotion amongst the Workforce
- First-Aid and Emergency
- Disease Surveillance/Monitoring and Evaluation
- Determination of Fitness for Duty
- Improving quality of working life

Contributory Hospitalisation and Maternity Scheme (CH&MS)

Due to increasing costs in recent years, a comprehensive review of the Contributory Hospitalisation and Maternity Scheme (CH&MS) was undertaken and approval was given by the Board of Directors on October 4, 2016, for increased benefits, and as a consequence, adjustments in contributions.

Further, the CH&MS Booklet was revised accordingly.

Health Education and Health Promotional Activities

The health education programme continued and issues addressed at Primary Health Care Centres included Diabetes, HIV/Aids, Diet and Nutrition, Work Stress, Obesity, Tobacco, Physical Fitness and Exercise and Cancer.

Statutory Medical Examinations

During the year, a total of 6,288 annual medical examinations were conducted across the Corporation.

Man Days Lost – Sickness/Injuries

Man-days lost to sickness and injuries had a significant negative impact on production and productivity. Total Man-days lost (Sickness and Injuries) in 2016 was 84,824, as compared to 84,892 in 2015.

Medical Discharges

A total of eighty five (85) employees were evaluated and medically discharged, compared with eighty six (86) in 2015.

Drug Abuse

In keeping with the Corporation's commitment to a safe and healthy work environment, it is the Corporation's aim, through its Alcohol and Drug Abuse Policy and supporting programmes, to manage, control and ultimately eliminate the hazards to health and safety created by alcohol and drug abuse, from the workplace.

Throughout 2016, Estate Medical Officers and Medexes held eighteen (18) sessions on Alcohol and Substance Abuse at Primary Health Care Centres.

The Chief Medical Officer and Estate Medical Officers delivered presentations to workers at the GAWU Labour College.

The Alcohol and Substance Abuse Policy was being revised and work initiated for the establishment of the Employee Assistance Programme (EAP) to address substance abuse and workplace stress.

Disease Trends

Hypertension, Diabetes, Respiratory Tract Infections and Arthritis were the four most common diseases seen at the Primary Health Care Centres in 2016. This has been the trend over the past several years and is not likely to change significantly in the near future. In spite of their dominance, Hypertension and Diabetes were better controlled - 78% control of Diabetes and 84% of Hypertension.

Total number of visits for Hypertension and Diabetes in 2016 was 30,635 and 17,158 respectively. These figures represent an increase in visits for Hypertension and Diabetes in 2016 when compared with 2015, for which Hypertension was 27,512 and Diabetes was 16,785 visits.

First-Aid and Emergency Service

All Primary Health Care Centres are equipped to handle emergencies. Primary Health Care Centres Staff were trained in the use of protocols to manage emergencies. In 2016, common emergencies were trauma and lacerations to lower extremities and low back injuries. Serious cases were treated and transferred to hospitals by Estate ambulances. A fleet of nine ambulances made 5,186 trips to hospitals transporting patients.

First Aiders on all locations benefited from first-aid refresher courses conducted by Medexes. First Aid supplies were adequate except for a brief shortage of Oral Rehydration Salts, which is used for cramps and diarrhoea.

COMMUNICATIONS

With the appointment of the Senior Communications Officer, a new Corporate Communications Strategy was created, and approved by the Board of Directors.

The approaches included in the strategy were Communications, Social Mobilization and Advocacy, while the techniques used were Corporate and Strategic Communications, Social Mobilization, knowledge management, change management, partnership building and team building.

The aim was to provide support for the execution of the wider corporate strategic initiative. Its overall goal was to:

- Develop relevant communiques for a variety of purposes
- Disseminate information to internal and external audiences as appropriate
- Support the execution of the corporate strategy through various modes of communications, such as media relations, crisis communications, reputation management, investors relations; and promote corporate responsibility
- Support behavioural change and build strategic partnerships

The following modes of communications were used to disseminate information to the relevant stakeholders:

Press Releases

Approximately sixty (60) Press Releases and Letters to the Editor were disseminated to various media agencies, both print and broadcast. These included Stabroek News, Kaieteur News, Guyana Chronicle, Guyana Times; Capital News, Demerara Waves, News Room, Nightly News, Six O'clock News, News Update, inter alia.

GuySuCo Round Up

The format for the television programme, GuySuCo Round Up, was changed to reflect the range of the Corporation's operations, history, personalities, human interest and contributions to community and national development. The weekly production is aired on Sundays at 18:30 hrs and rebroadcast on Wednesdays at 08:00 hrs on NCN 11.

Estates' Newsletters

Most Estates have resumed production of newsletters. The Communications Department provided support in developing a common template for all estates, in addition to editing on a monthly basis. While all estates have not yet developed the rhythm of a monthly production, some have been performing exceptionally in ensuring that their production is regular.

The Communications Department produced 11 Newsletters and a total of 12 were produced by estates.

News Bulletin - Insight

The Insight - news bulletin, produced by the Communications Unit, is a product primarily for internal audience. However, it is also distributed externally since it contains relevant information which would be of interest to the media and other stakeholders. Currently, it is produced bi-monthly but ideally; the aim is to circulate it on a weekly basis.

Campaigns

Three campaigns were launched in June 2016:

- In June, the *New GuySuCo* concept was launched. This attempted to capture the essence of the direction of a Diversification Division that would focus on a variety of projects, including aquaculture, fruit crops, dairy farming, livestock farming and rice cultivation.
- The *One GuySuCo* concept was also launched in June, as a part of the social mobilization programme. It is an aspiration and promotes greater internal collaboration, synergies, partnerships and team building and will be used to bring on board employees at all locations and divisions, and to promote shared values within the Corporation.
- At the same time the *Putting GuySuCo First* internal campaign was launched. This was a mechanism initiated to achieve the One GuySuCo and realize the goals and objectives of the New GuySuCo.

New Website

A new website was constructed to replace the old one. The reconstruction addressed three key areas; these are technology, layout and content.

Communications and Team Building Training

The Senior Communications Officer facilitated two (2) training sessions on Team Building. while five (5) training sessions were conducted in Communications these were held under the theme "Using Communications to Improve Results". Both Team Building and Communications Training were done with Senior and Junior Managers.

The aim of these training sessions was to equip participants with the skills to communicate effectively to both internal and external target groups and to understand the value of teamanship to increasing productivity.

Over 200 participants were trained in Communications and Team Building.

INDUSTRIAL RELATIONS

Integration of Enmore and LBI Estates

The Corporation and the Unions the Guyana Agricultural and General Workers Union (GAWU) and National Association of Agricultural Commercial and Industrial Employees (NAACIE) met during the period April to June 2016 on the integration of the La Bonne Intention (LBI) and Enmore Estates into East Demerara Estate. The matter was discussed and an agreement was reached for a total of 822 employees, 780 would be absorbed into jobs within East Demerara Estate and Head Office. After the absorption, the remaining twenty (24) Junior Staff and eighteen (18) Mill Dock employees were made redundant. Severance was paid in August, 2016 to the redundant employees for the sum of G\$36.9M.

GuySuCo/GAWU/ NAACIE Wages and Salaries Negotiations

The unions, GAWU and NAACIE, submitted Memorandum of Claims on May 18, 2016, for an 8%, and March 21, 2016, for 10%, respectively for an increase in wages and salaries, along with fringe benefits for 2016.

Inaugural meetings were held with the GAWU and NAACIE on September 19 and 29, 2016 respectively and the Corporation presented and discussed its 2016 financial, production and marketing projections.

Subsequent meetings were held with GAWU on October 13 and 19, 2016 and NAACIE on October 17 and November 7, 2016.

Bilateral discussions which were held with GAWU on October 19 and with NAACIE on November 7 resulted in a deadlock after the Corporation informed both Unions that due to its dire financial situation it could not afford to offer any increases in 2016.

Conciliations

In keeping with the extant recognition agreements between the parties, both Unions applied to the Ministry of Social Protection, Department of Labour, Chief Labour Officer for conciliation. However, NAACIE's application was made outside the stipulated timeline stated in their Recognition Agreement which resulted the matter not discussed at conciliation.

GuySuCo and GAWU met on three (3) occasions at conciliation, , to discuss the Union's claims, after presentations from both parties, with no inclination to change positions, the Labour Officer declared the matter deadlocked.

GuySuCo/GAWU Annual Production Incentives Negotiations 2016

The GAWU submitted its proposal for Annual Production Incentive (API) on November 8, 2016, proposing a payment of one day's pay (API) for every 32,500 tonnes of sugar produced.

The parties met on November 24, 2016, and the Corporation informed the Union of its inability to award API for 2016. The parties therefore agreed that the situation one of an impasse and the Union applied for conciliation.

The parties met at conciliation with the Department of Labour on December 22, 2016 and after presentations from both parties, who remained steadfast in their respective positions as stated at the bilateral agreement, the conciliator informed the parties that they had reached an impasse and the matter was declared deadlocked.

Minimum Rate

As a result of Order 15 of 2016 made under Section 8 of the Labour Act Cap: 90:01 the minimum rate per hour was increased from \$202 to \$255, resulting in the Corporation's minimum for both the Guyana Agricultural and General Workers' Union (GAWU) and Guyana Labour Union (GLU) categories being increased to \$255 per hour effective January 1, 2017.

Demerara Sugar Terminal (DST)

Discussions began with Demerara Sugar Terminal (DST) employees and GLU to have a partial review of some of the jobs values. Terms of Reference were agreed, and two meetings were held but ever since the Union's team has not attended further meetings.

In the meantime, the representational status of the GLU was challenged via a Poll conducted under the purview of the Trades Union Recognition Board. Preliminary results indicated that GLU lost at the polls.

Work Stoppages

The Corporation recorded a total of 148 strikes resulting in 44,472 man-days lost in 2016, compared to 193 strikes resulting in 70,129 man-days lost in 2015. This is the lowest in five (5) years.

There were two one-day strikes across the industry in October for wages, salaries and fringe benefits increases which contributed significantly to the increase in man-days lost for the year with 5,845 and 4,105 man-days, respectively.

TABLE 8: Strikes by Estates - 2016.

| Location | 1 st Crop | | 2 nd Crop | |
|---------------|----------------------|---------------|----------------------|---------------|
| | Strikes | Man-days Lost | Strikes | Man-days Lost |
| Skeldon | 13 | 3,783 | 7 | 2,896 |
| Albion | 13 | 2,855 | 11 | 3,380 |
| Rose Hall | 13 | 3,557 | 15 | 6,580 |
| Blairmont | 9 | 2,533 | 13 | 4,716 |
| East Demerara | 21 | 2,709 | 13 | 2,623 |
| Wales | 9 | 5,053 | 2 | 846 |
| Uitvlugt | 5 | 1,877 | 4 | 1,064 |
| Total | 83 | 22,367 | 65 | 22,105 |

Cane Harvesters accounted for a total of 92 strikes in 2016 with 29,261 man-days lost (62.2 % and 65.8% respectively), as they continued to demand exorbitant prices for obstacles, non-acceptance of work, and to cut and stack, etc.

TABLE 9: Comparative Analysis of Strikes from 2011 – 2016

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|--------|--------|--------|--------|--------|--------|
| Work Stoppages | 221 | 203 | 233 | 194 | 193 | 148 |
| Man-days Lost | 37,639 | 50,230 | 38,121 | 32,064 | 70,129 | 44,472 |
| Wages Lost (\$M) | 73.5 | 117.5 | 104.5 | 96.3 | 181.5 | 116.2 |

Production Incentives

A total of 21 tax free days' pay was awarded to qualified employees as Weekly Production Incentive (WPI) across the industry, comprising 7 and 14 days for the first and second crop respectively in 2016.

In 2015, employees benefited from 94.4 days as WPI, with 25.50 days in the 1st crop and 68.91 days in the 2nd crop. The data is indicative of the estates' failure to work towards achieving their respective weekly **production** targets in 2016.

Disciplinary Matters

There was a total of 234 incidents in which employees had to be disciplined. Corrective measures were instituted in respect of 164 cases, of which 70 resulted in punitive actions being taken – 57 suspended and 13 dismissed.

GuySuCo's Disciplinary Procedure and Code Guide

A review exercise was initiated for the update of GuySuCo's Disciplinary Procedure and Code Guide. The revised document would be completed in 2017.

Transition – From Wales Estate

In January 2016, stakeholders were informed that Wales Estate would be going out of sugar production at the end of 2016 and would move into diversified projects. The employees from the various categories who would not be utilized in these diversified products would be offered redeployment to Uitvlugt or be deemed redundant, where applicable.

Severance

The first phase of separation saw 94 Crop Husbandry employees made redundant. Those employees received their redundancy payment at a total cost of G\$81M in October, 2016, other employees that accepted redeployment were transferred.

The second phase of transition to determine the placement and reaction of the remaining employees from within the Field, Factory and Administration is on-going, with the engagement of the Unions going into 2017. The Corporation and the Unions met on December 14, 2016 to formalise the process and document the format to guide and facilitate future discussions.

MARKETING

EUROPEAN UNION MARKET

Bulk Raw Sugar

The Guyana Sugar Corporation Inc.'s sugar exports to the European Union (EU) benefits from duty free access. Bulk sugars to the EU have been exported to Tate and Lyle Sugars which the Corporation has a long-term commercial contract. During 2016, a total of 99,094 tonnes of bulk sugar was exported of which 18,558 tonnes went to Portugal and 80,536 went to the United Kingdom.

With a smaller than anticipated 2016 crop production, the Corporation was unable to take advantage of the higher spot price that was available to Europe in August, 2016.

Special Sugars

The export in special sugars to Europe was only 480 tonnes compared to 638 tonnes in 2015. The decline in export to special sugar can be attributed to the breakages of Turbo Alternator sets at Enmore Estate which resulted in our inability to produce the specified sugar that was requested customers in Europe. These further hindered our Marketing Brokers effort to further penetrate this segment of the market.

