AUDITED FINANCIAL STATEMENTS OF THE DEMERARA HARBOUR BRIDGE CORPORATION

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTRACTED AUDITORS: HLB, R.SEEBARRAN& CO.
CHARTERED ACCOUNTANTS/
BUSINESS AND FINANCIAL
SERVICES

AUDITORS: AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

AUDITED FINANCIAL STATEMENTS OF THE DEMERARA HARBOUR BRIDGE CORPORATION FOR THE YEAR ENDED 31 DECEMBER 2014

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247/PC: 70/2/2017

14 December 2017

Mr. Rawlston Adams
General Manager
Demerara Harbour Bridge Corporation
Peter's Hall
East Bank Demerara.

Dear Mr. Adams,

RE: AUDIT OF THE FINANCIAL STATEMENTS
DEMERARA HARBOUR BRIDGE CORPORATION
FOR THE YEAR 2014

Please find attached six (6) copies of the audited 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,

AUDIT OFFICE OF GUYANA

Nichette Harcourt

Nichette Harcourt
Audit Manager (ag.)
for Auditor General

Audit Office of Guyana
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AG: 89/2017 14 December 2017

REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE DEMERARA HARBOUR BRIDGE CORPORATION ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Chartered Accountants HLB, R.Seebarran and Company have audited on my behalf the financial statements of Demerara Harbour Bridge Corporation, which comprise the statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 1-25.

Management's responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC), the International Standards of Supreme Audit Institutions (ISSAIs) and the Audit Act 2004. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

As required by the Audit Act 2004, I have reviewed the audit plan and procedures, working papers, report and opinion of the Chartered Accountants. I have also had detailed discussions with the Chartered Accountants on all matters of significance to the audit and had carried out additional examinations, as necessary, in arriving at my opinion.

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

Basis for Qualified Opinion

(1) In 2014, the Corporation did not maintain production books which were previously kept in sequential order and showed the date of production, time of production, production output and the quality of various raw materials used in production. No other records were available to verify raw materials used in production, production output, wastage and sales. The only records maintained were delivery slips which were used to record sales.

I attempted to carry out alternative audit producers using the production quantities derived from the delivery slips and multiply by the usage of raw materials per a metric tonne to arrive at total production costs and to correlate with sales to determine completeness. However, during this process management provided three different formulas for the usage of raw materials in production which indicate the inherent limitations because of the lack of records. The formula which gives the least difference in production costs compared to the financial statement was the third formula which showed a difference of $24,594,138 as per management calculations. However, it is noted that the formula did not take into consideration the following:

(a) The different mixtures of raw materials for the asphalt produce of the Ministry of Public Infrastructure
(b) The mixture of private contractor
(c) And special mixtures requested by contractors.

In the absence of those records to confirm raw materials used in the production of asphalt, wastage and my inability to correlate these with the sales and to carry out alternative audit procedures to confirm same, I was unable to satisfy myself that the balance of $1,907,163,000 and $1,117,261,000 shown in the financial statement as income and raw materials costs (used in production) respectively for the Asphalt Plant are materially correct.

(2) Management did not maintain a general ledger for the asphalt plant operation instead a single entry system to prepare trial balance was used rather than a double entry system which resulted in several discrepancies. After several attempts to prepare a trial balance a difference of $6,020,616 remains un-reconciled.

(3) Inventory balance as per general ledger for the DHBC at December 31, 2014 was $949,181,012 compared to the stock report balance of $955,896,950 a difference of $6,715,938. At the time of finalising these statements, this difference remained un-reconciled.

(4) Advances to Courtney Ben Contracting Services Limited for services amounted to $424,690,611 at December 31, 2014. Management confirmed that this balance was reduced to $ 210,681,838 as at August 31, 2017. Included in this balance are un- serviced contracts coming forward from 2008. In addition, performance and advances guarantee bonds were not renewed when expired which placed the Corporation at a credit risk of $210,681,838 if the supplier fails to honour his contracts.

Qualified Opinion

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion paragraphs, the financial statements presents fairly in all material respects of the financial position of Demerara Harbour Bridge Corporation as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the Demerara Harbour Bridge Corporation Act 2003.

AUDIT OFFICE OF GUYANA

D. SHARMA
AUDITOR GENERAL

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

HLB R. Seebarran & Co
Chartered Accountants/Business and Financial Services
Lot 73, Canje Street & Stone Avenue, Section K, Campbellville, Georgetown

INDEPENDENT AUDITORS' REPORT

To the Auditor General

On the financial statements of Demerara Harbour Bridge Corporation

For the year ended December 31, 2014

We have audited the financial statements of Demerara Harbour Bridge Corporation, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Partners: Ramesh Seebarran - FCCA Sham Ramnarain - ACCA
592-226-2078/2079 592-226-2547 hlbrsandco@gmail.com www.hlbrsandco.com

Basis for Qualified Opinion

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We attempted to carry out alternative audit procedures using the production quantities derived from delivery slips and multiply by the usage of raw materials per a metric tonne to arrive at total production costs and to correlate with sales to determine completeness. However, during this process, management provided three different formulas for the usage of raw materials in production which indicate the inherent limitations because of the lack of records. The formula which gives the least difference in production costs compared to the financial statements was the third formula which showed a difference of $24,594,138 as per management calculation. However, it is noted that the formula did not take into consideration the following:

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In the absence of records to confirm raw materials used in the production of asphalt, wastage and our inability to correlate these with sales and to carry out alternative audit procedures to confirm same, we were unable to satisfy ourselves that the balance of $1,907,163,000 and $1,117,261,000 shown in the financial statements as income and raw materials costs (used in production) respectively for the Asphalt Plant are materially correct.

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Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements give a true and fair view in all material respects, the financial position of Demerara Harbour Bridge Corporation as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the DEMERARA HARBOUR BRIDGE CORPORATION ACT 2003.

