

**AUDITED FINANCIAL STATEMENTS OF THE
DEMERARA HARBOUR BRIDGE CORPORATION**

**FOR THE YEAR ENDED
31 DECEMBER 2016**

**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 2016

TABLE OF CONTENTS

	PAGE
Transmittal Letter	i
Auditor's Opinion on the Financial Statements	ii - v
Chartered Accountants Opinion on the Financial Statements	1 - 4
Audited Financial Statements	1 - 27
Management Letter- Demerara Harbour Bridge Corporation	1 - 9
Management Letter- Asphalt Plant Operations	1 - 20



Audit Office of Guyana

P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana

Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>

33/PC: 70/2/2021

4 May 2021

Mr. Jaikarran Jagnanan
Finance Manager
Demerara Harbour Bridge Corporation
Peter's Hall
East Bank Demerara.

Dear Mr. Jagnanan,

AUDIT OF THE FINANCIAL STATEMENTS OF THE
DEMERARA HARBOUR BRIDGE CORPORATION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana
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AG: 49/2021

4 May 2021

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 2016

Adverse Opinion

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 2016, 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 as set out on pages 1-27.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the accompanying financial statements do not present fairly the financial position of Demerara Harbour Bridge Corporation as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

In 2016, the Corporation did not maintain adequate records and controls over the quantity of various raw materials used in the production of asphalt. No other records were available to me to verify raw materials used in the production process, production output, abnormal loss and sales.

In the absence of records to confirm the accuracy and completeness of raw materials used in the production of asphalt, abnormal loss 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 \$1,677,139,000 and \$790,712,000 shown in the financial statements as income and raw material costs (used in production) respectively for the Asphalt Plant are materially correct.

Advances to Courtney Benn Contracting Services Limited for services amounted to \$258,119,014 at 31 December 2016. Management confirmed that this balance was reduced to \$139,252,114 at the time of concluding the audit. Included in this balance are un-serviced contracts coming forward from 2012. In addition, performance and advance guarantee bonds were not renewed when expired which placed the Corporation at a credit risk of \$139,252,114 if the supplier fails to honour the contracts.

The Transport and Harbours Department owed the Corporation \$28,078,292 since 2013 for services provided for the Parika Link Bridge. In 2015, this balance was increased to \$28,385,116. Management indicated that this balance was presented to the Board for consideration to be written off as bad debts since the amount may not be recovered. This balance still remains in the financial statements which has resulted in assets being overstated by the amount of \$28,385,116.

In accordance with Section 4 of the Corporation Tax Act, the Asphalt Plant operation may be subject to corporation tax as it is carrying on a commercial activity. However, given that the Asphalt Plant operation was transferred by the Ministry of Public Infrastructure to Demerara Harbour Bridge Corporation which was incorporated under an Act of Parliament, management is uncertain about its tax status. This matter is still on going with the Guyana Revenue Authority at the time of issuing this report. Should the Corporation be required to pay corporation tax, then the amount will be material to the financial statements.

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 Financial Statements section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Guyana, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation'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 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 Corporation to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 financial statements comply with the Demerara Harbour Bridge Corporation Act 2003.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

INDEPENDENT AUDITORS' REPORT

To the Auditor General

On the financial statements of Demerara Harbour Bridge Corporation

For the year ended December 31, 2016

Adverse Opinion

We have audited the financial statements of Demerara Harbour Bridge Corporation, which comprise the statement of financial position as at December 31, 2016, 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 as set out on pages 1 to 27.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of Demerara Harbour Bridge Corporation as at December 31, 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

- (1) In 2016, the Corporation did not maintain adequate records and controls over the quantity of various raw materials used in the production of asphalt. No other records were available to us to verify raw materials used in the production process, production output, abnormal loss and sales.

In the absence of records to confirm the accuracy and completeness of raw materials used in the production of asphalt, abnormal loss 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 \$1,677,139,000 and \$790,712,000 shown in the financial statements as income and raw materials costs (used in production) respectively for the Asphalt Plant are materially correct.

- (2) Advances to Courtney Benn Contracting Services Limited for services amounted to \$258,119,014 at December 31, 2016. Management confirmed that this balance was reduced to \$139,252,114 at the time of the concluding the audit. Included in this balance are un-serviced contracts coming forward from 2012. In addition, performance and advance guarantee bonds were not renewed when expired which placed the Corporation at a credit risk of \$139,252,114 if the supplier fails to honour the contracts.

Partners: **Ramesh Seebarran**-FCCA; **S. Ramnarain**-FCCA/MBA

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73 Canje Street & Stone Avenue, Section K, Campbellville, Georgetown, Guyana.

HLB R. Seebarran & Co is a member of HLB International. A global advisory and accounting network

- (3) The Transport and Harbour Department owed the Corporation \$28,078,292 since 2013 for services provided for the Parika Link Bridge. In 2015, this balance has increased to \$28,385,116. Management indicated that this balance was presented to the Board for consideration to be written off as bad debts since the amount may not be recovered. This balance still remains in the financial statements which has resulted in assets being overstated by the amount of \$28,385,116.
- (4) In accordance with Section 4 of the Corporation Tax Act, the Asphalt Plant operation may be subject to corporation tax as it is carrying on a commercial activity. However, given that the Asphalt Plant operation was transferred by the Ministry of Public Infrastructure to Demerara Harbour Bridge Corporation which was incorporated under an Act of Parliament, management is uncertain about its tax status. This matter is still ongoing with the Guyana Revenue Authority at the time of issuing this report. Should the Corporation be required to pay corporation tax, then amount will be material to the financial statements.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Corporation 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 financial statements in Guyana, and we have fulfilled our other 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs 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.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 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

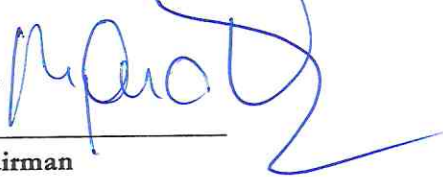
February 27, 2021

DEMERARA HARBOUR BRIDGE CORPORATION
Statement of Financial Position
As at December 31, 2016

	Notes	2016 G\$000	2015 G\$000
ASSETS			
Non-current assets			
Property, plant & equipment	3	1,662,987	1,598,747
Total non-current assets		1,662,987	1,598,747
Current assets			
Inventory	4	877,008	940,639
Trade and other receivables	5	878,870	716,493
Cash and cash equivalents	6	963,915	752,907
Total current assets		2,719,793	2,410,039
Total Assets		4,382,780	4,008,786
EQUITY AND LIABILITIES			
Capital & reserves			
Government's contribution	7	2,170,115	2,324,048
Accumulated surplus - Asphalt Plant		1,610,131	1,045,020
Accumulated surplus-DHBC		495,350	568,018
		4,275,596	3,937,086
Current liabilities			
Trade and other payables	8	107,184	71,700
Total current liabilities		107,184	71,700
Total equity & liabilities		4,382,780	4,008,786

These financial statements were approved by the Board of Directors for issue on 02-27-2017