UNITED STATES OF AMERICA (USA)

Pursuant to its obligations under the World Trade Organization (WTO), the United States of America (USA) granted to Guyana a duty free tariff rate quota of 12,636 metric tonne of raw value sugar for Financial Year 2017 (October 1, 2016 – September 30, 2017). The Industry also benefitted from a waiver by the United States Department of Agriculture (USDA) to deliver additional increases of sugar from Fiscal Year 2016 in Fiscal Year 2017. This amounted to 2,803 MTRV.

As such, in year 2016, the Corporation was able to export to the USA 15,439 metric tonnes raw value of sugar or 14,728 metric tonnes of sugar. All sugars exported to the USA in 2016 were in raw bulk form.

CARICOM AND REGIONAL TRADE

The inevitable erosion of the traditional trade preference in Europe the Corporation has heightened its effort to focus on meeting the needs of the markets within the Caribbean. Being a part of the regional trade block Caribbean Community (CARICOM) the Corporation is able to trade its sugars without restrictions inside the block. In 2016, the Corporation supplied 23,973 tonnes of bagged sugars to member states an increase of 23.69% over 2015. The countries supplied were namely: Trinidad, Suriname, St Lucia, Jamaica, Dominica, Grenada, Antigua, Nevis and St Vincent. The tonnage of bagged sugars supplied in 2015 to CARICOM amounted to 19,863 tonnes.

However, there was a significant decline in supply of packaged sugar to the CARICOM market. The packaged sugar supplied to CARICOM in 2016 amounted to 2,449 tonnes as opposed to 4,106 tonnes in 2015 representing a decline in sales of 40.35%. This decline is attributed to several factors. Most notably being the breakage of our Turbo Alternator sets at Enmore which impacted negatively on the production and delivery of packaged sugars to customers. Additionally, sales to our Barbadian customers were curtailed due to a levy being charged on the importation of packaged sugars from Guyana.

The market for sachet has become competitive regionally and in 2016 the Corporation sold 365,000 sachets.

LOCAL MARKET

The sales performance of sugar on the local market continues to be dominated by the sale of bagged sugars. In 2016, the Corporation sold 17,282 tonnes of bagged sugars as opposed to 18,137 tonnes in 2015. The sale of packaged sugar in 2016 was 4,101 tonnes compared to 2,974 tonnes in 2015. Totals sales to the local market amounted to 21,383 tonnes. All sugars disposed on the local market were sold to wholesalers, bakeries, food processors, supermarkets and our distributors.

One new product, Blairmont Crystals was launched in 2016 on the local market for the Guyana's 50th Independence with good response from the consumers.

CUSTOMER SERVICE

The Marketing Department has continued to function in line with the Quality Management System of ISO 9001 with great emphasis on customer satisfaction. Research activities continue to assist the Corporation improving on its products and services which are an integral element of the department's work.

DIVERSIFICATION

In May 2016, the Diversified Products Division was established in the Corporation.

A Diversification Sub-Committee of the Board was also established to oversee the Diversification Project Products Division. The members of the Sub-Committee include two Board Members and the Chief Executive Officer.

AQUACULTURE

With the plans for sugar operations to conclude as of December 31, 2016 and the estate to transition into diversification, the Corporation contracted the US based company, Aquasol, Inc., fish farming consultants, to execute a site analysis at Wales Estate and prepare a detailed feasibility study on the potential of aquaculture farming, utilising 300 ha of land.

Aquasol, Inc. successfully completed the site analysis and with promising results commenced work on the full feasibility study which is expected to be completed in the first half of 2017.

SEED PADDY PILOT PROJECT

GUYSUCO has undertaken to do a pilot project on the cultivation of premium priced seed paddy on approximately 350 – 400 acres of land at Wales Estate, based on the suitability of the soils (virgin soils to rice cultivation), the short maturity time of rice compared to other crops, yielding revenues within one year, and the eventual requirements of its by-products such as the rice bran for aquaculture feed which will assist in reducing aquaculture's cost of production.

This pilot project will be supervised and funded by the Guyana Rice Development Board (GRDB).

Land clearing activities began in 2016 with planting of the first crop of seed paddy anticipated by the first half of 2017.

OTHER PROPOSED ACTIVITIES

The Ministry of Agriculture commissioned a Task Force to conduct a detailed evaluation of the diversification options for GuySuCo. The Task Force submitted its report in October 2016. In addition to aquaculture and seed paddy, the report recommended the following feasible diversification options:

- Livestock inclusive of beef and dairy cattle, pigs, small ruminants
- Value added processing – juice and milk plants
- Ducks
- Apiculture
- Fruit crops
- Other high value crops such as rambutan, acai berry
- Grains and legumes
- Aromatic rice

It was indicated that implementation of these activities will commence in 2017 pending financing.

2016
AUDITED FINANCIAL STATEMENTS

**AUDITED FINANCIAL STATEMENTS OF
GUYANA SUGAR CORPORATION INC.**

**FOR THE YEAR ENDED
31 DECEMBER 2016**

**CONTRACTED AUDITORS: PARMESAR CHARTERED
ACCOUNTANTS
1 DELPH ST. & DUREY LANE
CAMPBELLVILLE,
GEORGETOWN**

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE
GUYANA SUGAR CORPORATION INCORPORATED
FOR THE YEAR ENDED 31 DECEMBER 2016

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Audit Office of Guyana

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172/PC: 34/2/2017

2 August 2017

Mr. Errol Hanoman
Chief Executive Officer
Guyana Sugar Corporation Incorporated
Ogle Estate
East Coast Demerara.

Dear Mr. Hanoman,

AUDIT OF THE BOOKS AND ACCOUNTS OF THE
GUYANA SUGAR CORPORATION INC.
FOR THE YEAR ENDED 31 DECEMBER 2016

Please find attached six (6) copies of the audited consolidated financial statements, together with the report of the Auditor General, thereon.

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

With best regards.

Yours sincerely,

The stamp is circular with a blue border. The words "AUDIT OFFICE" are written in a semi-circle at the top, and "GUYANA" is written in a semi-circle at the bottom. In the center, the name "Nichette Harcourt" is written in a cursive script, with "Nichette Harcourt" in a plain font below it. Underneath that, "Audit Manager (ag.)" is written, and at the very bottom, "for Auditor General" is written. There are two small stars on either side of the name.
Nichette Harcourt
Nichette Harcourt
Audit Manager (ag.)
for Auditor General



Audit Office of Guyana

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AG: 65/2017

2 August 2017

REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS
OF GUYANA SUGAR CORPORATION INCORPORATED
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

Opinion

Chartered Accountants Parmesar Chartered Accountants have audited on my behalf the consolidated financial statements of Guyana Sugar Corporation Inc. which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 44.

The consolidated financial statements include deferred tax asset of G\$28,205,960,963 arising from tax losses incurred to date. However, I was unable to determine the recoverability of this amount as the future profitability of the Company could not be ascertained.

Except for the above, in my opinion, the consolidated financial statements give a true and fair view, in all material respects of the consolidated financial position of the Guyana Sugar Corporation Inc. as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of my report. I am independent of the Company in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Without qualifying my opinion I wish to emphasize the following:

- with respect to the Company's indebtedness to the Guyana Revenue Authority for taxes amounting to G\$2,701,400,644, the Guyana Revenue Authority had accepted the Company's proposal to discharge the liability over a period of six years (2011 – 2016), but to date no payment was made. The Company requested a waiver of penalties and interest arising from this liability, however, the Guyana Revenue Authority has not responded to this request. No provision has been made in the consolidated financial statements for the penalties and interest arising from this liability.
- at 31 December, 2016 the Company's accumulated deficit was \$40,571,804,130. The validity of the going concern basis on which the consolidated financial statements are prepared depends on the continued support from the Government of Guyana. Should the Company be unable to continue in operational existence, adjustments would have to be made to bring the consolidated statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets. My opinion is not qualified in this respect.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements as at and for the year ended 31 December 2016. These matters are selected from the matters communicated with those charged with governance, but are not intended to represent all the matters that were discussed with them. My audit procedures relating to these matters were designed in the context of my audit of the consolidated financial statements as a whole. My opinion on the consolidated financial statements is not modified with respect to certain key audit matters described below, and I do not express an opinion on these individual matters.

- Valuation and impairment of Property, Plant and Equipment

The consolidated financial statements detailed property, plant and equipment with a net book value of \$89.049B. No revaluation of property, plant and equipment was done during the year.

Property, plant and equipment are considered Key Audit Matters as significant management judgement was used to select depreciation rates for each item of property, plant and equipment. I found that the assumptions used by management in relation to the carrying value of property, plant and equipment were in line with my expectations and the disclosure in note 5 to be appropriate.

My procedures in relation to management's valuation included:

Test calculation of depreciation rates for property, plant and equipment to ensure consistency with accounting policies and industry rates;

Physical verification of selected assets which were acquired during the current and prior years; and

Verification of the policy for acquisition and disposals of property, plant and equipment.

- *Valuation and existence of Inventories, Standing cane and Product stock*

The consolidated financial statements detailed inventories, standing cane and product stock with a value of \$12.019B.

Standing cane is considered a Key Audit Matter as the amount and age of standing cane was based on entity-developed internal methods. Management has relied on the audited Cane Farmers Prices Reports to determine the value of standing cane.

Management's judgement was used to determine obsolescence.

My procedures in relation to Valuation and existence of Inventories, Standing cane and Product stock

Obtaining an understanding of the methodology and assumptions used by the Cane Farmers Prices Reports and assessing whether these were consistent with prior years and my understanding of the client;

Reviewing the source data used by the Cane Farmers Prices Reports and performing tests to ascertain its completeness and accuracy; and

Review Report on obsolete inventory.

- *Valuation of Defined Benefit Liability (Employee Retirement Benefits)*

The Company has recognized a defined benefit liability of \$32.852B. This is considered to be a Key Audit Matter since assumptions that underpin the valuation of the defined benefit pension liability is important and also involve subjective judgements as the surplus/deficit balance is volatile and affects the Company's distributable reserves. Management has employed actuarial specialists in order to calculate this balance and uncertainty arises as a result of estimates made based on the Company's expectation about long-term trends and market conditions.

My procedures in relation to actuarial valuation included:

Reviewing of the actuarial report for the year ended 31 December 2016 and ensuring information was presented and disclosed in accordance with IAS 19;

Obtaining an understanding of the methodology and assumptions used by the actuary and assessing whether these were consistent with prior years and my understanding of the client; and

Reviewing the source data used by the Company actuary and performing tests to ascertain its completeness and accuracy.

- *Valuation and impairment of investments*

At 31 December 2016, investments in the Company amounted to \$294M, consisting of "Available for sale and Subsidiary Company".

Investment in the Subsidiary Company is considered a Key Audit Matter, the valuation was based on entity-developed internal methods and not on quoted prices in an active market.

Therefore there is significant measurement uncertainty involved in the valuation. As a result, the valuation of these instruments was significant to my audit.

My procedures in relation to valuation and impairment of investments:

Obtaining an understanding of the valuation methods used by the Company and assess whether they were consistent with prior years and my understanding of the client;

Reviewing the source data used by the Company in the valuation method and performing tests to ascertain its completeness and accuracy;

Reviewing of the Company's policy on accounting for the various categories of investments and ensuring compliance with relevant IFRS/IAS; and

Review audited financial statements of subsidiary to ensure going concern and no impairment of investment.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs and ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Other Legal and Regulatory Requirements

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



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

**REPORT OF THE CHARTERED ACCOUNTANTS
PARMESAR
TO THE AUDITOR GENERAL
ON THE CONSOLIDATED FINANCIAL STATEMENTS OF
GUYANA SUGAR CORPORATION INC.
FOR THE YEAR ENDED 31 DECEMBER 2016**

OPINION:

We have audited the attached consolidated financial statements of Guyana Sugar Corporation Inc. which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2016, and a summary of significant accounting policies and other explanatory notes. Except for the scope of works were limited by the matter referred to below.

The consolidated financial statements include deferred tax asset of G\$28,205,960,963 arising from tax losses incurred to date. However, we were unable to determine the recoverability of this amount as the future profitability of the Company could not be ascertained.

Except for the above, in our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Guyana Sugar Corporation Inc. as of 31 December 2016, and of its consolidated financial performance and its consolidated statement of cash flows for the year ended 31 December 2016 in accordance with International Financial Reporting Standards (IFRS).

BASIS OF OPINION:

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Guyana, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER:

Without qualifying our opinion we wish to emphasise the following:

- with respect to the Company's indebtedness to the Guyana Revenue Authority for taxes amounting to G\$2,701,400,644, the Guyana Revenue Authority had accepted the Company's proposal to discharge the liability over a period of six years (2011 – 2016), but to date no payment was made. The Company requested a waiver of penalties and interest arising from this liability, however, the Guyana Revenue Authority has not responded to this request. No provision has been made in the consolidated financial statements for penalties and interest arising from this liability.
- at December 31, 2016 the Company's accumulated deficit is \$40,571,804,130. The validity of the going concern basis on which the consolidated financial statements are prepared depends on the continued support from the Government of Guyana. Should the Company be unable to continue in operational existence, adjustments would have to be made to bring the consolidated statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets. Our opinion is not qualified in this respect.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also,

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS.