HLB, R. Seebarran & Co

HLB, R. Seebarran & Co
Chartered Accountants
73 Canje Street & Stone Avenue,
Section 'K', Campbellville,
Georgetown

November 7, 2017

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Financial Position
As at December 31, 2014

	Notes	2014 G$000	Restated 2013 G$000
ASSETS			
Non-current assets			
Property, plant & equipment	3	1,603,081	1,443,342
Total non-current assets		**1,603,081**	**1,443,342**
Current assets			
Inventory	4	992,240	1,067,351
Trade and other receivables	5	647,757	500,541
Cash and cash equivalents	6	616,154	162,819
Total current assets		**2,256,150**	**1,730,711**
Total Assets		**3,859,232**	**3,174,053**
EQUITY AND LIABILITIES			
Capital & reserves			
Government's contribution	7	2,506,852	2,558,574
Accumulated surplus - Asphalt Plant		830,081	97,059
Accumulated surplus-DHBC		453,642	485,103
		3,790,575	**3,140,736**
Current liabilities			
Trade and other payables	8	68,657	33,318
Total current liabilities		**68,657**	**33,318**
Total equity & liabilities		**3,859,232**	**3,174,053**

These financial statements were approved by the Board of Directors for issue on November 06, 2017

On behalf of the board of Directors

Chairman

Director/General Manager

DEMERARA HARBOUR BRIDGE CORPORATION

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION

Statement of Comprehensive Income

For the year ended December 31, 2014

	Notes	2014 G$000	Restated 2013 G$000
Income	9	502,527	457,196
		502,527	**457,196**
Less:			
Operating expenses	10	469,523	352,591
Gross surplus		**33,004**	**104,605**
Add:			
Other Income	11	32,813	23,412
		65,818	**128,017**
Less Expenses			
Administrative	12	89,624	86,971
Directors' fee	13	624	624
Total expenses		90,248	87,595
Net surplus for the year from operation		**(24,431)**	**40,422**
Other comprehensive income			
Amortisation of EU grants		-	6,528
Changes in amortisation of Government reserve		116,642	24,809
Ministry of Public Works funding to the Asphalt Plant		-	6,200
Asphalt's Plant surplus	14	609,350	33,486
Total other comprehensive Income		**725,992**	**71,022**
Net surplus for the year		701,561	111,444
Accumulated surplus at January 1		**518,589**	**407,145**
Accumulated surplus at December 31		**1,220,150**	**518,589**

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Changes in Equity
For the year ended December 31, 2014

	EU Contribution G$000	Government Grant G$000	Asphalt Plant G$000	Accumulated Surplus G$000	Total G$000
Balance at December, 31, 2012	**6,528**	**2,577,610**	**-**	**407,145**	**2,991,282**
Reserve on take over			63,573		**63,573**
Surplus for the year		-	33,486	40,422	**73,908**
Changes in net Government Contribution reserve		-	-	24,809	**24,809**
Subvention for the year		300,000	-	6,200	**306,200**
Amortisation for the year	(6,528)	(319,036)	-	6,528	**(319,036)**
Balance at December, 31, 2013	**-**	**2,558,574**	**97,059**	**485,103**	**3,140,736**
Amount transfer to Asphalt Plant			7,031	(7,031)	**-**
Changes in net Government Contribution reserve			116,642		**116,642**
Surplus for the year		-	609,350	(24,431)	**584,919**
Subvention for the year		338,000	-	-	**338,000**
Amortisation for the year		(389,722)	-	-	(389,722)
Balance at December, 31, 2014	**-**	**2,506,852**	**830,081**	**453,642**	**3,790,575**

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Cash Flows
For the year ended December 31, 2014

	2014 G$000	2013 G$000
Cash flows from operating activities		
Net surplus for the year	(24,431)	40,422
Asphalt Plant Surplus	725,992	120,868
Ministry of Public Works funding to the Asphalt Plant	-	6,200
Changes in amortisation of Government reserve	(116,642)	-
Depreciation charge	108,037	68,680
Operating profit before changes in working capital	**692,956**	**236,170**
Changes in working capital		
(Increase)/decrease in inventory	75,111	35,311
(Increase)/decrease in trade and other receivables	(147,216)	141,155
Increase/(decrease) in trade and other payables	35,339	(11,235)
Net changes in working capital	**(36,765)**	**165,231**
Cash generated from operations	656,191	401,401
Net cash flow from operating activities	**656,191**	**401,401**
Cash flows from investing activities		
Property, plant & equipment - acquisitions	(540,856)	(638,126)
Net cash flows from investing activities	**(540,856)**	**(638,126)**
Cash flows from financing activities		
Government subvention received	338,000	300,000
Net cash flows from financing activities	**338,000**	**300,000**
Net Increase/(Decrease) in cash & cash equivalent	453,335	63,275
Cash & cash equivalents at January 01,	162,819	99,544
Cash & cash equivalents at December 31,	**616,154**	**162,819**
Cash & cash equivalents as shown in the statement of financial position		
Cash & cash equivalent	616,154	162,819
Total	**616,154**	**162,819**

The accompanying notes form an integral part of these financial statements

1 Incorporation and principal activity

The Corporation was incorporated through an Act of Parliament (ACT No. 2 of 2003, Demerara Harbour Bridge Act 2003) on April 30, 2003. The functions of the Corporation are (a) To collect the tolls prescribed for every vehicle for its passage on the bridge; (b) To collect the marine tolls for ocean going vessels, trawlers and coastal vessels for their passage through the Bridge; (c) To collect all fees, dues or other monies payable to the Corporation under any regulations made under the Road Act; (d) To carry on all other activities the carrying on of which appears to be requisite, advantageous or convenient for or in connection with the discharge of its functions.

Background information

The Demerara Harbour Bridge is a floating steel structure 6,074 feet in length which extends across the Demerara River from Peter's Hall on the East Bank to Pln. Meer Zorgen on the West Bank, Demerara. It was commissioned on August 2, 1978. Currently, an average of 9,000 plus vehicles traverse the bridge daily.