On behalf of the board of Directors


Chairman


Director/General Manager

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, 2016

	Notes	2016 G\$000	2015 G\$000
Income	9	529,174	520,971
		<u>529,174</u>	<u>520,971</u>
Less:			
Operating expenses	10	510,371	424,702
Gross surplus		<u>18,803</u>	<u>96,270</u>
Add:			
Other Income	11	25,246	4,305
		<u>44,049</u>	<u>100,575</u>
Less Expenses			
Administrative	13	120,854	102,044
Directors' fee	12	684	186
		<u>121,538</u>	<u>102,230</u>
Net (loss) for the year		<u>(77,489)</u>	<u>(1,655)</u>
OTHER COMPREHENSIVE INCOME			
Changes in amortisation of Government reserve		4,821	(610)
Asphalt's Plant surplus	14	565,111	331,580
Total other comprehensive Income		<u>569,932</u>	<u>330,970</u>
Net profit for the year		<u>492,443</u>	<u>329,315</u>
Retained earnings at January 1		<u>1,559,514</u>	<u>1,220,150</u>
Retained earnings at December 31		<u><u>2,051,957</u></u>	<u><u>1,549,465</u></u>

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, 2016

	Government Grant G\$000	Asphalt Plant G\$000	Retained earnings G\$000	Total G\$000
Balance at December, 31, 2014	2,506,852	713,440	570,283	3,790,575
Changes in net Government Contribution reserve	-	-	(610)	(610)
Surplus for the year	-	331,580	(1,655)	329,925
Subvention for the year	90,000	-	-	90,000
Amortisation for the year	(272,804)	-	-	(272,804)
Balance at December, 31, 2015	2,324,048	1,045,020	568,018	3,937,086
Changes in net Government Contribution reserve	-	-	4,821	4,821
Surplus/(net deficit) for the year	-	565,111	(77,489)	487,622
Subvention for the year	150,000	-	-	150,000
Amortisation for the year	(303,933)	-	-	(303,933)
Balance at December, 31, 2016	2,170,115	1,610,131	495,350	4,275,596

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, 2016

	2016 G\$000	2015 G\$000
Cash flows from operating activities		
Net (loss) for the year	(77,489)	(1,655)
Asphalt plant profit	565,111	331,580
Depreciation charge	154,206	129,020
Disposal	-	8,032
Operating profit before changes in working capital	641,828	466,977
Changes in working capital		
(Increase)/decrease in inventory	63,631	51,601
(Increase)/decrease in trade and other receivables	(162,378)	(68,736)
Increase/(decrease) in trade and other payables	35,484	3,043
Net changes in working capital	(63,263)	(14,092)
Cash generated from operations	578,565	452,885
Net cash flow from operating activities	578,565	452,885
Cash flows from investing activities		
Property, plant & equipment - acquisitions	(517,557)	(396,083)
Net cash flows from investing activities	(517,557)	(396,083)
Cash flows from financing activities		
Government subvention received	150,000	90,000
Refund to Government	-	(10,049)
Net cash flows from financing activities	150,000	79,951
Net Increase/(Decrease) in cash & cash equivalent	211,008	136,753
Cash & cash equivalents at January 01,	752,907	616,154
Cash & cash equivalents at December 31,	963,915	752,907
Cash & cash equivalents as shown in the statement of financial position		
Cash & cash equivalent	963,915	752,907
Total	963,915	752,907

The accompanying notes form an integral part of these financial statements

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

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.

In September 2013, management was directed by Cabinet of Government to manage the operations of the Asphalt Plant located at Garden of Eden. The principal activity of this entity is the manufacturing and sale of asphalt to the Ministry of Public Infrastructure and third party contractors.

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 (38 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).

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

(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 corporation's operations:

New standards, interpretations and amendments adopted

IFRS 5	Amended to add specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued (effective from January 1, 2016)
IFRS 7	Amended to add guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements (effective from January 1, 2016)
IFRS 9	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective January 1, 2015).
IFRS 10	Amendments regarding applying the Consolidation Exception and sale or contribution of assets between an Investor and its Associate or Joint Venture (Amendments effective January 1, 2016)
IFRS 11	Amendments relating to accounting for Acquisitions of Interests in Joint Operations (effective January 1, 2016)
IFRS 12	Amendments regarding the application of the consolidation exception (effective January 1, 2016)
IFRS 14	Regulatory Deferral Accounts (effective January 1, 2016)
IAS 1	Disclosure Initiative (Amendments to IAS 1) (Amendments effective January 1, 2016)
IAS 9	Amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (effective from January 1, 2016)
IAS 16	Clarification of Acceptable Methods of Depreciation (effective January 1, 2016)
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27) effective January 1, 2016)
IAS 28	Amendments regarding to the application of the consolidation exception (effective January 1, 2016)
IAS 34	Amended to clarify the meaning of 'elsewhere in the interim report' and require a cross-reference (effective from January 1, 2016)
IAS 38	Clarification of Amortisation method (effective January 1, 2016)

Standards and amendments issued but not yet effective

IFRS 9	Financial Instruments: Classification and Measurement/complete version - (effective January 1, 2018)
IFRS 12	Disclosure of Interests in Other Entities (effective January 1, 2017)
IFRS 15	Revenue from contracts with customers (effective January 1, 2018)
IFRS 16	Accounting for leases (effective from January 1, 2019)
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (effective January 1, 2017)
IAS 7	Disclosure Initiative (effective January 1, 2017)
IFRS 2	Classification and Measurement of Share-based Payment Transactions (effective January 1, 2018)

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs)

IFRS 10 : Consolidated Financial Statements

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: Disclosure of Interests in Other Entities

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.

IFRS 7: Financial Instruments: Disclosures

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures, 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 application of these amendments in IAS 32 and IFRS 7 have resulted in more disclosures being made with regard to offsetting financial assets and financial liabilities.

IAS 19: Employees Benefits

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.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

**Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

IAS 38: Intangible Assets

In May 2014, the IASB clarified when the use of a revenue-based amortisation method is appropriate. It introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Explanation of Standards and amendments issued but not yet effective

IFRS 9: Financial Instruments

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 October 2010 and the effective date was deferred and then removed. This standard specifies how an entity should classify and measure its financial assets and liabilities.

In December 2011, the IASB deferred the mandatory effective date of IFRS 9 which is available for application if the relevant date of initial application is before February 1, 2015. In November 2013, the IASB reissued to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9.

In July 2014, the IASB issued the completed version of IFRS 9, incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition. The effective date is now January 1, 2018.

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: Joint Arrangements

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 combinations.

Assuria General (GY) Inc.
(Subsidiary of Assuria N.V)
Notes to the Financial Statements
For the year ended December 31, 2016

**Explanation of adoption of new and revised International Financial Reporting Standards (IFRSs)
(continued)**

IFRS 15: Revenues from Contracts with Customers

In May 2014, IFRS 15- Revenue from Contracts with Customers, was issued to replace IAS 11 and 18, IFRIC 13,15, and 18 and SIC-31. IFRS 15 provides a comprehensive framework for recognising revenue from contracts with customers. It provides a single, principles based five-steps model to be applied to all contracts with customers. The five steps 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 contract and (5) Recognise revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in 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.

