



Guyana National Shipping Corporation Limited

ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017





TABLE OF CONTENTS

PAGE	
	3
Notice of Annual General Meeting	
Mission, Vision Statement & Quality Policy	4
Chairman's Report	5-6
Report of the Directors	7-13
Financial Charts	14-15
Report from the Auditor General	
Report from the Chartered Accountant	
Financial Statements	
➤ Statement of Financial Position	
➤ Income Statement	
➤ Statement of Equity changes	
➤ Statement of Cash Flows	
➤ Notes to Financial Statements	

NOTICE OF ANNUAL GENERAL MEETING

The Thirty Seventh (37th) Annual General Meeting of the Shareholders of the **Guyana National Shipping Corporation Limited** will be held on **Wednesday, July 25, 2018** at **15:00 hours** at the Herdmanston Lodge, 65 Peter Rose and Anira Streets, Georgetown.

AGENDA

1. To receive and consider the Accounts for the year ended December 31, 2017.
2. To confirm the appointment of the Directors for the year ended December 31, 2017.
3. To consider any other business that may be conducted at an Annual General Meeting.

By Order of the Secretary
5-9 Lombard Street

M. Somaroo

.....
Mohini Somaroo

July 03, 2018

Registered Office

La Penitence

Georgetown

MISSION STATEMENT

To provide excellent; Port, Shipping and Transportation services to Customers and Principals through prudent management and the use of modern technology, equipment and facilities.

VISION STATEMENT

Our aim is to provide world class services to our customers.

CORE VALUES

- A - Accountability
- T - Teamwork
- I - Integrity
- D - Dedication
- E - Excellence

Our Service are washed by A TIDE of Values.

ISO 9001-2015 QUALITY POLICY

Guyana National Shipping Corporation Limited is devoted to achieving and maintaining the highest standard of customer service in the provision of world class Maritime Transportation Services.

Management remains committed to establishing and improving a Quality Management System that would ensure effectiveness in all processes and integrity in all transactions.

Quality objectives are implemented, maintained and disseminated throughout the organization to all levels of staff in order that ultimate customer satisfaction is achieved.

The Company will ensure the training and development of staff at all levels in their related skill areas so as to maintain competence.

Opportunities for continual improvement and further effectiveness in service will be constantly pursued throughout the life of the organization by frequent reviews of the Quality Management System.

The Management and staff of the Corporation will at all times be committed to meeting the needs of customers and other stakeholders in a professional and safe manner, in accordance with industry norms and government's policies.

GUYANA NATIONAL SHIPPING CORPORATION LIMITED
CHAIRMAN'S STATEMENT - 2017

I am pleased to present the Corporation's Annual Report for the year ended December 31, 2017.

The Global Maritime Industry is undergoing rapid change in an attempt to keep pace with the world economy. Continued economic growth in Guyana, provided the backdrop for an improved performance in the local shipping Industry which grew by 2% over the previous year.

Since the year 2013, the Corporation's growth trends were a bit reversed. However, the establishment of a Strategic plan, which was launched in part from the year 2016, has guided a process of expansion, resulting in a general improvement in profitability.

The year 2017 was a relatively good one for the Corporation. The business stream showed some measure of improvement. Total revenue recorded for the year was \$644.093M . Expenditure was \$597.468M against a revised Budget of \$624.329M. The attributable profit before taxation amounted to \$46.625M, which surpassed the previous year's position by 130%.

The Company's response to the challenges in a highly competitive shipping industry was not enough to see the desired growth in market share in Containerised shipping. This was influenced by the on-going absence of an international carrier calling at our La Penitence Terminal. Notwithstanding, opportunities were seized in other emerging areas of the cargo handling business in an effort to achieve an established objective of improving cargo throughput at our La Penitence Terminal. A few other successful outcomes from established goals, of the five year Strategic plan included a more active Capital Management approval which saw the realization of a few key development projects and improvements in the Management Team in keeping with the renewed Organizational Structure.

As the organization continues to adapt to an environment that remains volatile and challenging, it is necessary to aim for stronger performances by harnessing growth opportunities. To show progress in this area it would be necessary to build new alliances and ready itself through a swift programme of rehabilitation and replacement of infrastructure and equipment.