It is a vital link between Regions 3 and 4 and enables ready access of agricultural and manufacturing goods and product to markets and ports in Georgetown and other outlying areas. The bridge superstructure is of galvanized steel and has been in place serving the populace since 1978 (36 years). There were problems with the Pontoons during the period 1988-1994. However, during the period 1995-1998, a total of 104 of the 122 pontoons were rehabilitated under the DHB Rehabilitation Project financed by the European Union at a cost of some US$10m. Also, under this project was the Rehabilitation of the Retractor Spans which now enable them to operate more reliable and efficiently.

The Demerara Harbour Bridge operated under various Management Structure since its inception but in the Financing Agreement signed between the European Union (EU) and the Government of Guyana, it was agreed that the entity would be autonomous. In May 2003, the Government through an Act of Parliament created a Public Corporation namely the Demerara Harbour Bridge Corporation to manage and operate the bridge. The Corporation's aim is to provide a safe and reliable public service. It is managed by a Board of Directors appointed by the Minister of Public Works now the Ministry of Public Infrastructure.

2 Significant accounting policies

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention and no account has been taken of inflation. The accounting policies conform with International Financial Reporting Standards (IFRS).

(b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

The following amendments and interpretations to published standards are effective for the current financial statements period but it has been determined that they have an immaterial impact on the financial statements or are not relevant to the company's operations:

(c) New standards and interpretations adopted

IFRS 1	Amendments for Government Loan with a below market rate of interest when transitioning to IFRSs. (effective January 1, 2013)
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about offsetting of financial assets and financial liabilities - (effective January 01, 2013)
IFRS 10	Consolidated Financial Statements - (effective January 1, 2013)
IFRS 11	Joint Arrangements - (effective January 1, 2013
IFRS 12	Disclosure of Interests in Other Entities - (effective January 1, 2013)
IFRS 13	Fair Value Measurement - (effective January 1, 2013)
IAS 19	Defined Benefit Plans: Employee Contributions (effective July 1, 2013)
IAS 27	Separate Financial Statements (effective January 1, 2013)
IAS 28	Investments in Associates - Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) - (effective January 01, 2013)
IAS 32	Financial Instruments: Presentation-Amendments to application guidance on the offsetting of financial assets and financial liabilities - (January 01, 2014)
IFRS 10	Amendments to Consolidated Financial Statements - (effective January 1, 2014)
IFRS 12	Amendments to Disclosure of Interests in Other Entities - (effective January 1, 2014)
IAS 27	Amendments to Separate Financial Statements (effective January 1, 2014)
IAS 36	Amendments to Recoverable Amount Disclosures for Non-Financial Assets (effective January 1, 2014)
IAS 39	Amendments to Derivatives and Continuation of Hedge Accounting(effective January 1, 2014)

New standards, interpretations and amendments issued but not yet effective

New and amended standards

IFRS 9	Financial Instruments: Classification and Measurement - (effective January 1, 2015)
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11) - (effective January 1, 2016)
IFRS 14	Regulatory Deferral Accounts - (effective January 1, 2016)
IFRS 15	Revenue from Contracts with Customers - (effective January 1, 2017)
IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)- (effective January 1, 2016)

The Corporation has not opted for early adoption of these standards and amendments.

New interpretation

IFRIC 21 Provides guidance on when to recognise a liability for a levy imposed by a government (effective January 1, 2014)

Explanation of adoption of new and revised International Financial Reporting Standards

IFRS 10

This IFRS requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. The Standard identifies the principles of control and introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 12

This standard requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IAS 32

Amends the disclosure requirements in IFRS 7 Financial Instruments, to require information about all recognised financial instruments that are set off.

The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements.

The directors anticipate that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

IAS 19

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach'. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

IFRS 9

The IASB proposed to issue this IFRS in three phases: Phase 1 (Classification and measurement of financial assets and liabilities), Phase 2 (Impairment methodology), and Phase 3 (Hedge Accounting). The first phase was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is now January 1, 2015. This standard specifies how an entity should classify and measure its financial assets.

Explanation of Standards and amendments issued but not yet effective

IFRS 9 (continued)

The application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities when adopted and will be disclosed.

When adopted, the standard will be applied retrospectively in accordance with IAS 8.

IFRS 11

Amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11 and (b) disclose the information required by IFRS 3 and other IFRSs for business

IFRS 14

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 15

IFRS 15 provides a single, principles based five-steps model to be applied to all contracts with customers. The five steps in the model are (1) Identify the contract with the customer (2) Identify the performance obligations in the contract (3) Determine the transaction price (4) Allocate the transaction price to the performance obligations in the contracts and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IAS 16 & IAS 38

The amendments to these standards add clarification and explanation in using revenue as a basis to depreciate assets which is used to generate the revenue.

(d) Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgments, 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.

The following are the key assumptions concerning the future, and other key sources of estimation and 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) 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 should remain the same.

ii) Impairment of financial assets

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

(e) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(f) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Significant accounting policies (continued)

(g) Income Recognition

Income is dealt with in these financial statements on the accrual basis. Income comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the corporation's activities.

(h) Expenses Recognition

Expenses are recognised on the accrual basis.

(i) Reporting Currency

These financial statements are stated in Guyana dollars. Foreign currency transactions during the year are translated at the exchange rates prevailing at the date of the transaction. At the end of the reporting period, assets and liabilities denominated in foreign currencies are translated into Guyana dollars at the exchange rates ruling at that date. Gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the Statement of Comprehensive Income for the period, except for exchange differences arising on non-monetary assets and liabilities where the change in fair value are recognised in the statement of comprehensive income.