IFRS 15 was supposed to be effective from January 1, 2017, however in September 2015, the IASB passed an amendment to differ the effective date to January 1, 2018.

IFRS 16: Leases

This new standard replaces IAS 17 and provides guidance on recognition, measurement, and disclosures of leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

In the application of the corporation'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:

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

Significant accounting policies (continued)

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 than 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 corporation 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 corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the corporation recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

(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.

(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 goods and services in the ordinary course of the corporation's activities.

(h) **Expenses Recognition**

Expenses are recognised on the accrual basis.

DEMERARA HARBOUR BRIDGE CORPORATION
 Notes to the Financial Statements
 For the year ended December 31, 2016

Significant accounting policies (continued)

(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	5%
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%
(iv) Chains	25%

(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.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

Significant accounting policies (continued)

(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, sand, stone, bitumen, fuel, etc which are stated at the lower of cost and net realizable value. Cost is calculated based on invoice values 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. The Asphalt Plant's operation is on a credit basis. 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.

(q) Provisions

Provisions are recognised when the corporation has a present obligation (legal or constructive) as a result of a past event, if it is probable that the corporation 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.

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

(r) **Taxation**

The corporation is not subject to taxation on income generated from the Bridge operation.

(s) **Operating segment - IFRS**

An operating segment is a component of an entity:

- (a) That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity).
- (b) Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
- (c) For which discrete financial information is available

The Asphalt Plant's operation is considered as an operating segment of the DHBC. Consequently, its financial statements are consolidated with the operation of the DHBC.

EMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
for the year ended December 31, 2016

	EU funded		Operational												Asphalt's plant Assets				
	Funded by Government of Guyana		Development n/Development Works G\$000	Rehabilitation n/Development Works G\$000	Vehicles G\$000	Equipment and Machinery G\$000	Rehabilitation n/Development Works G\$000	Buildings G\$000	Furniture & 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	Equipments G\$000	Office Equipment G\$000	Furniture G\$000	Total G\$000
Costs																			
At January 1, 2015	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
Additions	-	274,976	-	-	13,623	427	1,371	11,946	25,493	7,347	17,004	1,221	6,810	23,007	11,167	1,692			396,083
Transfer of fixed assets	-	-	-	-	-	-	-	-	-	-	(80)	-	(17,727)	20,311	(2,504)	-			-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	(10,709)	-	-	-			(10,709)
At December 31, 2015	1,380,135	4,205,553	4,481	10,338	390,935	115,003	15,148	103,913	93,747	105,170	51,563	42,633	8,010	56,423	14,191	4,681			6,601,923
Accumulated Depreciation																			
At January 1, 2015	1,380,135	2,759,504	4,481	9,304	219,219	14,534	8,154	69,576	47,141	76,624	8,222	3,404	7,709	3,427	1,460	575			4,613,467
Depreciation charged for the Year	-	262,331	-	1,034	47,959	6,272	1,859	16,995	10,213	17,723	7,527	2,132	2,003	11,947	3,655	736			392,385
Disposals	-	-	-	-	-	-	-	-	-	-	(65)	-	(7,109)	5,122	(626)	-			(2,678)
At December 31, 2015	1,380,135	3,021,835	4,481	10,338	267,178	20,805	10,013	86,571	57,354	94,347	15,684	5,535	2,603	20,496	4,489	1,311			5,003,175
Net Book Value																			
At January 1, 2015	-	1,171,073	-	1,034	158,093	100,043	5,623	22,391	21,113	21,200	26,417	38,008	21,927	9,678	4,068	2,414			1,603,082
At December 31, 2015	-	1,183,717	-	-	123,757	94,198	5,134	17,341	36,393	10,823	35,878	37,097	5,407	35,926	9,701	3,370			1,598,747

DEMERRARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

EU funded	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	Furniture & 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	Equipments G\$000	Office Equipment G\$000	Furniture G\$000	Total G\$000			
At January 1, 2016	1,380,135	4,205,553	4,481	10,338	390,935	115,003	15,148	103,913	93,747	105,170	51,563	42,633	8,010	56,423	14,191	4,681	6,601,923			
Additions	-	323,950	-	-	27,053	13,838	2,329	-	3,625	19,582	8,048	-	13,063	97,614	7,002	1,453	517,557			
Transfer of fixed assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
At December 31, 2016	1,380,135	4,529,503	4,481	10,338	417,988	128,841	17,477	103,913	97,372	124,752	59,611	42,633	21,073	154,037	21,193	6,134	7,119,480			
Accumulated Depreciation																				
At January 1, 2016	1,380,135	3,021,835	4,481	10,338	267,178	20,805	10,013	86,571	57,354	94,347	15,684	5,535	2,603	20,496	4,489	1,311	5,003,175			
Depreciation charged for the year	-	299,112	-	-	53,011	6,413	1,824	9,681	9,944	14,900	8,226	2,131	5,268	36,539	5,293	975	453,317			
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
At December 31, 2016	1,380,135	3,320,947	4,481	10,338	320,189	27,218	11,837	96,252	67,298	109,247	23,910	7,666	7,871	57,035	9,782	2,286	5,456,492			
Net Book Value																				
At January 1, 2016	-	1,183,717	-	-	123,757	94,198	5,134	17,341	36,393	10,823	35,878	37,097	5,407	35,926	9,701	3,370	1,598,747			
At December 31, 2016	-	1,208,555	-	-	97,799	101,623	5,639	7,660	30,074	15,505	35,700	34,966	13,202	97,001	11,410	3,848	1,662,987			

For the year ended December 31, 2016

4 Inventory

The composition of inventory is as follows:

	<u>2016</u> G\$000	<u>2015</u> G\$000
<i>DHBC</i>		
Deck plates, spares & consumables etc	800,204	888,878
<i>Asphalt Plant</i>		
Raw materials and consumables	76,804	51,761
	<u>877,008</u>	<u>940,639</u>

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:

<i>DHBC</i>			
Trade receivables		308	560
Other receivables	(a)	40,942	43,303
Prepayments	(b)	309,408	383,908
<i>Asphalt Plant</i>			
Trade receivables	(c)	485,967	264,464
Prepayments		42,245	24,258
		<u>878,870</u>	<u>716,493</u>

(a) This balance includes an amount of \$40,942,087 owed by the Ministry of Public Works for services provided.