As we embrace the future, the drivers of our business, particularly in the Cargo Handling area, will need to be strengthened and more focus placed on the implementation of growth projects together with the unfolding of established strategic plans for the Company.

I would like to acknowledge the hard work of the Board of Directors, the Management team and all staff members in what can be considered another challenging year for the Company.

To our stakeholders and customers, we look forward to your continued support as we embrace the future.

K. Cholmondeley

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KEITH CHOLMONDELEY
Chairman
GNSCL
La Penitence

REPORT OF THE DIRECTORS

OVERVIEW

GUYANA NATIONAL SHIPPING CORPORATION LIMITED is in existence for forty one (41) years and is the only state-owned company in the shipping industry and remains committed to enhancing the state's economy through its contribution. We are dedicated to understanding our Customers' needs and delivering excellent service, both internally and externally. We seek continuous improvement and the highest quality in our planning.

The Corporation renders supportive services to all sectors of the economy and its major role in the shipping industry is the provision of related quality services to Ship-owners, Operators, and other Customers, locally and internationally.

As terminal operators' the Corporation provides modern loading/unloading facilities for various cargoes to and from local, regional and international markets. The provision of covered and open storage space at competitive rates for imports, mainly for manufacturing, agricultural and other sectors of the economy continues to be a leading role of the Corporation.

Property rental for office, storage and also wharf space, continues to be a significant aspect of the Corporation's operations.

We also render a reliable service in transporting over half of the country's sugar production from Berbice estates to the point of export at the Demerara Sugar Terminal.

Marine insurance and other related services as Lloyd's Agents are also provided at competitive rates.

In order to be successful in a competitive and rapidly changing global economy, we are committed to being proactive in our preparations for future challenges and managing our resources strategically in order to achieve our vision. We see our role and the demand for our various services continuing in the long term as diversification of the economy continues.

REPORT OF THE DIRECTORS

REVIEW OF OPERATIONS - 2017

Total revenue for the year was \$644.093M as against a revised budget of \$663.601M. This shows an unfavourable variance of \$19.508M and a ninety seven percent (97%) achievement rate. Revenue shows a decline of less than one percent (<1%) over the year 2016.

Expenses for the year were \$597.468M as against a revised budget of \$624.329M. This reveals a favourable variance of \$26.861M and a four percent (4%) savings over the budget. Expenses would have seen a five percent (5%) decline over the year 2016.

The resultant actual Profit for the year 2017 was \$46.625M, which was nineteen percent (19%) more than the revised budgeted target for the year of \$39.272M and a one hundred and thirty percent (130%) increase over the year 2016 profit of \$20.268M.

The Corporation has a current ratio of three point three (3.3) for the year 2017 as against three point zero (3.0) for the year 2016. This means that the Corporation has \$3.3 in Current Assets to pay every \$1.0 in Current Liabilities.

The Pre-tax Profit margin of seven point two percent (7.2%) for the year 2017 is an increase of four point one percent (4.1%) over the year 2016. The Return on Equity of three point one percent (3.1%) and Return on Total Assets of two point eight percent (2.8%) for the year 2017, are significant increases over the year 2016. This means that the Equity invested and Assets employed in the Corporation were more efficiently and effectively utilized for the year 2017 than the year 2016.

These indicators resulted in Earnings per Share of eight dollars (\$8) for the year 2017 as compared to zero dollars (\$0) for the year 2016.

While it is evident that we would have surpassed our budgetary targets for the year 2017, it should be highlighted that the Corporation had revised its budget in mid year 2017 due to the challenges that were being encountered in achieving the set goals and targets. The Corporation's original budgeted Profit before taxation was \$85.944M and therefore a fifty four percent (54%) reduction was done to derive the revised Profit before taxation of \$39.272M.

During 2017 the Corporation was having weekly sales discussions/briefings with our main Principal Hapag-Lloyd. They were more amenable to reducing freight rates on a case by case basis and this resulted in some improvement in the performance of import and export cargo. A new Caribbean Feeder Service was launched in April 2017 which saw an increase in business from that region. However, the rates for some ports of call, e.g. Trinidad, remain considerably higher than the competition and resulted in us not getting business from some areas.