(j) Non - Current Assets

Property, plant & equipment.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method. A full year's depreciation is charged in the year of acquisition and none in the year of disposal. The following annual rates are used:

Buildings	10%
Motor Vehicles	25%
Office furniture/fittings	15%
Electronic equipment (computers etc)	33.33%
Equipment (office, mechanical, electrical, etc)	15%
Bridge components	
(i) End post/junction post, sheaves etc	25%
(ii) Pontoons	6.67%
(iii) Wire Ropes	50%
(iv) Chains	25%

Significant accounting policies (continued)

(k) Impairment of tangible assets

At each reporting date, management reviews the carrying amounts of the 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 management 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 recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognized immediately in the profit and loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

(l) Related parties

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

(m) Inventory

Inventory comprised mainly of Deck plates, chains, spares and consumables which are stated at the lower of cost and net realizable value. Cost is calculated based on invoice value plus duty and freight and any other direct costs. Inventory is issued using the first in first out method.

(n) Trade and other receivables

The corporation's income is on a cash basis except in a few instances where credit is allowed. Trade and other receivables are recognised initially at fair value and without interest charge.

(o) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments. These are readily convertible to known amounts of cash, with maturity dates of three (3) months or less.

(p) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Significant accounting policies (continued)

(q) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Company 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 end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

(r) Taxation

The corporation is not subject to taxation

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2014

	EU funded	Funded by Government of Guyana			Operational						Asphalt's plant Assets						
	Development Works G$000	Rehabilitation /Development Works G$000	Vehicles G$000	Equipment and Machinery G$000	Rehabilitation /Development Works G$000	Buildings G$000	Furnitures & Fixtures G$000	Vehicles G$000	Equipment and Machinery G$000	Electro nic Equipment G$000	Plant & Scale G$000	Building G$000	Vehicles G$000	Equipments G$000	Office Equipment G$000	Furniture G$000	Total G$000
3 Costs																	
At January 1, 2014	1,380,135	3,640,476	4,481	10,338	233,182	111,207	13,310	85,217	62,759	80,048	22,950	26,651	1,200	3,431	79	229	5,675,693
Additions	-	290,101	-	-	144,130	3,370	467	6,750	5,495	17,776	11,689	14,760	28,436	9,674	5,448	2,760	540,856
																-	-
At December 31,2014	1,380,135	3,930,577	4,481	10,338	377,312	114,577	13,777	91,967	68,254	97,824	34,639	41,411	29,636	13,105	5,528	2,989	6,216,549
Accumulated Depreciation																	
At January 1, 2014	1,380,135	2,487,975	4,481	7,754	176,568	9,384	6,314	55,022	40,095	59,185	3,234	1,333	300	518	19	34	4,232,351
Depreciation charged for the Year		271,529	-	1,551	42,651	5,149	1,840	14,554	7,046	17,439	4,988	2,071	7,409	2,909	1,441	540	381,117
At December 31, 2014	1,380,135	2,759,504	4,481	9,305	219,219	14,534	8,154	69,576	47,141	76,624	8,222	3,404	7,709	3,427	1,460	575	4,613,468
Net Book Value																	
At January 1, 2014	-	**1,152,501**	-	**2,584**	**56,614**	**101,822**	**6,996**	**30,195**	**22,664**	**20,863**	**19,716**	**25,318**	**900**	**2,913**	**61**	**195**	**1,443,342**
At December 31, 2014	-	**1,171,073**	-	**1,033**	**158,093**	**100,043**	**5,623**	**22,391**	**21,113**	**21,200**	**26,417**	**38,008**	**21,927**	**9,678**	**4,068**	**2,414**	**1,603,081**

	EU funded	Funded by Government of Guyana			Operational						Asphalt's plant Assets				
	Development Works G$000	Rehabilitation /Development Works G$000	Vehicles G$000	Equipment and Machinery G$000	Rehabilitation /Development Works G$000	Buildings G$000	Furnitures & Fixtures G$000	Vehicles G$000	Equipment and Machinery G$000	Electronic Equipment G$000	Plant & Scale G$000	Building G$000	Vehicles G$000	Equipment G$000	Total G$000
3 Costs															
At January 1, 2013	1,380,135	3,149,198	4,481	10,338	232,596	81,706	7,902	65,187	54,018	52,005	-	-	-	-	5,037,565
Additions	-	491,278	-	-	586	29,500	5,408	20,030	8,741	28,043	22,950	26,650	1,200	3,740	638,126
At December 31,2013	1,380,135	3,640,476	4,481	10,338	233,182	111,206	13,310	85,217	62,759	80,048	22,950	26,650	1,200	3,740	5,675,692
Accumulated Depreciation															
At January 1, 2013	1,373,607	2,201,826	4,481	6,203	154,171	3,853	4,510	42,156	32,978	45,659	-	-	-	-	3,869,442
Depreciation charged for the Year	6,528	286,149	-	1,551	22,397	5,531	1,804	12,866	7,118	13,526	3,234	1,333	300	571	362,908
At December 31, 2013	1,380,135	2,487,975	4,481	7,754	176,568	9,384	6,314	55,022	40,096	59,185	3,234	1,333	300	571	4,232,350
Net Book Value															
At January 1, 2013	6,528	947,372	-	4,135	78,425	77,854	3,392	23,032	21,040	6,346	-	-	-	-	1,168,123
At December 31, 2013	-	1,152,501	-	2,585	56,614	101,822	6,996	30,195	22,663	20,863	19,716	25,318	900	3,169	1,443,342

4 Inventory

The composition of inventory is as follows:

	2014 G$000	2013 G$000
Deck plates, spares & consumables etc	949,181	1,056,483
Asphalt Plant's inventory	43,059	10,868
	992,240	1,067,351

5 Trade and other receivables

The balance shown as trade and other receivables includes monies owed by customers, Government agencies, and advances to suppliers. The composition is as follows:

Trade receivables		715	857
Other receivables	(a)	51,665	72,207
Prepayments	(b)	498,813	426,367
Asphalt plant receivables	(c)	96,564	1,110
		647,757	500,541

(a) This balance includes an amount of $40,377,970 owed by the Ministry of Public Works for services provided.