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


.....
PARMESAR
PARMESAR


30 June 2017

GUYANA SUGAR CORPORATION INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

| | NOTES | COMPANY | | GROUP | |
|--------------------------------------|-------|----------------|----------------|----------------|----------------|
| | | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| ASSETS | | | | | |
| Non current assets | | | | | |
| Property, plant and equipment | 5 | 89,049 | 94,602 | 89,049 | 94,602 |
| Deferred tax asset | 6 | 28,206 | 26,981 | 28,303 | 27,066 |
| Investments | 7.1 | 272 | 335 | 272 | 335 |
| Investment in subsidiary | 7.2 | 22 | 22 | | |
| Total non current assets | | 117,549 | 121,940 | 117,624 | 122,003 |
| Current assets | | | | | |
| Inventories | 8.1 | 3,414 | 3,481 | 3,414 | 3,481 |
| Standing cane | 8.2 | 6,961 | 4,132 | 6,977 | 4,182 |
| Product stock | 8.3 | 1,643 | 1,279 | 1,643 | 1,279 |
| Trade receivables | | 2,957 | 3,714 | 2,962 | 3,738 |
| Other receivables | | 3,119 | 2,864 | 3,119 | 2,864 |
| Prepayments | | 151 | 514 | 151 | 514 |
| Related parties | 14.1 | 323 | 298 | - | - |
| Taxes recoverable | | - | - | 34 | 34 |
| Cash on hand and at bank | 9.1 | 784 | 1,942 | 818 | 1,969 |
| Total current assets | | 19,352 | 18,224 | 19,118 | 18,061 |
| TOTAL ASSETS | | 136,901 | 140,164 | 136,742 | 140,064 |
| EQUITY AND LIABILITIES | | | | | |
| Shareholder's equity | | | | | |
| Stated capital | 10 | 10,800 | 10,800 | 10,800 | 10,800 |
| Revaluation reserve | 11.1 | 50,849 | 50,849 | 50,849 | 50,849 |
| Other reserves | 11.2 | 293 | 357 | 293 | 357 |
| Accumulated deficit | | (40,571) | (41,476) | (40,685) | (41,559) |
| Non controlling interest | 7.3 | 21,371 | 20,530 | 21,257 | 20,447 |
| Total equity | | 21,371 | 20,530 | 21,192 | 20,400 |
| Non current liabilities | | | | | |
| Deferred tax liability | 6 | 15,722 | 16,693 | 15,727 | 16,708 |
| Deferred income | 12 | 2,356 | 2,417 | 2,356 | 2,417 |
| Borrowings | 13.2 | 19,930 | 29,985 | 19,930 | 29,985 |
| Employees retirement benefits | 15 | 32,852 | 32,826 | 32,852 | 32,826 |
| Total non-current liabilities | | 70,860 | 81,921 | 70,865 | 81,936 |
| Current liabilities | | | | | |
| Trade payables | | 9,662 | 9,584 | 9,664 | 9,585 |
| Other payables and accruals | | 17,193 | 17,252 | 17,193 | 17,252 |
| Related parties | 14.1 | 1,924 | 1,794 | 1,924 | 1,794 |
| Taxation | | 2,701 | 2,623 | 2,714 | 2,637 |
| Borrowings | 13.1 | 12,797 | 5,048 | 12,797 | 5,048 |
| Bank overdraft(secured) | 9.2 | 393 | 1,412 | 393 | 1,412 |
| Total current liabilities | | 44,670 | 37,713 | 44,685 | 37,728 |
| TOTAL EQUITY AND LIABILITIES | | 136,901 | 140,164 | 136,742 | 140,064 |

The Board of Directors approved these financial statements for issue on 29 JUNE 2017


 Director


 Director

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

GUYANA SUGAR CORPORATION INC.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016

| | NOTES | COMPANY | | GROUP | |
|---|-------|----------------|-----------------|----------------|-----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | \$M | \$M | \$M | \$M |
| Revenue | 16 | 20,183 | 21,451 | 20,183 | 21,451 |
| Cost of sales | | 27,514 | 35,041 | 27,538 | 35,055 |
| Gross loss | | (7,331) | (13,590) | (7,355) | (13,604) |
| Other income | | 11,720 | 16,909 | 11,721 | 16,909 |
| Administrative expenses | | (1,862) | (2,479) | (1,878) | (2,494) |
| Other gains and losses | 16.1 | (1,538) | - | (1,538) | - |
| Marketing and distribution expenses | | (1,652) | (1,712) | (1,652) | (1,712) |
| Operating loss | | (663) | (872) | (702) | (901) |
| Finance cost | | (544) | (689) | (565) | (704) |
| Employees retirement benefits | 15 | (27) | (1,105) | (27) | (1,105) |
| Income from subsidiary and others | | 21 | 3 | 21 | 3 |
| Loss before tax | 17 | (1,213) | (2,662) | (1,273) | (2,707) |
| Taxation | 18 | 2,118 | 794 | 2,129 | 799 |
| Profit / (loss) for the year | | 905 | (1,868) | 856 | (1,908) |
| Other Comprehensive income: | | | | | |
| Net loss on revaluation of investments | | (64) | (36) | (64) | (36) |
| Other comprehensive income net of tax | | (64) | (36) | (64) | (36) |
| Total comprehensive profit / (loss) for the year | | 841 | (1,904) | 792 | (1,944) |
| Profit for the year | | | | | |
| Attributable to:- | | | | | |
| Equity holders of the parent | | 905 | (1,868) | 874 | (1,897) |
| Non controlling interest | | - | - | (18) | (11) |
| | | 905 | (1,868) | 856 | (1,908) |
| Total comprehensive profit for the year | | | | | |
| Attributable to: | | | | | |
| Equity holders of the parent | | 841 | (1,904) | 810 | (1,933) |
| Non controlling interest | 7.3 | - | - | (18) | (11) |
| Profit for the year | | 841 | (1,904) | 792 | (1,944) |
| Basic loss per share in dollars | 24 | 0.08 | (0.18) | 0.08 | (0.18) |

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

GUYANA SUGAR CORPORATION INC.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016

Company

| | Notes | Stated | Revaluation | Other | Retained | Total |
|---|-------|---------|-------------|----------|----------|---------|
| | | Capital | Reserve | Reserves | Earnings | Equity |
| | | \$M | \$M | \$M | \$M | \$M |
| Balance at January 1, 2015 | | 10,800 | 50,849 | 393 | (39,608) | 22,434 |
| Other comprehensive income | | - | - | (36) | - | (36) |
| Loss for the year | | - | - | - | (1,868) | (1,868) |
| Total comprehensive income for the year | | - | - | (36) | (1,868) | (1,904) |
| Balance as at December 31, 2015 | | 10,800 | 50,849 | 357 | (41,476) | 20,530 |
| Other comprehensive income | | - | - | (64) | - | (64) |
| Profit for the year | | - | - | - | 905 | 905 |
| Total comprehensive income for the year | | - | - | (64) | 905 | 841 |
| Balance at December 2016 | | 10,800 | 50,849 | 293 | (40,571) | 21,371 |

Group

| | Attributable to equity holders of the parent | | | | | Total Equity |
|---|--|---------------------|----------------|-------------------|--------------------------|--------------|
| | Stated Capital | Revaluation Reserve | Other Reserves | Retained Earnings | Non Controlling Interest | |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Balance at January 1, 2015 | 10,800 | 50,849 | 393 | (39,662) | (36) | 22,344 |
| Other comprehensive income | - | - | (36) | - | - | (36) |
| Loss for the year | - | - | - | (1,897) | (11) | (1,908) |
| Total comprehensive income for the year | - | - | (36) | (1,897) | (11) | (1,944) |
| Balance as at December 31, 2015 | 10,800 | 50,849 | 357 | (41,559) | (47) | 20,400 |
| Other comprehensive income | - | - | (64) | - | - | (64) |
| (Loss) / Profit for the year | - | - | - | 874 | (18) | 856 |
| Total comprehensive income for the year | - | - | (64) | 874 | (18) | 792 |
| Balance at December 2016 | 10,800 | 50,849 | 293 | (40,685) | (65) | 21,192 |

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

GUYANA SUGAR CORPORATION INC.
CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>COMPANY</u> | | <u>GROUP</u> | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>2016</u> <u>\$M</u> | <u>2015</u> <u>\$M</u> | <u>2016</u> <u>\$M</u> | <u>2015</u> <u>\$M</u> |
| OPERATING ACTIVITIES | | | | |
| | (1,213) | (2,662) | (1,273) | (2,707) |
| Adjustments for: | | | | |
| Depreciation and write down of assets | 4,757 | 4,571 | 4,757 | 4,571 |
| Loss on disposal of property, plant and equipment | 1,525 | (7) | 1,525 | (7) |
| Net interest | 544 | 689 | 552 | 704 |
| Income from subsidiary and others | (21) | (3) | (21) | (3) |
| Operating profit before working capital changes | <u>5,592</u> | <u>2,587</u> | <u>5,540</u> | <u>2,558</u> |
| Decrease / (increase) in inventories | 67 | (86) | 67 | (86) |
| (Increase) / decrease in standing cane | (2,829) | 1,155 | (2,795) | 1,156 |
| (Increase) / decrease in product stocks | (364) | 26 | (364) | 26 |
| Decrease / (increase) in accounts receivable, prepayments | 865 | (1,566) | 884 | (1,561) |
| Increase in amounts due from related parties | (25) | (41) | - | - |
| Increase in accounts payable and accruals | 19 | 4,945 | 20 | 4,944 |
| Increase in amounts due to related parties | 130 | 199 | 130 | 199 |
| Increase in defined benefit pension liability | 26 | 1,105 | 26 | 1,105 |
| Cash generated from operations | <u>3,482</u> | <u>8,324</u> | <u>3,508</u> | <u>8,340</u> |
| Interest paid | (544) | (689) | (565) | (704) |
| NET CASH INFLOW - OPERATING ACTIVITIES | <u>2,938</u> | <u>7,635</u> | <u>2,943</u> | <u>7,635</u> |
| INVESTING ACTIVITIES | | | | |
| Purchase of property, plant and equipment | (729) | (1,767) | (729) | (1,767) |
| Proceeds from sale of property, plant and equipment | 1 | 12 | 1 | 12 |
| Dividends received from investments | 21 | 3 | 21 | 3 |
| NET CASH OUTFLOW - INVESTING ACTIVITIES | <u>(707)</u> | <u>(1,751)</u> | <u>(707)</u> | <u>(1,751)</u> |
| FINANCING ACTIVITIES | | | | |
| Proceeds from borrowing | 1,980 | 224 | 1,980 | 224 |
| Loan repayments | (4,289) | - | (4,286) | - |
| Proceeds from Government Grant | (61) | (4,304) | (61) | (4,304) |
| NET CASH OUTFLOW - FINANCING ACTIVITIES | <u>(2,370)</u> | <u>(4,080)</u> | <u>(2,367)</u> | <u>(4,080)</u> |
| (Decrease) / increase in cash and cash equivalents | (139) | 1,804 | (132) | 1,804 |
| Cash and cash equivalents at beginning of the period | 530 | (1,274) | 557 | (1,247) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>391</u> | <u>530</u> | <u>425</u> | <u>557</u> |
| CASH AND CASH EQUIVALENT COMPRISED OF:- | | | | |
| Cash on hand and at bank | 784 | 1,942 | 818 | 1,969 |
| Bank overdraft(secured) | (393) | (1,412) | (393) | (1,412) |
| | <u>391</u> | <u>530</u> | <u>425</u> | <u>557</u> |

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

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. INCORPORATION AND ACTIVITIES

Guyana Sugar Corporation Limited was incorporated on May 21, 1976 and is involved in the cultivation of sugar cane and the manufacture and sale of sugar and molasses. On February 28, 1996 the Corporation was continued under the Companies Act 1991 and its name changed to Guyana Sugar Corporation Inc. The Corporation is wholly owned by the Government of Guyana.

Lochaber Limited's principal activity is the cultivation of sugar cane. Its registered office is at Ogle Estate, East Coast Demerara.

2. NEW AND REVISED STANDARDS

Application of new and revised Standards and Interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the prior year except for the adoption of new standards and interpretations which became effective during the period.

Revised standards and interpretations which became effective during the period and were adopted did not have any impact on the accounting policies, financial position or performance of the Company.

Standards and Interpretations not yet effective

There are several interpretations and amendments to existing standards which are not yet effective. The Company has not early adopted any such pronouncements. The directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements of the Company.

| | Effective for annual periods beginning on or after |
|---|---|
| IAS 12 Income Taxes (amendments) | 1 January, 2017 |
| IFRS 2 Share Based Payment: Classification and Measurement Of Share Based Transactions | 1 January, 2018 |
| IFRS 4 Insurance Contracts: Applying IFRS 9 "Financial Instrument" with "IFRS 4 "Insurance Contracts" | 1 January, 2018 |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January, 2018 |
| IFRS 15 Revenue from Contracts with Customers | 1 January, 2018 |
| IFRS 16 Leases | 1 January, 2019 |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED D1ECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments and fixed assets and conform with International Financial Reporting Standards and the Companies Act 1991.

3.2 Revenue and expense recognition

Revenue represents the amounts earned from the sale of sugar and molasses during the year. Revenue is recognized in the income statement on an accrual basis when the product is shipped, or for domestic sales, when the product is collected. Expenses are recognized at the fair value of the consideration paid/payable on an accrual basis.

3.3 Property, plant and equipment

Freehold land and buildings are stated at fair values as at January 1, 1999 as determined by professional valuers. Factory, plant and equipment are stated at Directors' valuation as at December 31, 2005. Freehold land and building and factory plant acquired subsequent to these valuation dates and other property, plant and equipment are stated at cost.

All assets with the exception of freehold land and work-in-progress are depreciated on the straight line method at rates sufficient to write off the cost or revaluation of these assets to their residual values over their estimated useful lives as follows:

| | | |
|-----------------------------------|---|---------------------|
| Freehold buildings - wooden | - | Over 20 years |
| Freehold buildings - others | - | Over 33 years |
| Land expansion costs | - | According to tenure |
| Plant and machinery and equipment | - | From 5 to 17 years |
| Aircraft | - | Over 5 to 10 years |
| Motor vehicles | - | Over 4 years |

All assets are tested for possible impairment based on income generated and net realizable value. Depreciation is calculated from the month following acquisition until the month of disposal. Capital work in progress is not depreciated until the relevant assets are brought into use.

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.4 Freehold and leasehold land

In addition to 21,565 acres of land, the Group leases from the Government of Guyana 50,509 hectares of land on which it grows cane and for ancillary purposes.

The tenure of the lease is for fifty (50) years. There is no intent by the Government of Guyana to pass title to the company for any of these lands, therefore, they are all classified as operating leases in accordance with IAS 17.

3.5 Inventory

Inventories are valued at the lower of weighted average cost and net realizable value.