(b) This amount represents advances made to contractors for servicing and construction of pontoons and other assets. The major contractor is

Courtney Benn Contracting Services Limited.	<u>258,119</u>	<u>366,705</u>
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DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

Trade and other receivables (continued)

- (c) This balance concerns amount owed by customers of the Asphalt Plant for asphaltic concrete supplied. Included in this balance are the following amounts:

	<u>2016</u> G\$000	<u>2015</u> G\$000
Ministry of Public Infrastructure	366,873	158,510
Courtney Benn Contracting Services Limited	44,129	9,399
	<u>411,002</u>	<u>167,909</u>

6 Cash & cash equivalents

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

DHBC:

Cash on hand	278	178
Cash at bank	71,991	127,424

Asphalt Plant:

Cash on hand	200	200
Cash at bank	688,701	423,743
Fixed deposit	202,745	201,362
	<u>963,915</u>	<u>752,907</u>

7 Government contribution

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

Balance at January 1	2,324,047	2,506,852
Amortisation for the year	(303,933)	(262,755)
Amount received during the year	150,000	90,000
Refund to the consolidated fund	(62)	(10,049)
	<u>(153,995)</u>	<u>(182,804)</u>
Balance at December 31,	<u>2,170,052</u>	<u>2,324,048</u>

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

Government contribution (continued)

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

	2016 G\$000	2015 G\$000	2016 Changes G\$000
Inventory	659,194	756,422	(97,228)
Equipment, vehicles and machinery	1,208,555	1,183,717	24,838
Advance to suppliers for pontoons repairs and supply of spares	302,303	383,908	(81,605)
	<u>2,170,052</u>	<u>2,324,047</u>	<u>(153,995)</u>

Changes in amortisation of reserve

Amortisation of government grants		303,933	262,755
Depreciation on assets relating to grants		(299,112)	(263,365)
Charged to statement of other comprehensive income		<u>4,821</u>	<u>(610)</u>

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:

	2016 G\$000	2015 G\$000
DHBC		
Trade payables and accruals - DHBC	14,533	13,499
Refund outstanding to the consolidatde fund	9,987	10,049
Asphalt Plant		
Trade payables and accruals	29,099	5,814
Advance from contractors (a)	53,565	42,338
	<u>107,184</u>	<u>71,700</u>

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

9 Income by segment

Vehicular toll	500,577	485,463
Marine toll	20,698	20,525
Special crossing	6,500	11,742
Truck scale	1,399	3,241
	<u>529,174</u>	<u>520,971</u>

For the year ended December 31, 2016

		2016	2015
		G\$000	G\$000
10 Operating expenses			
Traffic management services	(a)	123,565	114,403
Structural maintenance services	(b)	126,852	69,710
Electro/mechanical services	(c)	100,764	94,200
Dredge operation services	(d)	14,018	17,227
Labour contract		33,601	27,551
Contractual works		15,794	590
Depreciation		95,777	101,021
		510,371	424,702
(a) Traffic management services			
Advertisement		3,715	203
Bank charges		910	543
Cleaning and sanitation		874	972
Contractual works		4,490	2,726
Electricity		18,640	18,663
Employment costs		65,101	58,876
Fuel & Lubricants		952	1,072
Gifts/donations		48	6,722
Gratuity		9,867	8,287
Licence and legal fees		565	3,557
Rental of equipment		-	195
Repairs and maintenance		8,699	5,871
Stationery and general expense		9,155	6,170
Telephone		218	204
Compensation		331	342
		123,565	114,403
(b) Structural maintenance services			
Bridge maintenance		41,753	20,369
Contractual works		5,826	5,268
Employment costs		35,367	29,656
Fuel & lubricants		1,022	686
Gratuity		5,886	3,669
Repairs and maintenance		2,349	864
Rental of equipment		19,236	1,854
Stationery and general expense		8,893	7,345
Severance pay		6,520	-
		126,852	69,710

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

	2016 G\$000	2015 G\$000
(c) Electro/Mechanical services		
Bridge maintenance	3,059	5,740
Contractual works	-	1,367
Employment costs	68,362	59,036
Fuel & Lubricants	3,597	4,490
Gratuity	11,352	10,203
Repairs and maintenance	7,906	8,350
Stationery and general expense	6,370	4,897
Telephone Charges	118	118
	100,764	94,200
(d) Dredge operation services		
Employment costs	11,154	10,376
Fuel & Lubricants	737	1,855
Gratuity	1,399	1,245
Repairs and maintenance	446	3,281
Stationery and general expense	282	471
	14,018	17,227
11 Other income		
Contractual Work (bridge repairs)	23,765	566
Penalty fine	40	45
Sale of disposable materials	-	794
Sale of tender documents	69	135
Settlement of damages	1,086	1,954
Towing charges	164	224
Rental of equipment	-	10
Other revenue	122	577
	25,246	4,305

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

	2016 G\$000	2015 G\$000
12 Administrative		
Employment costs	77,763	66,269
Gratuity	10,854	8,573
Repairs and maintenance	2,533	4,626
Stationery and general expense	14,180	7,874
Fuel & lubricants	1,789	1,972
Telephone charges	1,703	1,554
Advertisement	79	1,149
Electricity	4,660	4,666
Gifts/donations	6,051	4,199
Bank charges	454	395
Contractual works	788	262
Other expenses	-	505
	<u>120,854</u>	<u>102,044</u>

13 Directors' fee

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

Shabir Hussain	144	30
Joseph Holder	120	30
Claudette Rogers	120	30
U. Ramanah	-	36
M. Fernandes	-	30
T. Baksh	-	30
Rafeza Hussein	120	-
Mandy Sukhdeo	120	-
Aslim Singh	60	-
	<u>684</u>	<u>186</u>

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

	<u>2016</u> G\$000	<u>2015</u> G\$000
14 Operating segment - Asphalt Plant		
Income		
Ministry of Public Works/Public Infrastructure	1,158,417	347,106
Private Contractors	518,722	799,117
Fixed deposit interest	1,413	1,136
Disposal	-	2,677
	<u>1,678,552</u>	<u>1,150,037</u>
Expenditure		
Raw materials - Aggregates	269,657	189,026
Raw materials - Bitumen	470,226	414,160
Raw materials - Kerosene	50,829	43,751
Fuel and lubricants	8,714	8,133
Transportation	26,090	21,400
Repair and maintenance services	39,773	21,073
Other administrative & suspense	158,398	92,915
Duty	19,311	-
Inventory adjustment	12,011	-
Depreciation	58,432	27,998
	<u>1,113,441</u>	<u>818,457</u>
Operating profit	<u><u>565,111</u></u>	<u><u>331,580</u></u>

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 - Traffic Manager
Christopher Grannum - Maintenance Engineer

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

Gross remuneration and gratuity	25,043	32,054
	<u><u>25,043</u></u>	<u><u>32,054</u></u>

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

16 Taxation

However, in September 2013, management was directed through an approval by the Cabinet of Government to manage the operations of the Asphalt Plant located at Garden of Eden. In the absence of a contractual arrangement, there is uncertainty as to whether the profit generated are subject to taxation. At the time of finalising these financial statements, management was in the process of seeking clarity from the Guyana Revenue Authority.