(b) This amount represents advances made to contractors for the servicing and costruction of pontoons and other assets. Included in this balance is the amount of $424,690,611 advanced to Courtney Benn Contracting Services Limited.

(c) This balance concerns amount owed by customers of the Asphalt Plant for asphaltic concrete supplied.

6 Cash & cash equivalents

Cash and cash equivalent are comprised of cash on hand and cash at bank as follow:

Cash on hand	278	178
Cash at bank - DHBC	91,069	96,708
Cash at bank - Asphalt Plant	324,581	65,933
Fixed deposit - Asphalt Plant	200,226	-
	616,154	162,819

7 Government contribution

All contributions received from the Government of Guyana are amortised by the depreciation of the assets funded by the grants received.

	2014 G$000	2013 G$000
Balance at January 1	2,558,574	2,577,610
Amortisation for the year	(389,722)	(319,036)
Amount received during the year	338,000	300,000
Balance at December 31,	2,506,852	2,558,574

The amount stated as Government's grant is represented by the following assets:

	2014 G$000	2013 G$000
Inventory	835,933	977,121
Equipment, vehicles and machinery	1,172,106	1,155,086
Advance to suppliers for pontoons repairs and supply of spares	498,813	426,367
	2,506,852	2,558,574

Changes in amortisation of reserve

	2014 G$000	2013 G$000
Amortisation of government grants	389,722	319,036
Depreciation on assets relating to grants	(273,080)	(294,228)
Charged to statement of other comprehensive income	116,642	24,809

8 Trade and other payables

The amount shown as trade and other payables represents monies owed to suppliers and advance received . The details are as follow:

		2014 G$000	2013 G$000
Trade payables and accruals - DHBC		10,157	7,886
Trade payables and accruals - Asphalt Plant		14,774	512
Asphalt Plant - Advance from contractors	(a)	43,726	24,919
		68,657	33,318

(a) This balance concern advances received from customers for asphaltic concrete which were supplied in 2015.

		2014 G$000	2013 G$000
9 Income by segment			
Vehicular toll		462,256	412,523
Marine toll		20,431	20,712
Special crossing		10,900	11,081
Truck scale		8,940	12,880
		502,527	457,196
10 Operating expenses			
Traffic management services	(a)	107,868	100,983
Structural maintenance services	(b)	138,240	70,291
Electro/Mechanical services	(c)	92,068	85,224
Dredge operation services	(d)	23,114	15,764
Labour contract		19,242	15,242
Contractual works		312	1,844
Depreciation		88,679	63,243
		469,523	**352,591**

(a) Traffic management services

	2014 G$000	2013 G$000
Advertisement	-	35
Bank charges	360	359
Cleaning and sanitation	101	176
Contractual works	3,859	1,510
Electricity	20,752	21,372
Employment costs	58,346	54,624
Fuel & Lubricants	1,305	1,118
Gifts/donations	111	-
Gratuity	9,178	7,165
Licence and legal fees	1,457	2,386
Rental of equipment	503	653
Repairs and maintenance	5,241	4,925
Stationery and general expense	6,464	6,520
Telephone	190	141
	107,868	**100,983**

	2014 G$000	2013 G$000
(b) Structural maintenance services		
Advertisement expenses	-	500
Bridge maintenance	106	93
Contractual works	12,435	17,966
Employment costs	23,825	14,702
Fuel & Lubricants	1,034	551
Gratuity	2,795	2,075
Repairs and maintenance	85,179	27,882
Rental of equipment	3,131	818
Stationery and general expense	9,735	5,703
	138,240	**70,291**
(c) Electro/Mechanical services		
Bridge maintenance	8,349	6,821
Contractual works	300	358
Employment costs	56,016	50,328
Fuel & Lubricants	5,787	8,072
Gratuity	9,877	10,386
Repairs and maintenance	4,515	4,424
Stationery and general expense	7,111	4,711
Telephone Charges	112	123
	92,068	**85,224**
(d) Dredge operation services		
Employment costs	9,733	9,809
Fuel & Lubricants	1,263	1,169
Gratuity	1,451	1,270
Repairs and maintenance	9,990	2,940
Stationery and general expense	677	577
	23,114	**15,764**

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2014

11 Other income

	2014 G$000	2013 G$000
Contractual Work (bridge repairs)	2,103	17,623
Penalty fine	108	603
Sale of disposable materials	200	864
Sale of tender documents	75	77
Settlement of damages	30,110	3,956
Towing charges	218	289
	32,813	**23,412**

12 Administrative

	2014 G$000	2013 G$000
Employment costs	57,827	49,180
Gratuity	8,618	7,127
Repairs and maintenance	2,332	6,242
Stationery and general expense	7,119	9,566
Fuel & lubricants	2,237	1,675
Telephone charges	1,728	1,685
Advertisement	1,869	1,005
Electricity	6,024	5,343
Gifts/donations	1,287	2,496
Bank charges	385	413
Contractual works	200	528
Other expenses	-	1,711
	89,624	**86,971**

13 Directors' fee

Fees paid to the directors of the Corporation for the year are as follows:

	2014 G$000	2013 G$000
U. Ramanah	144	144
S. Hussain	120	120
M. Fernandes	120	120
T. Baksh	120	120
C. Rogers	120	120
Director fees paid for the year	**624**	**624**

	Note	2014 G$000	2013 G$000
14 Operating segment - Asphalt Plant			
Income			
Ministry of Public Works/Public Infrastructure		257,750	45,737
Private Contractors		1,649,188	215,684
Fixed deposit interest		226	-
		1,907,163	**261,422**
Expenditure			
Aggregates		322,073	39,395
Bitumen		684,700	109,150
Kerosene		110,488	39,525
Fuel and lubricants		30,293	3,288
Transportation		26,856	-
Repair and maintenance services		39,331	21,928
Other administrative & suspense	17	64,715	9,213
Depreciation		19,358	5,438
		1,297,813	227,936
Operating profit		**609,350**	**33,486**