Product stocks are valued at the lower of cost of production and estimated realizable value less deductions for Sugar Industry Special Funds contributions and shipping and selling expenses, where applicable. Where markets are identified for sugar and molasses, the net realizable value is used if it is lower than the cost of production. Production costs include all estates' operations and administrative costs.

3.6 Standing cane

The value of standing cane is included in the financial statements as a biological asset. Standing cane is measured at fair value less estimated point of sale costs. The fair value of the cane is determined using the average cane farmers' price. This is determined using the weighted aggregate price achieved in the various markets for which sugar is supplied.

3.7 Research and development

Research and development expenditure is charged against revenue in the year in which it is incurred

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.8 Financial instruments

Financial assets and liabilities are recognized on the company's statement of financial position when the company becomes a party to the contractual provisions of the instruments.

Financial instruments carried on the statement of financial position include investment securities, receivables, payables, accruals and cash resources. The recognition method adopted for investment securities is disclosed in the individual policy statements.

Investments

Investments are recognized in the financial statements to comply with International Accounting Standards.

The Company's investments have been classified as "Available-for-sale". "Available-for-sale" investments are initially recognized at cost and adjusted to fair value at subsequent periods. The classification of investments is regularly reviewed for any changes.

Gains or losses on "available-for-sale financial assets" are recognized through the statement of changes in equity until the asset is sold or otherwise disposed, at which time previously recognized gains or losses are transferred to the statement of income for that period.

Trade, other receivables and prepayments

Trade, other receivables and prepayments are measured at amortised cost. Appropriate allowances for estimated unrecoverable amounts are recognized in statement of income when there is objective evidence that the asset is impaired. The allowance recognized is based on management's evaluation of the collectability of the receivables.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and at bank and fixed deposits maturing three months or less.

Trade, other payables and accruals

Trade, other payables and accruals are measured at amortised cost.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.9 Reserves

(i) Surplus on revaluation of fixed assets (land and buildings) is credited to this account. This reserve is not distributable.

(ii) Other

Fair value adjustments of "available-for-sale" investments are credited to this account. This reserve is not distributable.

3.10 Impairment of tangible assets

At each reporting date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

3.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.11 Deferred Tax (cont'd)

Deferred tax assets are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred taxes are recognised as an expense or income in the consolidated statement of income.

3.12 Employee retirement benefits

The group participates in a contributory multi-employer pension plan, Guyana Sugar and Trading Enterprise Pension Scheme (STEPS), a defined benefit scheme, for its qualifying employees.

The contributions are held in trustee administered funds which are separate from the company's finances.

Employees who have retired and are not members of the pension scheme are paid ex-gratia pensions and are provided with post-retirement medical care, which are partially recoverable from the Sugar Industry Price stabilisation Fund.

The retirement benefit costs are assessed using the Projected Unit Credit method. Under this method, the cost of providing pensions is charged to the statement of income so as to spread the regular costs over the service lives of the employees. This is determined by professional actuaries. Actuarial gains and losses are recognized as income or expenses if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed the greater of (a) 10% of the present value of the defined benefit obligation, and (b) 10% of the fair value of the plan assets at that date.

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

3.13 Translation of foreign currency

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of the financial period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary assets and liabilities carried at the fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in the statement of comprehensive income for the period.

3.14 Presentation currency

The financial statements have been presented in Guyana dollars.

3.15 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

3.16 Skeldon Sugar Modernisation Project (SSMP)

All expenses including borrowing costs to the modernization project had been charged as work- in- progress. This was capitalized on the commissioning of the factory during 2009. See Note 5.3

3.17 Basis of consolidation

The consolidated financial statements incorporate the financial statements made to December 31 each year of the Parent Company and Lochaber Limited (the subsidiary), a company controlled by the Parent. Control is achieved by virtue of the Company having the power to govern the financial and operating policies of the subsidiary through the Board of Directors. Details of the subsidiary are given in note 7.2 Intra group balances and transactions have been eliminated in preparing the consolidated financial statements

3.18 Basic earnings per share

Basic earnings per share attributable to ordinary equity holders of the parent is calculated by dividing profit or loss attributable to ordinary equity holders of the parent by the weighted number of ordinary shares outstanding during the period.

3.19 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds- IAS23- Borrowing costs. Borrowing costs that were directly attributable to the acquisition and construction of qualifying assets were capitalized during the year. Borrowing costs were computed using the effective interest method in accordance with IAS 39- Financial instruments: Recognition and measurement.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

4 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the group accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial statements:

i) **Trade, other receivables and prepayments**

On a regular basis, management reviews trade and other receivables to assess impairment. Based on information available as to the likely impairment in cash flows, decisions are taken in determining appropriate provisions to be made for impairment of debts.

ii) **Other financial assets**

In determining the fair value of investments and other financial assets in the absence of a market, the directors estimate the likelihood of impairment by using discounted cash flows.

iii) **Useful lives of property, plant and equipment**

Management reviews the estimated useful lives of property, plant and equipment at the end of each year to determine whether the useful lives of property, plant and equipment should remain the same.

iv) **Impairment of financial assets**

Management makes judgement at each reporting date to determine whether financial assets are impaired. Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

v) **Retirement benefit asset/obligation**

The provisions for defined benefit asset/obligation are determined by the actuary based on data provided by management. The computation of the provisions by the actuary assumes that the data provided is not materially misstated.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

5. PROPERTY, PLANT & EQUIPMENT

2016

5.1 COMPANY

| Cost/valuation | Land | Buildings others | Freehold Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---------------------------|--------|---------------------|---------------------------------|---------------------------|---|---------------------|---------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| As at Jan 01, 2016 | 44,531 | 22,397 | 2,797 | 4,899 | 66,027 | 5,684 | 146,335 |
| Transfers | - | 46 | 34 | 3,648 | 1,405 | (5,133) | - |
| Additions | - | - | - | - | - | 729 | 729 |
| Disposals | (71) | (1,485) | (416) | (2) | (5,206) | - | (7,180) |
| Reclassification | - | 94 | (96) | - | (6) | 8 | - |
| As at December 31, 2016 | 44,460 | 21,052 | 2,319 | 8,545 | 62,220 | 1,288 | 139,884 |
| Comprising: | | | | | | | |
| Cost | 7,267 | 10,617 | 2,319 | 8,545 | 58,999 | 1,288 | 89,035 |
| Valuation | 37,193 | 10,435 | - | - | 3,221 | - | 50,849 |
| | 44,460 | 21,052 | 2,319 | 8,545 | 62,220 | 1,288 | 139,884 |
| Depreciation | | | | | | | |
| As at Jan 01, 2016 | - | 6,607 | 1,325 | 1,080 | 42,721 | - | 51,733 |
| Charge for the period | - | 422 | 65 | 708 | 3,562 | - | 4,757 |
| Written back on disposals | - | (503) | (209) | - | (4,943) | - | (5,655) |
| As at December 31, 2016 | - | 6,526 | 1,181 | 1,788 | 41,340 | - | 50,835 |
| Net book value | | | | | | | |
| As at December 31, 2016 | 44,460 | 14,526 | 1,138 | 6,757 | 20,880 | 1,288 | 89,049 |
| As at Jan 01, 2016 | 44,531 | 15,790 | 1,472 | 3,819 | 23,306 | 5,684 | 94,602 |

5.2

2015

| Cost or valuation | Land | Buildings others | Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---------------------------|--------|---------------------|---------------------|---------------------------|---|---------------------|---------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| As at Jan 01, 2015 | 44,531 | 22,385 | 2,776 | 4,480 | 64,256 | 6,222 | 144,651 |
| Transfers | - | 21 | 21 | 388 | 1,728 | (2,159) | - |
| Additions | - | - | - | 30 | 116 | 1,620 | 1,767 |
| Disposals | - | (9) | - | - | (74) | - | (83) |
| As at December 31, 2015 | 44,531 | 22,397 | 2,797 | 4,899 | 66,027 | 5,684 | 146,335 |
| Comprising: | | | | | | | |
| Cost | 7,338 | 11,962 | 2,797 | 4,899 | 62,806 | 5,684 | 95,486 |
| Valuation | 37,193 | 10,435 | - | - | 3,221 | - | 50,849 |
| | 44,531 | 22,397 | 2,797 | 4,899 | 66,027 | 5,684 | 146,335 |
| Depreciation | | | | | | | |
| As at Jan 01, 2015 | - | 6,166 | 1,241 | 685 | 39,148 | - | 47,240 |
| Charge for the period | - | 441 | 84 | 395 | 3,652 | - | 4,572 |
| Written back on disposals | - | - | - | - | (79) | - | (79) |
| As at December 31, 2015 | - | 6,607 | 1,325 | 1,080 | 42,721 | - | 51,733 |
| Net book value | | | | | | | |
| As at December 31, 2015 | 44,531 | 15,790 | 1,473 | 3,819 | 23,306 | 5,684 | 94,602 |

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2016

5. PROPERTY, PLANT & EQUIPMENT

2016

5.2 GROUP

| Cost/valuation | Land | Buildings others | Freehold Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---------------------------|--------|---------------------|---------------------------------|---------------------------|---|---------------------|---------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| As at Jan 01, 2016 | 44,531 | 22,397 | 2,797 | 4,899 | 66,027 | 5,684 | 146,335 |
| Transfers | - | 46 | 34 | 3,648 | 1,405 | (5,133) | - |
| Additions | - | - | - | - | - | 729 | 729 |
| Disposals | (71) | (1,485) | (416) | (2) | (5,206) | - | (7,180) |
| Reclassification | - | 94 | (96) | - | (6) | 8 | - |
| As at December 31, 2016 | 44,460 | 21,052 | 2,319 | 8,545 | 62,220 | 1,288 | 139,884 |
| Comprising: | | | | | | | |
| Cost | 7,267 | 10,617 | 2,319 | 8,545 | 58,999 | 1,288 | 89,035 |
| Valuation | 37,193 | 10,435 | - | - | 3,221 | - | 50,849 |
| | 44,460 | 21,052 | 2,319 | 8,545 | 62,220 | 1,288 | 139,884 |
| Depreciation | | | | | | | |
| As at Jan 01, 2016 | - | 6,607 | 1,324 | 1,080 | 42,721 | - | 51,733 |
| Charge for the period | - | 422 | 65 | 708 | 3,562 | - | 4,757 |
| Written back on disposals | - | (503) | (209) | - | (4,943) | - | (5,655) |
| As at December 31, 2016 | - | 6,526 | 1,180 | 1,788 | 41,340 | - | 50,835 |
| Net book value | | | | | | | |
| As at December 31, 2016 | 44,460 | 14,526 | 1,139 | 6,757 | 20,880 | 1,288 | 89,049 |
| As at Jan 01, 2016 | 44,531 | 15,790 | 1,473 | 3,819 | 23,305 | 5,684 | 94,602 |

2015

5.2

| Cost or valuation | Land | Buildings others | Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---------------------------|--------|---------------------|---------------------|---------------------------|---|---------------------|---------|
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| As at Jan 01, 2015 | 44,531 | 22,385 | 2,776 | 4,480 | 64,256 | 6,222 | 144,651 |
| Transfers | - | 21 | 21 | 389 | 1,728 | (2,159) | - |
| Additions | - | - | - | 30 | 116 | 1,620 | 1,766 |
| Disposals | - | (9) | - | - | (74) | - | (83) |
| As at December 31, 2015 | 44,531 | 22,397 | 2,797 | 4,899 | 66,026 | 5,684 | 146,335 |
| Comprising: | | | | | | | |
| Cost | 7,338 | 11,962 | 2,797 | 4,899 | 62,805 | 5,684 | 95,486 |
| Valuation | 37,193 | 10,435 | - | - | 3,221 | - | 50,849 |
| | 44,531 | 22,397 | 2,797 | 4,899 | 66,026 | 5,684 | 146,335 |
| Depreciation | | | | | | | |
| As at Jan 01, 2015 | - | 6,166 | 1,241 | 685 | 39,148 | - | 47,240 |
| Charge for the period | - | 441 | 84 | 395 | 3,652 | - | 4,572 |
| Written back on disposals | - | - | - | - | (79) | - | (79) |
| As at December 31, 2015 | - | 6,607 | 1,325 | 1,080 | 42,721 | - | 51,733 |
| Net book value | | | | | | | |
| As at December 31, 2015 | 44,531 | 15,790 | 1,473 | 3,819 | 23,305 | 5,684 | 94,602 |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2016

5. PROPERTY, PLANT & EQUIPMENT (cont'd)

5.3 If no revaluation of land, buildings and equipment was done, the net book value of property, plant and equipment would have been approximately \$89,034,794,346 (2015 - \$95,485,845,133).

5.4 LEASEHOLD LANDS

Leasehold land represents 72% of land used to derive economic benefits by the Group. Since title is not expected to be passed to the group at the end of the lease, these leases are classified as operating leases. These are subject to several types of lease agreements, the status of which is as follows:

| | Hectares |
|---|-----------------|
| Unexpired leases | 21,576 |
| Unexpired Licences | 181 |
| Expired leases | 1,673 |
| Expired permissions | 992 |
| During the President's pleasure licenses | 25,680 |
| During the President's pleasure permissions | 407 |
| | 50,509 |

The Group has received written confirmation that the Government of Guyana is committed to renewing all leases for lands beneficially occupied by Guyana Sugar Corporation Inc. Lease rentals will be reviewed from time to time by the Commissioner of Lands and Surveys and must be approved by the Government of Guyana.

Lease payment per hectare per annum has been as follows:

| | |
|---------------------------------------|-----------|
| | \$ |
| Prior to 1985 | 10.0 |
| From January 01, 1985 to May 31, 1998 | 18.5 |
| From June 01, 1998 | 2,471 |

A valuation prepared by a professional valuer placed a value on these lands of \$1,482,600 per hectare at January 01, 1999.