17 Pending litigations

There is no pending litigation at the time of the audit

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

18 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, 2016			
ASSETS			
Inventories	-	877,008	877,008
Trade and other receivables	878,870	-	878,870
Cash and cash equivalents	-	963,915	963,915
	878,870	1,840,923	2,719,793
LIABILITIES			
Trade and other payables	-	107,184	107,184
	-	107,184	107,184
December 31, 2015			
ASSETS			
Inventories	-	940,639	940,639
Trade and other receivables	716,493	-	716,493
Cash and cash equivalents	-	752,907	752,907
	716,493	1,693,546	2,410,039
Liabilities			
Trade and other payables	-	71,700	71,700
	-	71,700	71,700

19 Financial Risk Management

Financial risk management objectives

The Corporation's management monitors and manages the financial risks relating to the operations of the corporation 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 corporation 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:

DEMERARA HARBOUR BRIDGE CORPORATION
Notes to the Financial Statements
For the year ended December 31, 2016

19 Financial Risk Management (continued)

Liquidity risk

	2016		
	<1 years G\$000	1 to 5 years G\$000	Total G\$000
Assets			
Trade and other receivables	-	878,870	878,870
Cash and cash equivalents	963,915	-	963,915
	963,915	878,870	1,842,785
Liabilities			
Trade and other payables	107,184	-	107,184
	107,184	-	107,184
Net assets/(liabilities)	856,731	878,870	1,735,601

	2015		
	<1 years G\$000	1 to 5 years G\$000	Total G\$000
Assets			
Trade and other receivables	-	716,493	716,493
Cash and cash equivalents	752,907	-	752,907
	752,907	716,493	1,469,400
Liabilities			
Trade and other payables	71,700	-	71,700
	71,700	-	71,700
Net assets/(Liabilities)	681,207	716,493	1,397,700

DEMERARA HARBOUR BRIDGE CORPORATION

Notes to the Financial Statements

For the year ended December 31, 2016

19 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 corporation 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 minimized. 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.

	2016 G\$000	2015 G\$000
Gross maximum exposure:		
Trade and other receivables	878,870	716,493
Cash and cash equivalents	963,915	752,907
Total credit risk exposure	<u>1,842,785</u>	<u>1,469,400</u>

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.

20 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.

February 24, 2021

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

Dear Sirs,

Re: Management letter for the year ended December 31, 2016

We have concluded the audit of Demerara Harbour Bridge Corporation for the year ended December 31, 2016.

Our examination included a review of the accounting records and procedures adopted by the company in compliance with International Standards on Auditing, Income Tax Act, and the Harbor Bridge Corporation Act. During the course of our examination, we noted certain matters relating to procedures and controls of the company which we consider should be brought to your attention.

You will appreciate that our normal audit procedures are designed primarily to enable us to express an opinion on the true and fair view of the financial statements of the company. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and therefore our comments do not include all possible improvements in internal controls which might result from a special review.

The matters being reported are limited to those deficiencies which came to our attention during the course of our audit and which we consider are of sufficient importance to merit the attention of those charged with governance of the company.

1 | Page

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The matters raised on the following pages have been discussed with management, and their comments on each matter raised have been included in this letter.

Please note that this letter has been provided for the purposes of those charged with governance, and therefore it may not be suitable for other purposes.

Finally, we would like to record our appreciation of the courtesy and co-operation extended to us by management.

We look forward to a continuing mutually beneficial relationship with you.

Yours sincerely,



R. Seebarran

1. Trade Receivables

Reporting matter

- (a) We again noted that Performance and Advance Guarantee Bonds have not been renewed when they expired. As reported in Appendix 1, the performance and advance bonds for outstanding work totaled \$139,252,114 as at June 30, 2019 have all expired.

We had verified letters sent to the suppliers to refund their advances for the years 2008-2012 and request for their remaining bonds to be renewed. However, no refunds were received to date and neither have the bonds been renewed. This is a significant and a serious weakness in the administration of contracts.

- (b) Several advance payments were made to suppliers for services and the supply of inventory which amounted to \$302,303,477 at December 31 2016. Included in this balance is \$258,119,014 which was advanced to Courtney Benn Contracting Services Limited (CBCSL) for services/ inventory which was partially completed at the time of this audit. It is clear that CBCSL is using Government funds without proper approval.
- (c) The Transport and Harbour Department owed the Corporation \$28,385,116. This balance has gradually increased from 2013 to the end of 2015 for works done. In 2016, this balance has remained the same as \$28,385,116. This amount has not been received to date as confirmed by management.

Potential Effect

Trade receivables balance may be overstated in the financial statements if these amounts are not recoverable.

Recommendation

- (a) Management should ensure that securities/prepayment bonds are renewed when they fall due.

In addition, the Corporation should provide advances only when the services and inventory are required so as to avoid significant cash advances for very long time lapse. Example, when the pontoons are about to be constructed or advance on account based on satisfactory work done based on progress reports.

- (b) We strongly recommend that management assess the recoverability of advance payments made to Courtney Benn Contracting Services Limited (C.B.C.S.L) given that some of the advance payments were made since 2012.

- (c) We would appreciate management comments on how and when this amount will be recovered by the Corporation.

Management comments

(a) & (b) CBCSL indebtedness as at 30th June 2019 was **\$139,252,114** (reduced from **\$302,303,477** as at 31-12-2016) as follows

- Supply and driving of Cluster Piles \$52,330,800
- Rehabilitation of pontoons \$86,921,314

To date, 4 out of 28 pontoons have been completed and these works are ongoing.

- (c) As a result of the the Transport and Harbours Department (T&HD) inability to repay the amount owing ,this was brought to the last Board of Directors attention. However, the Board expired before a decision could have been made.

2. Fixed Assets

Reporting matter

- (a) We noted that there are assets which do not have identification numbers in the assets register. **See Appendix 2.**
- (b) There are several assets 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 is required to be matched against the corresponding expenses to have a realistic view of performance. In the corporation's case, there are other assets with no value that are being used to generate revenue while there is no corresponding depreciation cost to match against the revenue earned.

We were advised by management that a revaluation was done solely on motor vehicles on April 8, 2018. The Ministry of Public Infrastructure had appointed a valuation officer named Mr. Leslie Sobers and vehicles registered prior 2005 now have a NBV (Net Book Value) and this will be reflected in 2018 year end financial statements.

- (c) During our asset verification test, we noted assets were transferred to the Asphalt Plant while some were donated to the MOPI could not have being verified whether it is in good condition and is in use for the Corporation purposes only. **See Appendix 3.**
- (d) We have looked at management's impairment review which was done and discussed at the Board level on February 21, 2017 in response to our 2014 management letter. This verification shows a significant number of fixed assets that is unserviceable and may have to be written off. However, a decision is still pending as the Board has expired and an appointment of a new Board is pending.
- (e) Assets that are no longer working have not being disposed; instead they are logged in a book referred to as the "Logged Book". The Log book does not have any asset ID code assigned to the assets and as a result, we cannot verify them to the assets register to ensure that depreciation is not charged.