15 Key management personnel

The key management personnel of the corporation are as follow:

Rawlston Adams - General Manager
Jaikaran Jagnanan - Finance/Admin Manager
Brion Singh - Maintenance Engineer
Joseph Gladstone - Mechanical Engineer

Gross remuneration paid to the key management personnel for the year which is included in employment cots is as follow:

	2014 G$000	2013 G$000
Gross remuneration and gratuity	20,904	18,095
	20,904	**18,095**

16 Revaluation

Management reviewed the corporation's fixed assets and noted that the value of some assets in the financial statements were below their carrying amounts, while some were above their carrying amounts at year end. As a result, these assets were revalued to their carrying amounts in 2013.

17 Adjustment to inventories

This balance concerns the difference between the stock valuation report and the balance reported in the company's software.

18 Pending litigations

There is no pending litigation at the time of the audit

19 Restatement of prior year financials

Based on a special audit on transactions relating to sales for the Asphalt Plant carried in 2017, it was noted that payables and receivables were understated by $24,919,298 and $1,110,285 respectively which would have resulted in revenue being overstated by $23,809,013. The prior year financial statements were restated for these changes.

20 Analysis of financial assets and liabilities by measurement basis

	Loans & receivable G$000	Other Financial assets and liabilities at amortised cost G$000	Total G$000
December 31, 2014			
ASSETS			
Inventories	-	992,240	992,240
Trade and other receivables	647,757	-	647,757
Cash and cash equivalents	-	616,154	616,154
	647,757	**1,608,394**	**2,256,150**
LIABILITIES			
Trade and other payables	-	68,657	68,657
	-	**68,657**	**68,657**
December 31, 2013			
ASSETS			
Inventories	-	1,067,351	1,067,351
Trade and other receivables	500,541	-	500,541
Cash and cash equivalents	-	162,819	162,819
	500,541	**1,230,170**	**1,730,711**
Liabilities			
Trade and other payables	-	33,318	33,318
	-	**33,318**	**33,318**

20 Financial Risk Management

Financial risk management objectives

The Corporation's management monitors and manages the financial risks relating to the operations of the company on an ongoing basis. These risks include market risk (currency risk, and price risk), credit risk and liquidity risk.

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

(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 (such as interest rate risk, and foreign currency risk) affecting all securities traded in the market.

The corporation's exposure to market risk arises from its financial assets and liabilities. Management continually identifies, evaluates, and diversifies risks in order to minimise the total cost of carrying such risk.

(i) 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 corporation risks that are associated with the effects in interest rates is considered minimal.

(ii) Currency risk

The Corporation's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from foreign currency transactions with its suppliers. The currency which the Corporation is mainly exposed to is United States Dollars. The effect of this risk is considered minimal.

(b) Liquidity risk

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

The Corporation manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form.

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

Financial Risk Management (continued)

Liquidity risk

	2014		
	<1 years G$000	1 to 5 years G$000	Total G$000
Assets			
Trade and other receivables	-	647,757	647,757
Cash and cash equivalents	616,154	-	616,154
	616,154	647,757	1,263,911
Liabilities			
Trade and other payables	68,657	-	68,657
	68,657	-	68,657
Net assets/(Liabilities)	**547,497**	**647,757**	**1,195,254**

	2013		
	<1 years G$000	1 to 5 years G$000	Total G$000
Assets			
Trade and other receivables	-	500,541	500,541
Cash and cash equivalents	162,819	-	162,819
	162,819	500,541	663,360
Liabilities			
Trade and other payables	33,318	-	33,318
	33,318	-	33,318
Net assets/(Liabilities)	**129,502**	**500,541**	**630,043**

Financial Risk Management (continued)

(c) Credit risk

Credit risk is the risk that financial loss may arise from the failure of customers or counterparties to meet their contractual obligations. The credit risk arises principally from cash resources, and receivables.

Cash and bank include balances held at financial institutions. These banks have been assessed by the Directors as being credit worthy, with strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

For receivables, the company has adopted a policy of offering limited credits to approved customers (companies). The major risk of credit exposure is advances paid to suppliers as shown under trade and other receivables.

The corporation's exposure to credit risk are continuously being monitored by managements to ensure that amounts/services are recovered on a timely basis and that bad debts are minimised. The corporation is significantly exposed to credit risk from a single supplier who is being paid advances for services to be received over more than one accounting period. The corporation does not hold any security from this customer.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements.

The table below shows the Corporation's maximum exposure to credit risk.

	2014	2013
Gross maximum exposure:	**G$000**	**G$000**
Trade and other receivables	647,757	367,103
Cash and cash equivalents	616,154	159,002
Total credit risk exposure	1,263,911	526,104

Where financial instruments are recorded at fair value the amounts shown above represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

21 Capital risk management

The Corporation manages its capital structure to ensure that it will be able to continue as a going concern while maximising its returns through the optimisation of Contributions received and equity (retained earnings) balance. The Corporation's overall strategy remains unchanged to date.

The capital structure of the Corporation consists of cash equivalents and equity comprising contribution received and retained earnings.

HLB R. Seebarran & Co
Chartered Accountants/Business and Financial Services
Lot 73, Canje Street & Stone Avenue, Section K, Campbellville, Georgetown

August 28, 2017

The Board of Directors
Demerara Harbour Bridge Corporation
Peters Hall,
East Bank Demerara,
Guyana

Dear Sirs,

Re: Management Letter for the year ended December 31, 2014

We have completed the field work for the Corporation for year ended December 31, 2014. The audit was conducted in accordance with the requirements of the International Standards on Auditing and the DEMERARA HARBOUR BRIDGE CORPORATION ACT 2003, to determine the effectiveness, compliance and application of the company's systems and procedures to records its transactions and to give an audit opinion on the financial statements for the year ended December 31, 2014.