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

6. DEFERRED TAX

Recognised deferred tax assets/liabilities are attributable to the following items:

| | COMPANY | | GROUP | | |
|--|-----------------|-----------------|------------------------------------|---------------------------------|------------------------------------|
| | 2016 | 2015 | 2016 | 2015 | |
| | \$M | \$M | \$M | \$M | |
| Deferred tax liability | | | | | |
| Property, plant and equipment | 13,635 | 15,454 | 13,655 | 15,474 | |
| Standing cane | 2,087 | 1,239 | 2,072 | 1,234 | |
| | 15,722 | 16,693 | 15,727 | 16,708 | |
| Deferred tax asset | | | | | |
| Tax value of losses carried forward | (18,349) | (17,131) | (18,428) | (17,199) | |
| Property, plant and equipment | | | (18) | (18) | |
| Defined benefit pension liability | (9,857) | (9,850) | (9,857) | (9,849) | |
| | (28,206) | (26,981) | (28,303) | (27,066) | |
| Movement in temporary differences | | | | | |
| | | | COMPANY | | |
| | | | Balance at Jan 01, 2016 | Recognised in Income | Balance at Dec 31, 2016 |
| Deferred tax liability | | | | | |
| Property, plant and equipment | | 15,454 | | (1,819) | 13,635 |
| Standing cane | | 1,239 | | 848 | 2,087 |
| | | 16,693 | | (971) | 15,722 |
| Deferred tax asset | | | | | |
| Tax value of losses carried forward | | (17,131) | | (1,217) | (18,348) |
| Defined benefit pension liability | | (9,850) | | (8) | (9,858) |
| | | (26,981) | | (1,225) | (28,206) |
| Movement in temporary differences | | | | | |
| | | | GROUP | | |
| | | | Balance at Jan 01, 2016 | Recognised in Income | Balance at Dec 31, 2016 |
| Deferred tax liability | | | | | |
| Property, plant and equipment | | 15,474 | | (1,819) | 13,655 |
| Standing cane | | 1,234 | | 838 | 2,072 |
| | | 16,708 | | (981) | 15,727 |
| Deferred tax asset | | | | | |
| Tax value of losses carried forward | | (17,199) | | (1,229) | (18,428) |
| Property, plant and equipment | | (18) | | - | (18) |
| Defined benefit pension liability | | (9,849) | | (8) | (9,857) |
| | | (27,066) | | (1,237) | (28,303) |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

7. INVESTMENTS

7.1 Investments

Available for sale:

Republic Bank Limited

| <u>COMPANY</u> | | <u>GROUP</u> | |
|----------------|-------------|--------------|-------------|
| <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| \$M | \$M | \$M | \$M |
| 272 | 335 | 272 | 335 |
| <u>272</u> | <u>335</u> | <u>272</u> | <u>335</u> |

In determining the value of investments, quotations from Guyana Association of Securities Companies and Intermediaries Inc. and Directors valuation for unquoted investments were used.

7.2 INVESTMENT IN SUBSIDIARY

Lochaber Limited

| <u>COMPANY</u> | |
|----------------|-------------|
| <u>2016</u> | <u>2015</u> |
| \$M | \$M |
| 22 | 22 |
| <u>22</u> | <u>22</u> |

The Corporation holds 36.8% of the share capital of Lochaber Limited. The Corporation exercises dominant influence over the financial and operating policies of Lochaber Limited through the membership of its Board. Investment in the subsidiary is accounted for by using the cost method in the Corporation's own financial statements.

7.3 Non controlling interest

At January 1
Share of loss
At December 31

| <u>GROUP</u> | |
|--------------|-------------|
| <u>2016</u> | <u>2015</u> |
| \$M | \$M |
| (47) | (36) |
| (18) | (11) |
| <u>(65)</u> | <u>(47)</u> |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

8. CURRENT ASSETS

8.1 Inventory categories

| | |
|---|--|
| Fuel | |
| Spare | |
| Fertilizers and chemicals | |
| Other | |
| Gross inventories | |
| Less collectively assessed provision for slow moving and obsolete items | |
| Net Inventories | |

| COMPANY | | GROUP | |
|---------|-------|-------|-------|
| 2016 | 2015 | 2016 | 2015 |
| \$M | \$M | \$M | \$M |
| 60 | 64 | 66 | 64 |
| 1,742 | 1,795 | 1,742 | 1,795 |
| 473 | 430 | 473 | 430 |
| 1,851 | 1,539 | 1,851 | 1,539 |
| 4,132 | 3,827 | 4,132 | 3,827 |
| (718) | (348) | (718) | (348) |
| 3,414 | 3,481 | 3,414 | 3,481 |

It is estimated that fuel, fertilizers and chemicals and other inventories will be realised within one year
Spare expected to be recovered more than one year \$ 1,200M (2015 - \$1,500M).

8.2 Standing Cane

Standing cane is accounted for in accordance with IAS 41. The difference between the opening and closing balance is included in cost of sales

Balance as at January 01
Adjustment to cost of sales
Balance as at Dec 31

| COMPANY | | GROUP | |
|---------|---------|-------|---------|
| 2016 | 2015 | 2016 | 2015 |
| \$M | \$M | \$M | \$M |
| 4,132 | 5,288 | 4,182 | 5,338 |
| 2,829 | (1,198) | 2,785 | (1,198) |
| 6,961 | 4,132 | 6,977 | 4,182 |

Standing Cane by Age

| | COMPANY | | GROUP | | COMPANY | | GROUP | |
|-------------|----------|----------|----------|----------|---------|--------|--------|--------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| Age of Cane | Hectares | Hectares | Hectares | Hectares | \$M | \$M | \$M | \$M |
| 1-5 Months | 22,599 | 27,079 | 22,729 | 27,980 | - | - | - | - |
| 6 Months | - | 1,553 | - | 1,553 | - | 45 | - | 45 |
| 7 Months | - | 384 | 62 | 407 | - | 25 | - | 25 |
| 8 Months | 994 | 2,641 | 1,118 | 2,709 | 142 | 297 | 142 | 297 |
| 9 Months | 4,589 | 4,257 | 4,628 | 4,257 | 1,357 | 994 | 1,374 | 994 |
| 10 Months | 4,485 | 4,406 | 4,465 | 4,406 | 1,976 | 1,533 | 1,976 | 1,533 |
| 11 Months | 2,877 | 2,417 | 2,877 | 2,417 | 1,457 | 982 | 1,457 | 982 |
| 12 Months | 3,748 | 847 | 3,748 | 647 | 2,030 | 276 | 2,030 | 276 |
| | 39,250 | 43,983 | 39,823 | 44,355 | 6,961 | 4,132 | 6,978 | 4,182 |
| | | | | | \$ | \$ | \$ | \$ |
| | | | | | 74,273 | 58,400 | 74,273 | 58,400 |

Farmers' price per tonne of sugar

| | COMPANY | | Standing Cane Value /Farmers' Price/MT Value |
|------|-----------------|--------------------------|--|
| | Farmers' Prices | Tonnes Sugar (TS) Values | |
| 2016 | 74,273 | 93,728 | 6,961,425,490 |
| 2015 | 58,400 | 70,755 | 4,132,090,633 |
| | | | 2,829,334,857 |

The value of standing cane increased by 69% due to decreased cane farmers' prices and tonnes sugar value derived from standing cane.

8.3 Product stock categories

Sugar
Molasses
Livestock

| COMPANY | | GROUP | |
|---------|-------|-------|-------|
| 2016 | 2015 | 2016 | 2015 |
| \$M | \$M | \$M | \$M |
| 816 | 730 | 816 | 730 |
| 810 | 533 | 810 | 533 |
| 17 | 16 | 17 | 16 |
| 1,643 | 1,279 | 1,643 | 1,279 |

9. CASH AND CASH EQUIVALENTS

9.1 Cash on hand and at bank

GYD Dollar
US Dollar (Current a/c)
GBP
Euro

| | | | |
|-----|-------|-----|-------|
| 759 | 45 | 793 | 72 |
| 3 | 1,888 | 3 | 1,888 |
| 22 | 9 | 22 | 9 |
| - | 2 | - | 2 |
| 784 | 1,942 | 818 | 1,969 |

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9. CASH AND CASH EQUIVALENTS (cont'd)

9.2 Bank overdraft (secured)

| | COMPANY | | GROUP | |
|--|-------------|--------------|-------------|--------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| Guyana Dollar(a) | 393 | 1,412 | 393 | 1,412 |
| (a) These comprised of:- | | | | |
| (i) Guyana Bank for Trade and Industry Limited | - | 992 | - | 992 |
| (ii) Republic Bank Guyana Limited | 350 | 298 | 350 | 298 |
| (iii) Demerara Bank Limited | 43 | 122 | 43 | 122 |
| | <u>393</u> | <u>1,412</u> | <u>393</u> | <u>1,412</u> |

Securities held consist of

(i) & (ii)- Over property situated at Plantation Ogle, East Coast Demerara

(iii) & (iv) - Over properties at Plantation Vryheids Lust, Plantation Montrose, Plantation Felicity, Plantation Better Hope & Plantation Brothers all of East Coast Demerara.

- Over properties at Plantation La Bonne Intention and Plantation Chateau Margot both of East Coast Demerara.
- Over properties at Plantation Le Ressouvenir and Plantation Success both of East Coast Demerara.

(b) Interest rates are as follows:-

| | GROUP | |
|--|-------|------|
| | 2016 | 2015 |
| Guyana Bank for Trade and Industry Limited | 9% | 9% |
| Republic Bank Guyana Limited | 8% | 8% |
| Demerara Bank Limited | 8.5% | 8.5% |
| Bank of Nova Scotia | - | 8.5% |

10. STATED CAPITAL

The Corporation has an authorised stated capital of 10,800,000,000 at a minimum issue price of \$1 each and an issued stated capital of 10,799,571,775 ordinary shares. The fully paid ordinary shares have no par value and carry one vote per share and equal rights to dividends.

11. RESERVES

| | COMPANY | | GROUP | |
|---------------------------------|-------------|-------------|-------------|-------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| 11.1 Revaluation reserve | | | | |
| Revaluation of fixed assets | 50,849 | 50,849 | 50,849 | 50,849 |

The Corporation revalued its freehold land and buildings and factory plant and machinery as at January 01, 1999. The valuation of the land and buildings was undertaken by an independent valuer. The original valuation as at January 01, 1999 of plant and machinery was used as a basis for value in use calculation from 2001 to date. The valuation is reviewed each year in light of changes in markets, production levels and exchange rate movements. The value was revised in 2009.

11.2 Other reserves

| | COMPANY | | GROUP | |
|--|-------------|-------------|-------------|-------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| 1. Amounts received by the Corporation from the Sugar Industry Special Funds for rehabilitation work carried out on the Corporation's factories. | 25 | 25 | 25 | 25 |
| 2. Monies received from the Government of Guyana for the purpose of financing projects in the Corporation's diversification programme. | 17 | 18 | 17 | 18 |
| 3. The value of the net assets of Guyana Agricultural Products Corporation and Demerara Sugar Company Limited which were acquired by the Government of Guyana and transferred to the Corporation. During 2002 \$14M was capitalised as equity. | 2 | 2 | 2 | 2 |
| 4. Adjustment of investments to reflect fair value | 249 | 312 | 249 | 312 |
| | <u>293</u> | <u>357</u> | <u>293</u> | <u>357</u> |

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

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12. DEFERRED INCOME

| | COMPANY | | GROUP | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| Income from European Union | 2,338 | 2,417 | 2,336 | 2,417 |
| Income from Government of Guyana | 20 | - | 20 | - |
| | <u>2,358</u> | <u>2,417</u> | <u>2,356</u> | <u>2,417</u> |

Deferred income of \$2,338m represents income from the European Union as part of the Guyana National Action Plan (GNAP) submission for the mitigation against the EU price cuts. Funds received were utilised in the construction of the new packaging plant at Enmore Estate called Enmore Project Gold, which has resulted in the conversion of production into direct consumption sugars for the local and international markets. Construction works commenced on the US\$12M facility in 2009 and was completed and signed in February 2012. Now that the factory is completed, deferred income is being transferred to the Statement of Comprehensive Income on an annual basis over the plant's useful economic life.

Deferred income of \$20m was received from the Government of Guyana in March 2016 for capitalisation of the Ethanol Plant at Albion Estate. Deferred income will be transferred to the Statement of Comprehensive Income on an annual basis over the useful economic life, which is approximately 15 years.

13. BORROWINGS

| | COMPANY | | GROUP | |
|---|---------------|---------------|---------------|---------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| 13.1 Current | | | | |
| a) Government of Guyana Drainage and Irrigation financed by CDB | 342 | 141 | 342 | 141 |
| b) Consortium of local banks and Jamaican Bank (NCB Jamaica Ltd) | 2,456 | 4,763 | 2,456 | 4,763 |
| c) Government of Guyana Debenture | 144 | 144 | 144 | 144 |
| d) Government of Guyana SSMP | 5,467 | - | 5,467 | - |
| e) Government of Guyana SSMP financed by CDB | 1,960 | - | 1,960 | - |
| f) Government of Guyana SSMP financed by EXIM Bank | 2,428 | - | 2,428 | - |
| | - | - | - | - |
| Total current loans | <u>12,797</u> | <u>5,048</u> | <u>12,797</u> | <u>5,048</u> |
| 13.2 Non Current | | | | |
| a) Government of Guyana Drainage and Irrigation financed by CDB | 488 | 688 | 488 | 688 |
| b) Government of Guyana SSMP | 10,022 | 15,489 | 10,022 | 15,489 |
| c) Government of Guyana SSMP financed by CDB | 3,593 | 5,553 | 3,593 | 5,553 |
| d) Government of Guyana SSMP financed by EXIM Bank | 5,827 | 8,255 | 5,827 | 8,255 |
| Total non-current loans | <u>19,930</u> | <u>29,985</u> | <u>19,930</u> | <u>29,985</u> |
| Repayments due in one year and included in current liabilities | <u>12,797</u> | <u>5,048</u> | <u>12,797</u> | <u>5,048</u> |
| Repayment due within 2-5 years | 4,116 | 4,116 | 4,116 | 4,116 |
| Repayment due after five years | 15,814 | 25,869 | 15,814 | 25,869 |
| | <u>19,930</u> | <u>29,985</u> | <u>19,930</u> | <u>29,985</u> |

a) Government of Guyana Drainage and Irrigation financed by CDB

The loan from the Government of Guyana represents an on-lending of a loan from the Caribbean Development Bank for US\$5,050,000 to finance various drainage and irrigation projects. Total funds received amounted to US\$5,026,395. Interest is charged at the rate of 3% per annum on the principal and is paid on semi-annual basis.