Potential Effects

- (a) In the absence of identification numbers and locations, we were unable to refer to the assets for verification. We had discussions with the Finance Manager that these should be reviewed to determine whether they are still in existence and if yes, fixed assets codes should be assigned to them.
- (b) It could not be ascertained as to whether all of the assets are in accordance with the Conceptual framework. Assets which do not have book value may be understated.
- (c) The amount shown as plant, property and equipment may be overstated.

Recommendation

- (a) We strongly recommend that management review its assets register to ensure that all assets listed are in existence and have identification numbers where possible for completeness. It is an important internal control over the completeness of the recording and safe custody of assets and it helps management to safeguard assets from being misused or stolen. It will also assist in identifying assets that have become damaged or obsolete.
- (b) We recommend that management consider when revaluing the assets to reflect their carrying values. Management should also relook at the depreciation rates to determine whether they 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) We recommend that management take action to ensure the impairment review is use as a basis to update the register as soon as possible.

- (d) We recommend that asset transfer forms should be implemented between the two entities with approval signatures from Head of Department sending and receiving the assets transfer. With this, management can place its reliance on this should any asset stolen or cannot be located.
- (e) The Board should review the assets recorded in the 'logged book' and approve them for disposals to ensure that the assets register includes assets that are in good working condition and that the depreciation charges are appropriate taking into consideration the lives of the assets.

Management comments

(a) The asset Register was reviewed and updated with identification numbers and serial numbers of the assets accordingly.

Except for the Miller generator welding set which will be assigned an identification number, all the other items listed in **Appendix 2** are obsolete. (Please see attached).

(b) & (c) Noted

(d) Please see attachment for our comments to the assets listed in **Appendix 3**. An asset transfer Form was implemented this year for the movement of assets (copy attached)

(e) Noted

After the 2015 audit, the log book is being updated with the asset ID codes.

3. Payroll

Reporting matter

During the audit, tests on payroll for both monthly and fortnightly during which, we were unable to verify the salary for fifteen (15) employees to their personal files since the files were not updated with their salary increases or a letter to this effect or memorandums issued by the Government.

Potential Effect

We were unable to confirm the amounts stated on the payrolls to the amount in the employees' personnel files.

Recommendation

Management should ensure that staffs are informed of increases in salary and copy of the correspondences placed in their files.

Management comments

With the new HR Department, this was implemented in 2017

4. Journals Passed with no supporting evidence

Reporting matter

We noted that a substantial amount of journals processed during the year without adequate controls over them. For example: a file with the evidence supporting the journals, the reason for them, or who prepared and approved them was not available.

Recommendation

Management should prepare a journal file with the evidence supporting the journals, the reason for the journals, or who prepared and approved the journals.

Management comments

This was corrected and a journal file with the journals and their supporting documents is available.

Appendix 2:

Asset	Asset ID	Location	Acquisition date	Cost \$
Monitor –LCD touch screen	N/A	Toll Station spare	2-Aug-2007	124,200
25 HP Yamaha Outboard. <i>Serial number can be included in the register</i>	N/A	Maintenance Section	28-Feb-2005	462,000
Generator Welding Miller	N/A	Workshop	14-Nov-2007	1,950,000
Boat alum	N/A	Maintenance Section	18-Dec-2006	900,000
Computer system (Dell)	N/A	GM Accountant office	23-July-2005	208,075
Computer system	N/A	Computer room	23-Sept-2005	209,916

Note: N/A refers none available

Appendix 3:

Date Acq	Description	ID #	Cost	Comments
11/19/2013	Generator Lincoln Welder	2013/2018	1,193,250	Transferred to Asphalt Plant
14/11/2007	Generator welding Miller		1,195,000	Damaged
12/3/2015	Dispenser water	2018/24	99,644	Damaged
29/06/2011	Protection DC –Warehouse	71/11	38,295	Damaged
9/11/2015	Apple I-Pad Air	2018/63	213,750	Transferred to MOPI
7/20/2010	Conference chair	068/069/10	39,440	Damaged
3/4/2016	Printer HP Officejet7110	No ID	54,100	Transferred to Asphalt Plant

3/4/2016	Printer HP Officejet7110	No ID	54,100	Transferred to Asphalt Plant
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February 24, 2021

Board of Directors
Demerara Harbour Bridge Corporation - Asphalt Plant Operations
Peters Hall
East Bank Demerara.

Dear Sirs,

Re: Management letter for the year ended December 31, 2016

We have concluded the audit of Asphalt Plant operations which is under the control of the Demerara Harbour Bridge Corporation for the year ended December 31, 2016.

Our examination included a review of the accounting records and procedures adopted by the company in compliance with International Standards on Auditing, Income Tax Act, and the Harbor Bridge Corporation Act. During the course of our examination, we noted certain matters relating to procedures and controls of the company which we consider should be brought to your attention.

You will appreciate that our normal audit procedures are designed primarily to enable us to express an opinion on the true and fair view of the financial statements of the company. Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls, and therefore our comments do not include all possible improvements in internal controls which might result from a special review.

The matters being reported are limited to those deficiencies which came to our attention during the course of our audit and which we consider are of sufficient importance to merit the attention of those charged with governance of company.

1 | Page

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All comments we have made are those where we consider improvements to systems and processes will benefit the company.

The matters raised on the following pages have been discussed with management of the company, and their comments on each matter raised have been included in this letter.

Please note that this letter has been provided for the purposes of those charged with governance, and therefore it may not be suitable for other purposes.

Finally, we would like to record our appreciation of the courtesy and co-operation extended to us by management.

We look forward to a continuing mutually beneficial relationship with you.

Yours sincerely,



R. Seebarran

1. Production & Sales

During the 2013 audit, production books were kept in sequential order which showed the date of production, time of production, production output and the quantity of various raw materials used in production.

However, with effect from 2014 this procedure ceased, which resulted in no records being kept of raw materials used in production except for an excel workbook maintained at the Asphalt Plant. This workbook includes an estimate of the raw materials used in production. They are no independent controls over this workbook and as such we could not have placed audit reliance on it.

Notwithstanding these limitation, we were able to verify daily production report which shows the quantity and delivery of asphalt. However, the correlation of this production to adequate reports of raw materials could not have been established. Consequently, we could not analyse the costs of production to the production output (asphalt), and to sales. In addition, we could not have ascertain the level of efficiency through normal /abnormal loss in production.

In the absence of reconciliation of raw materials consumed, Production costs for the year were calculated by taking opening inventories, add purchases and less closing stock on a monthly basis.

Alternative audit procedures

In adopting alternative audit procedures to confirm the reasonableness of production costs, output and sales, the following were noted:

- (a) There continues to be various standards for mixture and measurement of raw materials used in production.
- (b) The Corporation supplies two course of Asphalt which uses different standards for mixture of raw materials.

We attended and witness a sample of production on May 30, 2018 where raw materials were weighed before and after production. The result is shown in the table below "Raw materials per a tonne of Asphalt".