As a result of the audit, the following observations and matters came to our attention which we believe should be brought to your attention along with our comments and recommendations.

These matters are not exhaustive as a detailed investigation may uncover, but we urge you to pay keen attention to them. We now await your response under each point before the audit is finalized.

I. Accounting systems and internal controls

Reporting matter

It was noted during the audit that management used Peachtree accounting software to prepare the corporation's financial statements and an Independent Quickbooks accounting software to manage its inventories.

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Effects

The usage of two independent software to carry out separate function can result in differences in inventory balances in the financial statement.

Recommendation

As we did in our previous management letter, we again recommend that management implement integrated software to manage the accounting and inventories functions and the operation of Asphalt Plant.

Management comments

"As noted in ML 2013 recommendations and Management Comments, a new accounting Software (Quickbooks) was implemented in Sept. 2015 to manage both Accounting and Inventory functions and the operation of the Asphalt Plant. Training of staff was carried out thereafter and with effect from 1st January,2016 all transactions are being recorded in the Integrated accounting software (Quickbooks) that was established."

2. Inventories

Reporting matter

During the audit of inventory, the following were noted:

(a) We noted that the corporation's general ledger continues to have difference compared to stock report (bin card) balances as was the case in 2013. Inventory balance as per general ledger at December 31, 2014 was $949,181,012 compared to stock report balance of $955,896,950 a difference of $6,715,938.

(b) In reviewing the corporation inventory listing we noted that they were several items with no unit price or extended value. Management advised that these items were taken over many years ago and is being kept in the event that it is required in future.

Effect

The amount stated as inventory at December 31, 2014 may be materially incorrect.

Recommendation

(a) This difference should be reconciled

(b) Items which have been with the Corporation for many years and no longer carry values should be separated. In addition, if values cannot be determined because of age then market values should be used.

MANAGEMENT COMMENTS RECEIVED ON SEPTEMBER 29, 2017

"These items without values were already separated and market values could not have been obtained since they are no longer being manufactured. However, estimated values can be provided by management if that is appropriate"

3. **Trade and other receivables**

Reporting matter

The following were noted during the audit:

(a) Several advance payments were made to suppliers for services and inventory totalled $498,813,241 at December 31, 2014. Included in this balance is $424,690,611 advanced by Courtney Benn Contracting Services Limited. We have also noted that some payments were made since 2008 for which services/inventory have not been received up to the time of completing our audit in 2017.

The Board of Directors need to consider whether the approach to advance this company sums of monies has been beneficial and whether the corporation may not in effect be financing the company.

(b) As in previous years, we noted that Performance and Advance Guarantee Bonds for prepayments have not been renewed when they expired. As noted in **Appendix I** attached, the performance and advance bonds for outstanding work in the sum of $262,184,220 at December 31, 2014 expired at various dates in 2013, 2014 and 2015. These bonds have not been renewed to date.

At the time of our field audit in October 2016 when these matters were discussed the GM and Accountant, letters were dispatched to the suppliers to refund advances for the years 2008-2012 and request for the remaining bonds to be renewed. However, no refunds were received to date neither the bonds renewed.

(c) The Transport and Harbour Department owed the corporation $28,078,292 since 2013 for services provided for the Parika Link Bridges. This amount has not been received to date as confirmed by management.

Effect

(a) Other receivables may be overstated if the amounts are not recoverable
(b) The non-renewal of Performance and Advance Guarantee Bonds when expired has exposed the Corporation to credit risk. Further, the failure to renew Performance and Advance Guarantee Bonds when due for renewal could result in the Corporation having no security in the event that no work or poor quality work is executed by the Contractors.

Recommendation

(a) Management should assess the recoverability of advance payments made to Courtney Ben Contracting Services Limited.
(b) Management should ensure that securities are renewed on an ongoing basis, taken into consideration that services were not fully received up to December 2014 for payments made in 2008.

    In addition, management should consider making payments when the services and inventory are required to avoid having significant cash outlay years in advance. Example, when the pontoons are available to the contractor.
(c) We would appreciate management comments on when and how this amount will be repaid/recover to the Corporation. In addition, we would appreciate receiving a confirmation of the balance outstanding.

MANAGEMENT COMMENTS RECEIVED ON SEPTEMBER 29, 2017

(a) & (b) - *Courtney Benn Contracting Services Ltd.*

The following must be noted:

(I) An additional letter dated 21st June 2017 was sent to this Contractor (see copy attached).

(II) The DHBC will no longer be receiving subvention funding for these works which requires such advance payments. Hence, there will be no further advances.

(III) CBCSL indebtedness as at 31st August 2017 was ***$210,681,838*** (reduced *from $424,690,611 as at 31-12-2014).*

The contractor have proposed to complete these works (iii) above, as follows:

(i) <u>2008 Contract $7999,392</u>

The contractor has written to management about their inability to rehabilitate the 2 XL pontoons due to their inoperable lifting crane and propose to rehabilitate 2 regular pontoons instead which will be part of the ongoing pontoons rehabilitation programme (CBCSL letter dated 18-09-2017 attached)

The DHBC has no objection to this proposal.

(ii) <u>Installation of 250 Anchor Blocks $13,797,000</u>

A work programme was provided by the contractor to complete these works which will commence 02-10-2017 for a period of 21 days. (CBCSL letter dated 20-09-2017 attached)

(iii) <u>Supply and Driving of Cluster Piles $52,330,800</u>

The contractor is presently trying to source the requisite length of piles for this project and will commence the works after the installation of the anchor blocks. (CBCSL letter dated 18-09-2017 attached)

(iv) <u>Rehabilitation of Pontoons $136,554,646</u>

To date, 18 out of 53 pontoons have been completed and these works are on going. (CBCSL work programme for rehabilitation of pontoons attached).