The repayment of the loan was due to commence 5 years after the date of the first disbursement and is to be paid in 34 equal semi-annual instalments. The first disbursement was received in July 2002. The maturity date of the loan is June 2024.

b) Government of Guyana SSMP

This is an on-lending facility from the Government of Guyana for US\$58M to finance the new Skeldon factory. The full amount was deposited in an Escrow account with ING Bank. Interest is charged at a rate of 6.5% per annum on the principal and is to be paid on a semi-annual basis.

The repayment of the loan was due to commence 5 years after the date of the first disbursement and will be paid in 34 equal instalments. A grace period of 3 years was granted in 2010 on the repayments by the Government of Guyana. The first disbursement was received in March 2005. The maturity date of the loan is February 2027.

c) Government of Guyana SSMP financed by CDB

This is an on-lending facility from the Government of Guyana for US\$24.8M financed by CDB. This facility is divided into two sections, Ordinary Capital Resources (OCR) for US\$ 11.8M and Special Funds Resources (SFR) for \$13.0M. These funds were used for the agricultural component of the new Skeldon factory. Drawdowns are made based on submission of contractors' certificates. To date a drawdown of US\$24.167M was made.

The repayment of the loan was due to commence 5 years after the date of the first disbursement and will be paid in 34 equal semi-annual instalments. A grace period of 3 years was granted in 2010 on the repayments by the Government of Guyana. The first disbursement was received in May 2005. The maturity date of the loan is April 2027. Interest is charged at the rate of 6.5% on the OCR portion and 3% on the SFR portion per annum on the principal amount.

d) Government of Guyana SSMP financed by EXIM Bank

This is an on-lending facility from the Government of Guyana for US\$35M financed by the Export and Import Bank of China (EXIM). These funds are to be used for the Co-generation Facility of the new Skeldon factory. Drawdowns are made based on submission of contractors' certificates. To date a drawdown of US\$35M was made.

The repayment of the loan was due to commence 5 years after the date of the first disbursement and will be paid in 24 equal instalments. A grace period of 3 years has been granted in 2010 on the repayments by the Government of Guyana. The first disbursement was received in March 2005. The maturity date of the loan is February 2022. Interest is charged at a rate of 4.5% per annum.

e) Consortium of local banks and Jamaica Bank (NCB Jamaica Limited)

This is a short term line of credit as part of a consortium lending arrangement by participating Licensed Financial Institutions of Guyana totalling G\$1,427M. Funds were also received as a short term line of credit from NCB Jamaica Limited totalling \$1,030M.

f) Government of Guyana debenture

This is a convertible Government of Guyana debenture. The Government of Guyana is the major shareholder and issuer of the debenture on which no interest is charged.

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14. RELATED PARTIES

14.1 Amounts due to related parties

Government of Guyana - Lease rentals
 Sugar Industry Labour Welfare Fund

| COMPANY | | GROUP | |
|--------------|--------------|--------------|--------------|
| 2016 | 2015 | 2016 | 2015 |
| \$M | \$M | \$M | \$M |
| 469 | 422 | 469 | 422 |
| 1,455 | 1,372 | 1,455 | 1,372 |
| 1,924 | 1,794 | 1,924 | 1,794 |

14.1 Amount due from related party

Lochaber

| COMPANY | | GROUP | |
|---------|------|-------|------|
| 2015 | 2014 | 2015 | 2014 |
| \$M | \$M | \$M | \$M |
| 323 | 298 | - | - |

Total rent payable for the lease lands to the Government of Guyana was \$468.6M(2015 - \$421.8M), no payment was made in 2016

Total levies payable to Sugar Industry Welfare Fund was \$1,455M.

14.2 Related parties transactions

14.2.1 Key Management Personnel

The company's key management personnel is comprised of the Chief Executive Officer, Deputy Chief Executive Office and Functional Directors. The remuneration paid to key management personnel during the year was as follows:

Short term employee benefit

| COMPANY | | GROUP | |
|---------|------|-------|------|
| 2016 | 2015 | 2016 | 2015 |
| \$M | \$M | \$M | \$M |
| 717 | 396 | 717 | 396 |

14.2.2 Directors' fees and expenses

Directors

Mrs. Geeta Singh -Knight
 Mr. Keith Burrowes
 Dr. Dindyal Permaul
 Mr. Badrie Persaud
 Mr. Dunstun Barrow
 Dr. Clive Thomas
 Mr. George Jervis
 Mr. Earl John
 Mr. Anthony Vieira
 Mr. Fritz Charles Mc lean
 Mr. John Samuel Browman
 Ms. Louise Andress Bouyeya
 Mr. Nizamudin Ali
 Mr. Richard Nigel Cumberbatch
 Ms. Sharon Roopchand-Edwards
 Taxes Paid

| COMPANY | | | | GROUP | | | |
|--------------|----------|------------|----------|--------------|----------|------------|----------|
| 2016 | | 2015 | | 2016 | | 2015 | |
| Fees | Expenses | Fees | Expenses | Fees | Expenses | Fees | Expenses |
| \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| - | - | 48 | - | - | - | 48 | - |
| - | - | 48 | - | - | - | 48 | - |
| - | - | 48 | - | - | - | 48 | - |
| - | - | 48 | - | - | - | 48 | - |
| - | - | 65 | - | - | - | 65 | - |
| 413 | - | 46 | - | 413 | - | 46 | - |
| 391 | - | 54 | - | 391 | - | 54 | - |
| 30 | - | 12 | - | 30 | - | 12 | - |
| 246 | - | - | - | 246 | - | - | - |
| 148 | - | - | - | 148 | - | - | - |
| 135 | - | - | - | 135 | - | - | - |
| 424 | - | - | - | 424 | - | - | - |
| 148 | - | - | - | 148 | - | - | - |
| 108 | - | - | - | 108 | - | - | - |
| 135 | - | - | - | 135 | - | - | - |
| - | - | 78 | - | - | - | 78 | - |
| 2,176 | - | 445 | - | 2,176 | - | 445 | - |

Directors' fees comprise those amounts paid to or on behalf of directors in respect of services as directors.

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16. EMPLOYEES RETIREMENT BENEFITS

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2016 by Becon Woodrow & De Souza. The present valuation of the defined benefit obligation and the related current service cost were measured by the actuaries at 31 December 2016 using the Projected Unit Credit Method.

| | 2016 | | | | 2016 | | | |
|--|--------------------|--------------|------------------|----------|-------------------------|--------------|------------------|----------|
| | Retirement Medical | STEPS Scheme | Ex Gratia Scheme | Total | Post Retirement Medical | STEPS Scheme | Ex Gratia Scheme | Total |
| | \$M | \$M | \$M | \$M | \$M | \$M | \$M | \$M |
| 15.1 The amounts recognized in the Statement of Financial Position are as follows: | | | | | | | | |
| Present value of defined benefit obligation | 574 | 12,899 | 30,643 | 44,116 | 574 | 12,362 | 30,389 | 43,325 |
| Fair value of assets | | (11,264) | | (11,264) | | (10,499) | | (10,499) |
| (Surplus)/Deficit | 574 | 1,635 | 30,643 | 32,852 | 574 | 1,863 | 30,389 | 32,826 |
| Effect of Asset Ceiling | | - | | | | | | |
| Net defined benefit liability/(Asset) | 574 | 1,635 | 30,643 | 32,852 | 574 | 1,863 | 30,389 | 32,826 |
| 15.2 Reconciliation of opening and closing defined benefit liability | | | | | | | | |
| Opening Defined Benefit Liability/(Asset) | 574 | 1,863 | 30,390 | 32,826 | 574 | 1,093 | 30,055 | 31,721 |
| Net Pension Cost | | 541 | 2,788 | 3,329 | | 549 | 2,944 | 3,493 |
| Re-measurements | | (288) | (1,740) | (2,008) | | 285 | (1,839) | (1,574) |
| Less company contribution/benefits paid | | (502) | (793) | (1,295) | | (43) | (770) | (814) |
| Closing defined benefit liability/(Asset) | 574 | 1,634 | 30,645 | 32,852 | 574 | 1,863 | 30,390 | 32,826 |
| 15.3 The amounts recognized as staff costs in the Statement Of Income are as follows: | | | | | | | | |
| Current service cost | | 448 | 988 | 1,436 | | 489 | 1,164 | 1,652 |
| Net interest on net defined benefit liability/(Asset) | | 93 | 1,800 | 1,893 | | 60 | 1,781 | 1,840 |
| Past Service Cost/(Credit) | | - | - | - | | - | - | - |
| Administrative Expenses | | - | - | - | | - | - | - |
| Net Pension Cost | | 541 | 2,788 | 3,329 | | 549 | 2,945 | 3,493 |
| 15.4 Actual return on Plan Assets | | | | | | | | |
| Expected return on Plan assets | | 100 | - | 100 | | (532) | - | (532) |
| Actuarial (Gain)/loss on Plan Assets/ Interest Income | | 631 | - | 631 | | 638 | - | 638 |
| Actual return on Plan Assets | | 731 | - | 731 | | 106 | - | 108 |
| 15.5 Actuarial assumptions | | | | | | | | |
| (I) Funded Scheme | | | | | | 2016 | | 2015 |
| Discount rate | | | | | | 6% | | 6% |
| Salary increases | | | | | | 6% | | 6% |
| Pension increases | | | | | | 2% | | 2% |
| Rate of return on Pension Plan assets | | | | | | 5.5% | | 7% |
| (II) Unfunded Scheme | | | | | | | | |
| Discount rate | | | | | | 6% | | 6% |
| Salary increases | | | | | | 6% | | 6% |
| Pension increases | | | | | | 5% | | 5% |
| Rate of return on Pension Plan assets | | | | | | N/A | | N/A |

There is no Pension Scheme for the subsidiary company.

| | Ex-Gratia Pensioners | | | | Steps Scheme | | | |
|---|----------------------|---------|---------|---------|--------------|----------|----------|----------|
| | 2016 | 2015 | 2014 | 2013 | 2016 | 2015 | 2014 | 2013 |
| | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 | G\$ 000 |
| Experience History | | | | | | | | |
| Defined benefit obligation | 30,843 | 30,389 | 30,054 | 28,347 | 12,899 | 12,362 | 11,945 | 11,459 |
| Fair Value Plan Assets | - | - | - | - | (11,264) | (10,499) | (10,652) | (11,119) |
| (Surplus)/Deficit | 30,843 | 30,389 | 30,054 | 28,347 | 1,635 | 1,863 | 1,093 | 341 |
| Experience Adjustment on Plan Liabilities | (1,740) | (1,839) | (378) | (1,051) | (187) | (287) | (232) | (221) |
| Experience Adjustment on Plan Assets | - | - | - | - | 831 | 638 | 654 | 595 |
| Expected Company Contributions in 2017 | 817 | | | | 832 | | | |

Data given to the actuaries included the Corporation's best possible estimations of details where precision was not possible. This was required for them to calculate liabilities according to IAS 19. The actuaries have cautioned that the figures are subject to change after a more complete assessment is carried out on the scheme in 2017.

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15. EMPLOYEES RETIREMENT BENEFITS (cont'd)

15.6 Asset Allocation

| | <u>2016</u> | <u>2015</u> |
|-------------------|----------------|----------------|
| Equity Securities | 18.20% | 18.20% |
| Debt Securities | 24.20% | 24.20% |
| Property | 7.20% | 7.20% |
| Other | <u>50.40%</u> | <u>50.40%</u> |
| Total | <u>100.00%</u> | <u>100.00%</u> |

The Scheme does not directly hold any assets of Guyana Sugar Corporation Inc

16. REVENUE

| | <u>COMPANY</u> | | <u>GROUP</u> | |
|---------------------------------|----------------|---------------|---------------|---------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | \$M | \$M | \$M | \$M |
| Revenue by products | | | | |
| Sugar | 17,477 | 18,434 | 17,477 | 18,434 |
| Molasses | 2,349 | 2,799 | 2,349 | 2,799 |
| Co-generation Electricity | 357 | 218 | 357 | 218 |
| Total Sales | <u>20,183</u> | <u>21,451</u> | <u>20,183</u> | <u>21,451</u> |
| Revenue by major markets | | | | |
| Europe | 10,355 | 10,775 | 10,355 | 10,775 |
| North America | 1,724 | 2,526 | 1,724 | 2,526 |
| Caribbean | 4,587 | 4,668 | 4,587 | 4,668 |
| Guyana | 3,444 | 3,409 | 3,444 | 3,409 |
| Other Markets | 73 | 73 | 73 | 73 |
| | <u>20,183</u> | <u>21,451</u> | <u>20,183</u> | <u>21,451</u> |

All expenditures are incurred in Guyana, with the exception of marketing expenses. All assets and liabilities are based in Guyana, with the exception of foreign cash balances and some trade receivables and payables.

16.1 OTHER GAINS AND LOSSES

The amount for other gains and losses of \$1.5billion, represents losses on disposal of fixed assets after a 100% asset verification exercise was carried out over the entire industry in 2015.