Raw Materials	U/M	Raw materials per a tonne of Asphalt	Production quantity for the year	Total quantity for the year G\$	Average cost per unit G\$	Total costs of production G\$000	Cost provided by mgt G\$000	Variance G\$000
Sand	Ton	0.29	42,471	12,119	1,000	12,119	11,647	472
Stone	Ton	0.29	42,471	12,317	8,300	102,228	105,118	(2,890)
Sifting	Ton	0.53	42,471	22,571	7,451	168,177	152,891	15,286
Bitumen	Ltr	51.30	42,471	2,178,762	176	383,462	470,035	(86,573)
Kersoin & Diesel Mixture	Ltr	12.41	42,471	527,065	102	53,761	50,829	2,932
							790,520	(70,774)
						719,746		

As noted from the above table, the variance is \$70.8m or 9% of total production costs reported by management which is material to the financial statements.

We further attempted to carryout alternative audit procedures using management's best estimates which resulted in the opposite of the earlier test where the cost of production were understated by \$17.6m or 2.2% when compared to financial statements.

Raw Materials	U/M	Raw materials per tonne of Asphalt	Production quantity for the year	Total quantity used for the year	Average price per unit G\$	Total costs of production G\$000	Cost provided by mgt G\$000	Variance G\$000
Sand	Ton	0.27	42,471	11,418	1,000	11,418	11,647	(229)
Stone	Ton	0.32	42,471	13,697	8,300	113,681	105,118	8,564
Sifting	Ton	0.54	42,471	22,992	7,451	171,313	152,891	18,422
Bitumen	Ltr	63.14	42,471	2,681,619	176	471,965	470,035	1,930
Kersoin e & Diesel Mixture	Ltr	9.19	42,471	390,308	102	39,811	50,829	(11,018)
						808,189	790,520	17,669

Moreover, management also indicated that the estimates of raw materials were reconciled in the last quarter of 2016 which resulted in a stock adjustment of \$12m.

Effect

In the absence of records and adequate information, we were unable to verify the accuracy of the costs of production and the completeness of sales in relation to production.

We were also unable to carry out further alternative audit procedure to satisfy ourselves that the amount shown as production costs and output were complete and accurate.

Recommendation

As previously recommended that daily reports should be prepared for raw materials purchased, usage, variances to standard production and matched to sales. These reports should be reviewed and approved by management continuously.

Management comments

This matter will be addressed to have daily sheets prepared and approved to show engineers best estimate of materials consumed in production. Installation of our new asphalt plant will produce exact quantities of materials consumed for each batch of production will be generated and be approved and kept by management.

2. Trade Receivables

Reporting matter

- (a) Several debtors had no movements to their balances in excess of three years and in some cases over four years. See attached **Appendix 1**.
- (b) The Asphalt Plant currently does not have a credit policy which defines credit limits, approval required for granting credits, procedures for managing debts such as sending statements, reminders, etc. This was recommended in our 2015 ML which management indicated would have been done in second half of 2018.
- (c) We noted that credits were approved by the GM. However, there was no evidence to verify that the customers' balances were checked before credits were granted.

(d) Up to the time of finalizing this report, no confirmation was received for balances owed to the Corporation.

Potential Effect

- (a) The amount stated as receivables is overstated or understated by the amount stated in **Appendix 1 and 2**.
- (b) The accuracy and existence of the receivables' and payables' ledger is affected.
- (c) In the absence of a receivables policy, debts may not be pursued in a timely manner and would eventually become irrecoverable.

Recommendation

- (a) We recommend that management review the debts in appendix 1 and consider impairment in accordance with IAS 32.
- (b) We recommend that a receivables' policy be implemented as soon as possible.
- (c) Credit limits should be included in the Corporation's credit policy when implemented. Checks should be carried out each time asphalt is requested to ensure that the limit is not exceeded.

Management comments

- (a) Management has recently concluded a reconciliation of their receivable balances as at 31st December, 2018 and has sent out statements and payment requests on 19th February, 2019 to all customers with balances over \$20,000. Reminders were sent on 2nd April, 2019 to all customers who would have received statements and notices but haven't responded. As such, customers with outstanding balances would have begun to make payments on their account which are not reflected in the external auditor's schedule.

Management has also prepared a list of all receivable balances under \$20,000 considered to be impaired according to IAS 32 for approval to be written off. However, the absence of a Board of Directors has delayed the

completion of this process. Please see below for updated balances for customers shown in appendix 1.

(b) Receivables policy will be addressed by management in the second half of 2019.

(c) Currently the credit policy has already been implemented and checks are being made to ensure customers are not approved new credit with any previous outstanding balances. Credit limits will be addressed in the second half of 2019.

Customer Name	2017 Balances	2019 Balances
A & S General Construction	104,280	0
All Purpose Construction	9,085	9,085
AMIC General Contracting	8,295	8,295
Annirud Ramcharita	10,665	10,665
Associated Construction Service	5,530	5,530
Astral Engineering	756,425	0
B.Persaud (Cummings)	555	555
BML Architects and Engineers	4,345	4,345
Brandsville Apartment/ Car Care	222,780	0
C. King Construction	790	790
Davendra Ramnarace	4,345	4,345
Dipcon Engineering Services Ltd	9,875	9,875
Design Perspectives	8,690	(8,690)
Dynamic Engineering Co. Ltd	1,975	(1,975)
Farm Supplies	2,765	

		2,765
Ganesh & Nancy	39,130	30,530
General Equipment Guyana	5,925	5,925
Geoffrey James Construction	7,110	7,110
George Albert Cole	20,935	20,935
Gupta Engineering Services	1,975	8,295
Guyamerica Construction Inc.	19,546,005	2,546,005
Hemraj Gharbaran	778,545	778,545
Joshi Construction	905	905
Kares Engineering	18,445	18,445
Keyon Stoute	3,950	3,950
Lachmansingh's Drug Service	7,505	7,505
Lereg Engineering	15,800	15,800
Linden Holdings	524,280	(657,165)
Malcolm Carryl	3,160	3,160
Mark Dhaniram	11,610	11,610
Naresh Gooool	10,270	10,270
Nazra Building & Engineering	1,975	1,975
P&L Engineering & Construction	3,555	3,555
Satar Mohamed & Son	8,690	8,690
Seecharran Siew	8,295	8,690
United Housing Cooperation	10,665	

		10,665
Williams Hallow Blocks & Const.	413,565	413,565
Total	22,592,695	3,304,550

3. EPA (Environmental Protection Act)

Reporting Matter

The Asphalt Plant is not in compliance with the environmental laws as set out by the EPA through Act No. 11 of 1996. At the time of concluding the audit management was in the process of completing requirements for the application to the EPA for the new asphalt plant which is in transit.

Recommendation

We recommend that management treat this matter with urgency.

Management comments

This matter is of utmost importance to management as we have recently received of our new Batch Mix Plant. The plant specifications are being gathered and a project summary is being prepared to be submitted to EPA. Management is working together with EPA to comply with Act No. 11 of 1996.

The learning process for compliance will be applied to the existing asphalt plant should management decide to continue its' operations.