(c) T&HD

Whilst this matter has been engaging the attention of the MPI and T&HD, management will be writing this agency for payment.

OUR RESPONSE DATED OCOBER 2, 2017

While we noted that the balances owed by Courtney Benn Contracting Services Limited have been reduced to $210,681,838 as August 31, 2017, we can cannot conclude that the Corporation risk of recoverability is not a concern, given the fact that performance bonds have not been renewed and that they are unfulfilled contracts from 2008. The recoverability of this amount will be reported on in the audit report. In any case, unused Government funds should have been returned to the Treasury at the end of the year, unless approval was received from the Ministry of Finance.

MANAGEMENT COMMENTS RECEIVED ON OCTOBER 5, 2017

None

4. Fixed assets

Reporting matter

We noted that a Fixed Assets Register as discussed in previous years continues to have the following limitation/weakness:

(a) Some assets do not have identification number in the register including office equipment such as computers, etc. **See appendix 2** for samples. In the absence of an identification number we are unable to verify the existence of the assets.

(b) There are many assets including motor vehicles which are being used by the corporation but have no net book value. In accordance with the Conceptual Framework particularly the 'Matching Concept', revenue earned are required to be matched with the corresponding expenses to have a realistic view of performance. In the corporation's case, while assets with no value are being used to generate revenue there is no corresponding depreciation cost to match against the revenue earned.

(c) We noted that management is not consistently applying depreciation rates for example the accounting policy for electronic equipment is 33.33%. In the assets register management is using 33.33% and some cases using 15% and 25%.

(d) We were informed during the audit that assets in the register that are no longer working are not being disposed, but are instead logged in a book. The log book does not have any coding for these assets and as result we cannot verify them to the register to ensure that depreciation is not charged.

Recommendations

(a) We recommend that the corporation reviewed its assets register to ensure that all assets listed are in existence and an identification number is attached to each. It is an important control over the completeness of the recording and safe custody of the assets and it helps to safeguard against assets being easily misused and stolen. It also helps in identifying assets that have become damaged and or obsolete.

(b) The financial statements are prepared in accordance with IFRSs. We recommend that management considering revaluing its assets to reflect their carrying amounts. Management should also relook at its depreciation rates to determine whether there are appropriate to write off the assets over their expected useful lives. This may avoid assets being written off whilst still being in use.

(c) Management should review these inconsistencies in applying depreciation rates. Rates applied should be in accordance with the policy.

(d) We recommend that the assets lodged in the book be reviewed by the Board and be approved for disposal to ensure that the assets register includes only assets that are in working condition and to ensure that depreciation charge is not being overstated for assets not working

Management comments

"

(a) This was corrected.

(b) A revaluation of these depreciated assets will be done to correct this.

(c) We will be reviewing the Asset Register to ensure that the depreciation rates used is in compliance with the policy.

(d) The disposal of assets is presently engaging Management and Board of Directors attention. Please see attached correspondences."

5. **Insurance coverage**

We note that the corporation insured its main office building and fixtures whilst the other assets remain uninsured to date. In addition, the corporation does not have insurance for employers and public liability as confirmed by management. We were advised that since the corporation is Government owned it is not required to have these insurance.

Recommendation

We recommend that management relook at this matter

Management comments

"In addition to the main office building, all vehicles of the DHBC are presently insured."

6. **Payroll**

During the audit test on payrolls we were unable to verify the salary for in excess of 30 employees on payroll to their personnel files since they were not updated with the salaries the employees are receiving.

Recommendation

We recommend that management review this issue with a view to correct.

Management comments

"This will be reviewed by management as recommended."

We would like to take this opportunity to thank management for their co-operation and assistance during the course of our audit.

Yours sincerely,

S. Ramnarain

HLB R. Seebarran & Co
Chartered Accountants
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Appendix I

YEAR	PAYMENT VOUCHER #	PAYE E	DESCRIPTION	Amount	Value of work outstanding as at Dec 2014	Performanc e Expiry Date	Advance Bond Expiry Date
2008		CBCSL	Rehab of 79 Pontoons (72 completed)	65,169,338	3,999,696	17-Aug-14	31-Aug-13
2011	9/1/2011	CBCSL	Construction & Installation of 250 concreteAnchor Blocks	115,000,000	13,797,000	30-Jun-13	30-Jun-13
		CBCSL	960 80' long @ 10,550	10,128,000	10,128,000	10-Feb-13	3-Mar-13
		CBCSL	4500 75' long @ 8,700	39,150,000	39,150,000	10-Feb-13	3-Mar-13
		CBCSL	2880 1" dia. @ 1,060	3,052,800	3,052,800	10-Feb-13	3-Mar-13
2012	12/4/2012	CBCSL	Rehabilitation of 25 Pontoons	95,000,000	95,000,000	30-Jun-14	31-May-13
2014		CBCSL	Fabrication and Supply of two (2) Large Pontoons	55,922,999	55,922,999	30-Jun-15	12-Aug-14
	2014/11/0 6	CBCSL	Fabrication and Supply one Regular Pontoon	41,133,725	41,133,725	31-Jan-15	12-Aug-14
			TOTAL	424,556,862	262,184,220		

APPENDIX 2

Assets with no identification number

Date of Aquisition	Description	COST
23-Jul-05	Computer System (Dell)	208,075
23-Sep-05	Computer System	209,916
28-Nov-05	Lap Top Computer	395,001
17-Nov-05	Yamaha Pump	282,000
14-Nov-07	Generator Welding Miller	1,950,000
24-Oct-05	Plastic Chair	85,000
9-May-05	Monitor	101,500
27-Sep-07	Video Camera - DVD	170,000
25-Jun-07	C.P.U	85,000
16-Jun-06	Camcorder Digital	85,841
22-Oct-05	UPS 500 W	71,400
24-Oct-05	Plastic Table	48,450