GUYANA SUGAR CORPORATION INC.
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| | COMPANY | | GROUP | |
|---|----------------|-------------|--------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$M | \$M | \$M | \$M |
| 17. LOSS BEFORE TAXATION | | | | |
| After charging - | (1,213) | (2,662) | (1,273) | (2,707) |
| Employment Costs | | | | |
| Wages and salaries | 18,711 | 20,408 | 18,711 | 20,408 |
| Social security contributions | 1,135 | 1,280 | 1,135 | 1,280 |
| Employees retirement benefits | 27 | 1,105 | 27 | 1,105 |
| Materials and services purchased | 7,034 | 10,874 | 7,034 | 10,874 |
| Research and development expenses | 157 | 156 | 157 | 156 |
| Directors' fees & expenses | 2 | 1 | 2 | 1 |
| Depreciation | 4,757 | 4,571 | 4,757 | 4,571 |
| Auditors' remuneration-audit services | 10 | 10 | 10 | 10 |
| Interest expense - | 544 | 689 | 544 | 689 |
| After crediting | | | | |
| Available for sale income (Republic Bank dividends) | 21 | 3 | 21 | 3 |
| 18. TAXATION | | | | |
| Reconciliation of corporation tax expense and accounting loss: | | | | |
| Accounting loss | (1,213) | (2,662) | (1,273) | (2,707) |
| Corporation tax @30% | (364) | (799) | (382) | (812) |
| Add: Tax effect of expenses not deductible in determining taxable profits | | | | |
| Depreciation for accounting purposes | 1,427 | 1,371 | 1,427 | 1,371 |
| Defined benefit pension cost | 8 | 331 | 8 | 331 |
| Deduct: | 1,071 | 904 | 1,053 | 891 |
| Depreciation for tax purposes | (1,337) | (1,071) | (1,337) | (1,071) |
| Standing Cane | (848) | (347) | (838) | (347) |
| Tax losses | (1,057) | (281) | (1,057) | (290) |
| Corporation Tax - prior year | 78 | - | 89 | - |
| Deferred Tax | (2,196) | (794) | (2,218) | (799) |
| Property Tax - current year | - | - | - | - |
| | (2,118) | (794) | (2,129) | (799) |
| Taxation - prior year | 78 | - | 89 | - |
| - deferred | (2,196) | (794) | (2,218) | (799) |
| | (2,118) | (794) | (2,129) | (799) |

No deferred tax liability has been recognised in relation to capital gains taxes which would become payable on factory plant, machinery and equipment should the revaluation surplus be realised upon disposal of the revalued assets. This is because the Corporation does not intend to dispose of these assets other than in the normal course of business.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

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19. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

GROUP
2016

| | Available for sale | Loans and Receivables | Financial Assets and Liabilities at Amortised cost | Total |
|-----------------------------------|-----------------------|--------------------------|--|---------------|
| | \$M | \$M | \$M | \$M |
| ASSETS | | | | |
| Investments | 272 | - | - | 272 |
| Trade receivables | - | 2,962 | - | 2,962 |
| Other receivables and prepayments | - | 3,270 | - | 3,270 |
| Taxes recoverable | - | 34 | - | 34 |
| Cash on hand and at bank | - | - | 818 | 818 |
| Total assets | 272 | 6,266 | 818 | 7,356 |
| LIABILITIES | | | | |
| Employees retirement benefit | - | - | 32,852 | 32,852 |
| Trade payables | - | - | 9,664 | 9,664 |
| Other payables | - | - | 17,193 | 17,193 |
| Related parties | - | - | 1,924 | 1,924 |
| Borrowings | - | - | 32,727 | 32,727 |
| Taxation | - | - | 2,714 | 2,714 |
| Bank overdraft(secured) | - | - | 393 | 393 |
| Total liabilities | - | - | 97,467 | 97,467 |

2015

| | Available for sale | Loans and Receivables | Financial Assets and Liabilities at Amortised cost | Total |
|-----------------------------------|-----------------------|--------------------------|--|----------------|
| | \$M | \$M | \$M | \$M |
| ASSETS | | | | |
| Investments | 335 | - | - | 335 |
| Trade receivables | - | 3,738 | - | 3,738 |
| Other receivables and prepayments | - | 3,378 | - | 3,378 |
| Taxes recoverable | - | 34 | - | 34 |
| Cash on hand and at bank | - | - | 1,969 | 1,969 |
| Total assets | 335 | 7,150 | 1,969 | 9,454 |
| LIABILITIES | | | | |
| Employees retirement benefit | - | - | 32,826 | 32,826 |
| Trade payables | - | - | 9,585 | 9,585 |
| Other payables | - | - | 17,252 | 17,252 |
| Related parties | - | - | 1,794 | 1,794 |
| Borrowings | - | - | 35,033 | 35,033 |
| Taxation | - | - | 2,637 | 2,637 |
| Bank overdraft(secured) | - | - | 1,412 | 1,412 |
| Total liabilities | - | - | 100,539 | 100,539 |

GUYANA SUGAR CORPORATION INC.
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FOR THE YEAR ENDED DECEMBER 31, 2016

20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

| | COMPANY | | GROUP | |
|--|----------------|-------------|--------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$M | \$M | \$M | \$M |
| Expenditure authorised by the Directors | | | | |
| Capital expenditure | 3,577 | 4,154 | 3,577 | 4,154 |

The capital expenditure for 2016 was be funded by a combination of facilities lent by the Government of Guyana, provided by other suppliers of finance and from self generated funds.

Contrary to previous practice, the Commissioner of Internal Revenue in 2000 sought to assess the Corporation on additional income for the years of assessment 1995, 1996 and 1997 arising from the remission of sugar levies by the Government of Guyana for the years 1994, 1995 and 1996. The Corporation does not accept this amended tax treatment and objected to the computations on the grounds that the levies have been correctly treated for tax purposes. No provision has been made in the financial statements for taxation arising from any such computations.

21. PENDING LITIGATION

There are several actions for which the liability of the Group, if any, has not been determined. The maximum potential liability at the end of the year is estimated at \$339M (2015 \$250M)

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

22. FINANCIAL RISK MANAGEMENT

Financial risk management objectives

The Group's management monitors and manages the financial risk relating to the operations of the Group through internal risk reports which analyse exposure by degree and magnitude of risks. These risks include market risk (currency risk, interest risk and price risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risk, interest rate risk and credit risk which are approved by the board of directors.

(a) 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 Group's exposure to market risk arises from its local and foreign securities.

Management continually identifies, evaluates, underwrites and diversifies risks in order to minimise the total cost of carrying such risk.

(i) Foreign currency risk

The Group's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from bank balances, other assets and loans in United States Dollars, Sterling and Euros.

The financial statements at December 31 include the following assets and liabilities denominated in foreign currency stated in the Guyana dollar equivalent.

| | Group 2016 | | | Total |
|-----------------------|-------------------|--------------|-------------|----------------|
| | US Dollar | GBP | Euro | |
| | \$M | \$M | \$M | \$M |
| Assets | 1,620 | 1 | - | 1,622 |
| Liabilities | (1,955) | (88) | - | (2,043) |
| Net Asset/(liability) | (335) | (87) | - | (422) |
| | Group 2015 | | | |
| Assets | 3,970 | 9 | 11 | 3,990 |
| Liabilities | (5,192) | (269) | - | (5,462) |
| Net Asset/(liability) | (1,222) | (260) | 11 | (1,471) |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

22. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market Risk (cont'd)

(i) Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the Guyana dollar (GYD) against the relevant currencies, 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number indicates an increase in profit where the currency strengthens 5% against the GYD. For a 5% weakening of the currency against GYD there would be an equal and opposite impact on the profit and the balances below would be reversed.

| | <u>US\$ Impact</u> | | <u>Sterling Impact</u> | | <u>Euro Impact</u> | |
|----------------------|--------------------|-------------|------------------------|-------------|--------------------|-------------|
| | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Profit/(loss) | (17) | (61) | (4) | (13) | - | 1 |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market Risk (cont'd)

(ii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to various risks that are associated with the effects of variations in interest rates. This impacts directly on its cash flows.

The Group's management continually monitors and manages these risks through the use of appropriate tools and implements relevant strategies to hedge against any adverse effects.

| <u>COMPANY</u> | effective average interest rate | 2016 | | | | <u>Total</u> \$M |
|-----------------------------------|--|---------------------------------------|----------------------------|--------------------------------------|------------------------------|---------------------|
| | | Maturing | | | Non - interest bearing | |
| | | <u>Within</u> <u>1Year</u> \$M | <u>1 to 5 years</u> \$M | <u>Over</u> <u>5 years</u> \$M | | |
| Assets | | | | | | |
| Investments | | - | - | - | 272 | 272 |
| Trade receivables | | | | | 2,957 | 2,957 |
| Other receivables and prepayments | | - | - | - | 3,270 | 3,270 |
| Cash and cash equivalents | 3.75 | 784 | - | - | - | 784 |
| | | 784 | - | - | 6,499 | 7,283 |
| Liabilities | | | | | | |
| Employees retirement benefits | | - | - | - | 32,852 | 32,852 |
| Trade payables | | - | - | - | 9,662 | 9,662 |
| Other payables | | - | - | - | 17,193 | 17,193 |
| Related parties | | - | - | - | 1,924 | 1,924 |
| Borrowings | 9.50 | 12,797 | 4,116 | 15,814 | - | 32,727 |
| Taxation | | - | - | - | 2,701 | 2,701 |
| Bank overdraft(secured) | 9.50 | 393 | - | - | - | 393 |
| | | 13,190 | 4,116 | 15,814 | 64,332 | 97,452 |
| Interest sensitivity gap | | (12,406) | (4,116) | (15,814) | | |
| | | | | | 2015 | |
| | | | | | Maturing | |
| <u>COMPANY</u> | | <u>Within</u> <u>1 Year</u> \$M | <u>1 to 5 years</u> \$M | <u>Over</u> <u>5 years</u> \$M | Non- interest bearing | <u>Total</u> \$M |
| Assets | | | | | | |
| Investments | | - | - | - | 335 | 335 |
| Trade receivables | | - | - | - | 3,714 | 3,714 |
| Other receivables and prepayments | | - | - | - | 3,378 | 3,378 |
| Cash and cash equivalents | 3.75 | 1,942 | - | - | - | 1,942 |
| | | 1,942 | - | - | 7,427 | 9,368 |
| Liabilities | | | | | | |
| Employees retirement benefits | | - | - | - | 32,826 | 32,826 |
| Trade payables | | - | - | - | 9,584 | 9,584 |
| Other payables | | - | - | - | 17,252 | 17,252 |
| Related parties | | - | - | - | 1,794 | 1,794 |
| Borrowings | 8.50 | 5,048 | 4,116 | 25,869 | - | 35,033 |
| Taxation | | - | - | - | 2,623 | 2,623 |
| Bank overdraft(secured) | 8.50 | 1,412 | - | - | - | 1,412 |
| | | 6,460 | 4,116 | 25,869 | 64,079 | 100,524 |
| Interest sensitivity gap | | (4,518) | (4,116) | (25,869) | | |

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

22. FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market Risk (cont'd)

(ii) Interest rate risk

| GROUP | effective average interest rate | 2016 | | | | Total \$M |
|-----------------------------------|--|-------------------------|---------------------|------------------------|-------------------------------------|--------------|
| | | Maturing | | | | |
| | | Within 1Year \$M | 1 to 5 years \$M | Over 5 years \$M | Non - interest bearing \$M | |
| Assets | | | | | | |
| Investments | | - | - | - | 272 | 272 |
| Trade receivables | | - | - | - | 2,962 | 2,962 |
| Other receivables and prepayments | | - | - | - | 3,270 | 3,270 |
| Tax recoverable | | - | - | - | 34 | 34 |
| Cash and cash equivalents | 3.75 | 818 | - | - | - | 818 |
| | | 818 | - | - | 6,538 | 7,356 |
| Liabilities | | | | | | |
| Employees retirement benefits | | - | - | - | 32,852 | 32,852 |
| Trade payables | | - | - | - | 9,664 | 9,664 |
| Other payables | | - | - | - | 17,193 | 17,193 |
| Related parties | | - | - | - | 1,924 | 1,924 |
| Borrowings | 8.50 | 12,797 | 4,116 | 15,814 | - | 32,727 |
| Taxation | | - | - | - | 2,714 | 2,714 |
| Bank overdraft(secured) | 8.50 | 393 | - | - | - | 393 |
| | | 13,190 | 4,116 | 15,814 | 64,347 | 97,467 |
| Interest sensitivity gap | | (12,372) | (4,116) | (15,814) | | |
| 2015 | | | | | | |
| GROUP | | Maturing | | | | Total \$M |
| | | Within 1 Year \$M | 1 to 5 years \$M | Over 5 years \$M | Non- interest bearing \$M | |
| Assets | | | | | | |
| Investments | | - | - | - | 335 | 335 |
| Trade receivables | | - | - | - | 3,738 | 3,738 |
| Other receivables and prepayments | | - | - | - | 3,378 | 3,378 |
| Tax recoverable | | - | - | - | 34 | 34 |
| Cash and cash equivalents | 3.75 | 1,969 | - | - | - | 1,969 |
| | | 1,969 | - | - | 7,485 | 9,454 |
| Liabilities | | | | | | |
| Employees retirement benefits | | - | - | - | 32,826 | 32,826 |
| Trade payables | | - | - | - | 9,585 | 9,585 |
| Other payables | | - | - | - | 17,252 | 17,252 |
| Related parties | | - | - | - | 1,794 | 1,794 |
| Borrowings | 8.50 | 5,048 | 4,116 | 25,869 | - | 35,033 |
| Taxation | | - | - | - | 2,637 | 2,637 |
| Bank overdraft(secured) | 8.50 | 1,412 | - | - | - | 1,412 |
| | | 6,460 | 4,116 | 25,869 | 64,094 | 100,539 |
| Interest sensitivity gap | | (4,491) | (4,116) | (25,869) | | |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

22 FINANCIAL RISK MANAGEMENT (cont'd)

(a) Market Risk (cont'd)

(ii) Interest rate risk cont'd

(ii) Interest rate sensitivity analysis

The table below analyses the sensitivity of interest rates exposure for both financial assets and liabilities at the end of the reporting period. For floating rate instruments, the analysis is prepared assuming the amount of the instrument outstanding at the end of the reporting period was outstanding for the whole year. A fifty (50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents managements assessment of the reasonably possible change in interest rate.

Apart from the foregoing with respect to the other financial assets and liabilities, it was not possible to determine the expected impact of a reasonable possible change in interest rates on profits or equity as other factors such as credit risks, market risks, political and disaster risks can affect the value of the asset and liabilities

The impact on the profit for the year is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities.