4. Insurance Coverage

Reporting Matter

We observed at the time of the audit the Asphalt Plant does not have any insurance for its buildings and contents as confirmed by management. We were also advised that the Corporation is Government owned; therefore it is not required to have insurance coverage, which is not correct

Potential effects

The corporation has left itself vulnerable to potential liabilities due to accidents/disasters which may lead to extensive losses.

Recommendation

We strongly recommend management to investigate into this matter.

Management comments

Management will engage our Insurance Company.

5. Fixed Assets

Reporting matter

- (a) We observed that some assets do not have an identification number in the assets register. In the absence of an identification number such as asset ID or code we were unable to refer to the assets for verification. Some of these assets were noted in 2015 management letter and the same were explained again by management. **See Appendix 3.**
- (b) The additions of fixed assets acquired in 2016 were not coded as seen in the assets register. This was reported in our previous management letter but remains uncorrected.

Recommendations

We strongly recommend that the management reviews the assets register to ensure that all assets listed are in existence and have identification number attached where possible. It is an important internal control over the completeness of the recording and safe custody of the assets and it helps the management to safeguard assets from being easily misused or stolen. It will also assist in identifying assets that have become damaged or obsolete.

Management comments

There is an ongoing exercise to verify and label all assets at the asphalt plant. As at the date of this reply, all assets acquired in 2019, 2018 and 2017 have been identified and correctly labelled. The asset register is updated simultaneously with asset ID, asset location, correct description and where possible, serial numbers.

6. Payroll

Reporting matter

- (a) From a review of a sample of personal files, we observed that they were not updated with wages and salary information and do not contain any Agreement of Contract between the employer and employee as noted below for few employees. **See Appendix 4.**
- (b) The monthly employees' signatory sheets were not made available for audit verification. Management indicated they were misplaced.
- (c) In the absence of signatures and approval under 'prepared by' and 'checked by' section of the payrolls and date stamped, we could not assess whether internal controls were operating effectively.

Potential effect

- (a) We are unable to verify the amounts stated on the payroll as being the amounts agreed to be paid to the employee.

Recommendation

- (a) Employee files should be updated with their salary or wages information.
- (b) We recommend the following:
 - Adequate documentation and filing be done for signatory sheets signed.
 - Controls should be implemented to ensure that payrolls are approved and date stamped to attest for timely reviewing and approval.

Management comments

- (a) Our Human Resources Department only came into existence from 2017 and efforts were made to ensure all employees at DHBC would've had personnel files. Updates to all employees' files to ensure that correct and adequate information are retained began in 2019, an exercise which was completed recently.
- (b) Noted

In our discussion with the Internal Auditor (IA), we were informed that no audit work was carried out in relation to reconciliation of raw materials to production

and sales and receivables. These are critical areas and should have been given priority to identify the issues and systems which can be implemented to avoid the issues. We would have identified some in our previous management letters with possible recommendation for management consideration

Recommendation

We recommend that areas of concerns form part of the mandate for the Internal Audit Department

Management comments

An Internal Auditor was hired in 2018, prior to this DHBC was without someone in this capacity. Efforts will be made to address these areas by our Internal Auditor.

9. Procurement of raw materials

Observation

At the time of our audit there was no documented procurement policy which establishes the basis for acquiring raw materials. Management advised that availability, prices and locations for the mobile plant are key factors taken into consideration for purchases.

In addition, we noted that the purchase price from supplier Ashraf Alli for sand, stone and sifting were higher compared to other suppliers such as Toolsie Persaud Quarries Inc, Robin Hope, etc. While management advised that the location of the mobile plant was a key factor in purchasing we cannot verify what consideration was undertaken and the decision made to buy from the regular suppliers, listed herein.

Recommendation

We recommend that when the requisitions are made, an evaluation is completed explaining the reasons to buy at higher prices compared to the more established and regular supplier. In addition, management should have a documented procurement policy.

Management comment

Whenever the mobile plant (DM25) goes out, it would usually be to remote areas where our regular suppliers are not located. Due to this, and the matter of transporting the materials to the location of the DM25 (usually by barge), timely supply and other logistics, other suppliers who can supply and deliver materials to these remote locations will be engaged.

Appendix 1:

Table showing Trade receivables with NO MOVEMENTS

Customer Name	2015	2016	2017
A & S General Construction	104,280	104,280	104,280
All Purpose Construction	9,085	9,085	9,085
AMIC General Contracting	8,295	8,295	8,295
Annirud Ramcharita	10,665	10,665	10,665
Associated Construction Service	5,530	5,530	5,530
Astral Engineering	756,425	756,425	756,425
B.Persaud (Cummings)	555	555	555
BML Architects and Engineers	4,345	4,345	4,345
Brandsville Apartment/ Car Care	222,780	222,780	222,780
C. King Construction	790	790	790
Davendra Ramnarace	4,345	4,345	4,345
Dipcon Engineering Services Ltd	9,875	9,875	9,875
Design Perspectives	8,690	-	8,690
Dynamic Engineering Co. Ltd	1,975	-	1,975
Farm Supplies	2,765	2,765	2,765
Ganesh & Nancy	39,130	39,130	39,130
General Equipment Guyana	5,925	5,925	5,925
Geoffrey James Construction	7,110	7,110	7,110

George Albert Cole	20,935	20,935	20,935
Gupta Engineering Services	1,975	1,975	1,975
Guyamerica Construction Inc.	19,546,005	19,546,005	19,546,005
Hemraj Gharbaran	778,545	778,545	778,545
Joshi Construction	905	905	905
Kares Engineering	18,445	18,445	18,445
Keyon Stoute	3,950	3,950	3,950
Lachmarsingh's Drug Service	7,505	7,505	7,505
Lereg Engineering	15,800	15,800	15,800
Linden Holdings	567,280	524,280	524,280
Malcolm Carryl	3,160	3,160	3,160
Mark Dhaniram	11,610	11,610	11,610
Naresh Gooool	10,270	10,270	10,270
Nazra Building & Engineering	1,975	1,975	1,975
P&L Engineering & Construction	3,555	3,555	3,555
Satar Mohamed & Son	8,690	8,690	8,690
Seecharran Suew	8,295	8,295	8,295
United Housing Cooperation	10,665	10,665	10,665
Williams Hallow Blocks & Const.	408,825	408,825	413,565
	22,630,955	22,577,290	22,592,695

		23 September 2017.
Linton Jorge	\$198,689	Payroll states he is being paid \$198,689 in December 2016. However, his Contract states "The person engaged shall be paid a salary at a rate of \$198,689 per month with effect from January 2017.
<u>Fortnightly staff</u>		
Alleyne Edon	\$30,000	There is no personal file relating to this employee as a result of him working under the Leguan project.
Stephon Deon	\$30,000	There is no personal file relating to this employee as a result of him working under the Leguan project.
Michael Archer	\$30,726	Contract of Employment states \$30,726 shall be paid with effect from August 2017. In this case, this has been paying to employee effective from December 2016. His Contract of Employment states \$27,927 from effect of February 2017 and his pay is being effective from December 2016 according to his payroll records.
Arjun Sarju	\$27,924	