This impact is illustrated on the following table:

| | | Impact on loss for the year | | | |
|------------------------|---|------------------------------------|--------------|----------------|--------------|
| | | <u>Company</u> | <u>Group</u> | <u>Company</u> | <u>Group</u> |
| | | <u>2016</u> | <u>2015</u> | <u>2016</u> | <u>2015</u> |
| | | G\$M | G\$M | G\$M | G\$M |
| | Increase/ decrease in basis point | | | | |
| Cash & cash equivalent | + /-50 | 8 | 8 | 8 | 8 |
| Borrowings | + /-50 | 331 | 369 | 331 | 369 |

(iii) Price risk

Price risk is the risk that the value of the 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. Management continually identifies, underwrites and diversifies risk in order to minimize the total cost of carrying such risk.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

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22. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments associated with financial instruments. The Group manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

The Group's policy is to maintain a strong liquidity position and to manage the liquidity profile of assets, liabilities and commitments so that cash flows are appropriately balanced and all funding obligations met when due.

The information given below relates to the major financial assets and liabilities based on the remaining period at 31 December to the contractual maturity dates.

| | GROUP 2016 | | | | | |
|-----------------------------------|-----------------|--------------------|----------------------|-----------------|-----------------|-----------------|
| | Maturing | | | | | |
| | Within 1 year | | | 2 to 5 years | Over 5 years | Total |
| | on demand | due in 3 months | due 3 - 12 months | | | |
| \$M | \$M | \$M | \$M | \$M | \$M | |
| Assets | | | | | | |
| Investments | - | - | - | - | 272 | 272 |
| Trade receivables | 1,200 | 1,762 | - | - | - | 2,962 |
| Other receivables and prepayments | 1,650 | 1,620 | - | - | - | 3,270 |
| Taxes recoverable | - | - | 34 | - | - | 34 |
| Cash on hand and at bank | 818 | - | - | - | - | 818 |
| Total assets | 3,668 | 3,382 | 34 | - | 272 | 7,356 |
| Liabilities | | | | | | |
| Employees retirement benefits | - | - | - | - | 32,852 | 32,852 |
| Trade payables | 9,664 | - | - | - | - | 9,664 |
| Other payables | 17,193 | - | - | - | - | 17,193 |
| Related parties | - | - | 1,924 | - | - | 1,924 |
| Borrowings | - | - | 12,797 | 4,116 | 15,814 | 32,727 |
| Taxation | - | - | 2,714 | - | - | 2,714 |
| Bank overdraft(secured) | 393 | - | - | - | - | 393 |
| Total liabilities | 27,250 | - | 17,435 | 4,116 | 48,666 | 97,467 |
| Net asset/(liabilities) | (23,582) | 3,382 | (17,401) | (4,116) | (48,394) | (90,111) |

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

22. FINANCIAL RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

| GROUP 2015 | | | | | | |
|--------------------------------|-----------------|--------------------|----------------------|-----------------|-----------------|-----------------|
| Maturing | | | | | | |
| Within 1 year | | | | | | |
| | on demand | due in 3 months | due 3 - 12 months | 2 to 5 years | Over 5 years | Total |
| | \$M | \$M | \$M | \$M | \$M | \$M |
| Assets | | | | | | |
| Investments | - | - | - | - | 335 | 335 |
| Trade receivables | 1,200 | 2,538 | - | - | - | 3,738 |
| Other receivables and prepayr | 1,650 | 1,728 | - | - | - | 3,378 |
| Taxes recoverable | - | - | 34 | - | - | 34 |
| Cash on hand and at bank | 1,969 | - | - | - | - | 1,969 |
| Total assets | 4,819 | 4,266 | 34 | - | 335 | 9,455 |
| Liabilities | | | | | | |
| Employees retirement benefits | - | - | - | - | 32,826 | 32,826 |
| Trade payables | 9,585 | - | - | - | - | 9,585 |
| Other payables | 17,252 | - | - | - | - | 17,252 |
| Related parties | - | - | 1,794 | - | - | 1,794 |
| Borrowings | - | - | 5,048 | 4,116 | 25,869 | 35,033 |
| Taxation | - | - | 2,637 | - | - | 2,637 |
| Bank overdraft(secured) | 1,412 | - | - | - | - | 1,412 |
| Total liabilities | 28,249 | - | 9,479 | 4,116 | 58,695 | 100,539 |
| Net asset/(liabilities) | (23,430) | 4,266 | (9,445) | (4,116) | (58,360) | (91,084) |

GUYANA SUGAR CORPORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
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22. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Credit risk

The table below shows the company's maximum exposure to credit risk:

| | <u>Company</u> | | <u>Group</u> | |
|--|-------------------------|-------|-------------------------|-------|
| | <u>Maximum exposure</u> | | <u>Maximum exposure</u> | |
| | 2016 | 2015 | 2016 | 2015 |
| | \$M | \$M | \$M | \$M |
| Cash on hand and at bank | 784 | 1,942 | 818 | 1,969 |
| Investments | 272 | 335 | 272 | 335 |
| Investment in subsidiary | 22 | 22 | - | - |
| Trade, other receivables and prepayments | 6,227 | 7,092 | 6,232 | 7,116 |
| Tax recoverable | - | - | 34 | 34 |

Credit risk refers to the risk that a customer will default on its contractual obligations resulting in financial loss to the group.

The Company and Group face credit risk in respect of their receivables and cash and cash equivalents. However, this risk is controlled by close monitoring of these assets by the Group. The maximum credit risk faced by the Group is the balance reflected in the financial statements.

Cash and cash equivalents are held by commercial banks. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligation as they fall due.

The related risk is therefore considered very low.

Investments reflected in the Company and Group Statement of Financial Position are assets for which the likelihood of default is considered minimal by the Directors.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables on a regular basis.

| | <u>Company</u> | | <u>Group</u> | |
|---|----------------|-------|--------------|-------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$M | \$M | \$M | \$M |
| Trade and other receivables (excluding prepayments) | 6,076 | 6,578 | 6,081 | 6,602 |

The above balances are classified as follows:

| | 2016 | 2015 | 2016 | 2015 |
|---------------------------|--------------|--------------|--------------|--------------|
| | \$M | \$M | \$M | \$M |
| Current | 3,717 | 4,683 | 3,717 | 4,683 |
| Past due but not impaired | 2,359 | 1,895 | 2,364 | 1,920 |
| | <u>6,076</u> | <u>6,578</u> | <u>6,081</u> | <u>6,602</u> |

Aging of trade and other receivables which was past due but not impaired

| | 2016 | 2015 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|
| | \$M | \$M | \$M | \$M |
| Past Due up to 29 days | 569 | 435 | 593 | 459 |
| Past Due 30 - 59 days | 136 | 27 | 136 | 27 |
| Past Due 60 - 89 days | 71 | 36 | 71 | 36 |
| Past Due 90 - 179 days | 99 | 75 | 99 | 75 |
| Past Due over 180 days but less than 1 year | 59 | 1,318 | 59 | 1,318 |
| Past Due more than 1 year | 1,446 | 18 | 1,446 | 18 |
| | <u>2,379</u> | <u>1,909</u> | <u>2,403</u> | <u>1,933</u> |
| Collectively assessed provision for bad debts | (21) | (15) | (21) | (15) |
| | <u>2,357</u> | <u>1,895</u> | <u>2,381</u> | <u>1,919</u> |

GUYANA SUGAR CORPORATION INC.

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FOR THE YEAR ENDED DECEMBER 31, 2016

23. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2016.

The capital structure of the Group consists of issued capital, reserves and retained earnings.

Gearing ratio

The Group's management reviews the capital structure on an on-going basis. As part of this review management considers the cost of capital and the risks associated with each class of capital. The corporation have not set a target gearing ratio .

The gearing ratio at the year end was as follows:

| | Company | | Group | |
|--------------------------|---------------|---------------|---------------|---------------|
| | 2016 \$M | 2015 \$M | 2016 \$M | 2015 \$M |
| Debt (i) | 33,120 | 36,445 | 33,120 | 36,445 |
| Cash in hand and at bank | (784) | (1,942) | (818) | (1,969) |
| Net debt | <u>32,336</u> | <u>34,504</u> | <u>32,302</u> | <u>34,476</u> |
| Equity (ii) | <u>21,371</u> | <u>20,530</u> | <u>21,192</u> | <u>20,400</u> |
| Net debt to equity ratio | <u>1.51:1</u> | <u>1.68:1</u> | <u>1.51:1</u> | <u>1.69:1</u> |

(i) Debt is defined as long- and short-term borrowings and bank overdraft.

(ii) Equity includes all capital and reserves of the Group.

24. Basic loss per share

| | COMPANY | |
|--|-------------------------|-------------------------|
| | 2016 \$ | 2015 \$ |
| Profit/(Loss) for the year | 905,000,000 | (1,867,708,417) |
| Ordinary share issued and fully paid | Units 10,799,571,775 | Units 10,799,571,775 |
| Basic Profit/(loss) per share | <u>0.08</u> | <u>(0.17)</u> |
| | GROUP 2016 | 2015 |
| Profit/(Loss) attributable to equity holders of the parent | 874,000,000 | (1,896,787,544) |
| Ordinary share issued and fully paid | 10,799,571,775 | 10,799,571,775 |
| Basic Profit/(loss) per share | <u>0.08</u> | <u>(0.18)</u> |

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

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25. European Union Sugar Protocol

The Economic Partnership Agreement (EPA), effective from October 1, 2008, replacing the Sugar Protocol, includes all the benefits of access, price and unlimited duration transposed into Duty - Free - Quota - Free (DFQF) access.

The key component of the EPA is the reciprocity which removes all established trade preferences between the EU and Guyana resulting in bilateral commercial contracts. The EPA also hopes to improve the investment in the sector while promoting public-private partnerships.

The Group is assessing all the strategic options available in the open market for sugar trade after 2016.

26. Fair value of financial instruments

The following table details the carrying costs of financial assets and liabilities and their fair values

| | GROUP 2016 | | GROUP 2015 | |
|-----------------------------------|--------------------------|----------------------|--------------------------|----------------------|
| | Carrying Value \$M | Fair Value \$M | Carrying Value \$M | Fair Value \$M |
| Financial assets | | | | |
| Available for sale investments | 272 | 272 | 335 | 335 |
| Trade receivables | 2,962 | 2,962 | 3,738 | 3,738 |
| Other receivables and prepayments | 3,270 | 3,270 | 3,378 | 3,378 |
| Taxes Recoverable | 34 | 34 | 34 | 34 |
| Cash and cash equivalents | 818 | 818 | 1,969 | 1,969 |
| | <u>7,356</u> | <u>7,356</u> | <u>9,454</u> | <u>9,454</u> |
| Financial liabilities | | | | |
| Employee retirement benefits | 32,852 | 32,852 | 32,826 | 32,826 |
| Trade payables | 9,664 | 9,664 | 9,585 | 9,585 |
| Other payables | 17,193 | 17,193 | 17,252 | 17,252 |
| Related Parties | 1,924 | 1,924 | 1,794 | 1,794 |
| Borrowings | 32,727 | 32,727 | 35,033 | 35,033 |
| Taxation | 2,714 | 2,714 | 2,637 | 2,637 |
| Bank overdraft(secured) | 393 | 393 | 1,412 | 1,412 |
| | <u>97,467</u> | <u>97,467</u> | <u>100,539</u> | <u>100,539</u> |

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

(a) For available for sale financial assets, the fair values were determined with reference to quoted market prices. Quoted market prices are obtained from independent market valutors using level 1 fair value measurements.

(b) Financial instruments where the carrying amounts are equal to fair value:-Due to their short-term maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair values. These include cash and cash equivalent, trade & other receivables and prepayments, borrowings and trade and other payables, employee

27. IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The Corporation, at a Board of Directors meeting held on the 27th January 2016, in the Board Room of the Guyana Sugar Corporation, had discussed the need to diversify the Wales Estate operations. It was agreed at that meeting that once the crop of sugar cane was harvested, that the estate will no longer continue with the production of sugar, but other agricultural operations would be considered. Resulting from that strategic decision, it was agreed that Wales Estate management will make arrangements to retrench some of its employees and the remaining employees would be transferred to Uitvlugt Estate. Resulting from that decision, an amount of G\$80m was paid to some employees and additional amounts of G\$280m are expected to be paid during the year 2017. This additional of \$280m was accrued for in the financial statements for 2016.

GUYANA SUGAR CORPORATION INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

28. POST BALANCE SHEET EVENTS

The Guyana Sugar Corporation Inc. (GUYSUCO) has experienced significant financial losses over several years. The reform of the European Union sugar market resulted in the reduction in prices by 36% over the period 2006 to 2008. The Corporation could not recover from a price reduction of this magnitude in the market where over 60% of its production was destined, a market which was historically described as its "bread and butter" market.

GUYSUCO has increasingly relied on subsidies from the Government to maintain its operations. This position could not be sustained.

As a result, the Government of Guyana, under the hand of the Minister of Agriculture, in July 2015, appointed a Commission of Inquiry (COI) to look into the sugar industry, and make recommendations for its return to financial and economic viability.

The COI recommended that the Industry be privatized within three years and the corporation considers diversification to reduce its dependence on sugar.

After consideration of the COI's report and consultations with stakeholders, inclusive of Guysuco, the Minister of Agriculture presented a State Paper on the Future of the Sugar Industry to the National Assembly on May 8, 2017.

The key elements of the State Paper are as follows:

- i. The continuation of sugar production at Albion, Blairmont and Uitvlugt Estates.
- ii. Divestment of Skeldon Estate and the remaining parts of the industry
- iii. Pending the divestment initiative, Guysuco will undertake the following:
 - a. The amalgamation of part of Rose Hall Estate with Albion Estate and the transitioning into diversification of the remainder of Rose Hall Estate commencing January 1, 2018.
 - b. The transitioning into diversification of East Demerara Estates commencing January 1, 2018.
- iv. Leasing of lands to and the transitioning of the workers into self-sufficient farmers
- v. Recovery of drainage, irrigation and health services costs from the relevant authorities.