REPORT OF THE DIRECTORS

REVIEW OF OPERATIONS - 2017 Cont'd

Hapag-Lloyd did not establish a feeder vessel of their own and continued to use slots on other feeder vessels calling at other wharves. At the beginning of the year, vessels were calling at Muneshwers wharf and the said wharf refused to enter into a sharing agreement and therefore no revenue was being earned through this area of business. In May, 2017 Hapag-Lloyd started using another feeder vessel service calling at John Fernandes Limited (JFL) wharf. Through constant negotiations, we were able to convince JFL to enter into a sharing arrangement with us which took effect in August, 2017.

The Corporation employed a Marketing Manager in April, 2017 who developed a marketing plan that is more customer and service driven and targeted all the services provided by the Corporation. Implementation of the Plan made a significant impact on increasing the Corporation's awareness and presence to the general public especially through the creation and expansion of social networks, such as Facebook, Instagram, LinkedIn and YouTube. Our marketing campaign was intensified through social media, mini promotions and participation at several exhibitions which resulted in tangible business for the Corporation.

The absence of Liner-vessel calls at the terminal keeps the performance of the Cargo Handling Department, the core business operation arm of the company, relatively below its capacity. The actual containerised cargo handled would have only been forty four percent (44%) of the budgeted target of 28,400 tonnes. Additionally, cement only had a forty seven percent (47%) achievement rate of the budgeted target of 39,500 tonnes. Other cargoes, such as, lumber were non-existent.

The Corporation tried to increase its market share in other cargo types in order to buffer this shortfall and was relatively successful in cargo, such as, fertilizer and rice. Fertilizer would have resulted in a 92% or 15,620 tonnes achievement rate of the expected revised tonnes of 17,000. The Corporation was successful in gaining new customers in the handling of rice and achieved 9,976 tonnes as compared with the revised budgeted target of 1,375 tonnes. Also, General Cargo surpassed its revised budgeted target of 11,180 tonnes by 3,139 tonnes or 128%. While these break bulk cargoes are labour intensive and generate smaller surpluses, their contribution to the business is encouraging.

There were some improvements in the availability of Mechanical Equipment over the year 2016. This came from heavy investment in rehabilitation and a revised repairs and maintenance programme geared to have our equipment and vehicles operable and readily available. At the end of the year, there were three (3) Mechanical Equipment that were under major rehabilitation to enhance their operability.

In the year 2017, a consultant was also engaged to assess the operations of the Central Workshop and to make recommendations for the improvement in the efficiency and

REPORT OF THE DIRECTORS

REVIEW OF OPERATIONS - 2017 Cont'd

effectiveness of this critical support Department. The implementation of the recommendations made by the consultant started in year 2017 and was in progress as at the year end.

The Corporation's contract with the Guyana Sugar Corporation (Guysuco) to transport bulk sugar by ship from the Berbice Estates to the Demerara Sugar Terminals (DST) continued throughout the year. However, the first and second crops combined would have only achieved 76% or 85,965 tonnes as compared with the revised budget for the year 2017 of 112,740 tonnes. Guysuco's second crop came to an end in December, 2017. However, there was a small overspill of 100 tonnes in January, 2018. The sugar industry was severely affected by the protests from the sugar workers and from the imminent closure of the Skeldon estate which became a reality at the end of year 2017.

The Property section continued to add to its customer base in the year 2017, with a few new customers renting office space at the Warehouse Complex, which resulted in them surpassing their targets. Also, the Shipping Department would have handled more vessels than budgeted and as such the projected agency fees and related commissions from this area of the business were achieved. This Department also realized a drastic increase in exports of containers and the freight earned from this area of the business was significant. A notable mention is the Insurance Department that saw an increase in surveys during the year 2017 over the year 2016.

The Corporation continued with its repairs and maintenance programme with repairs to sections of the La Penitence terminal with a focus on providing safe berthing and storage for customers. A total of \$17.602M was expended during the year on repairs and maintenance, inclusive of repairs to the Administrative Building. Also, \$8.210M was expended on rehabilitation of the fleet of aging Mechanical Handling Equipment and service vehicles to provide more efficient service to customers.

In December 2017, the Board of Directors approved for employees, an increase in salary between zero point five percent (0.5%) to eight percent (8%), retroactive to January 01, 2017, in the amount of \$10.000M.

The Corporation successfully transitioned to the new ISO9001-2015 standard in late 2017 and continues to embrace all areas and ensure compliance with the Quality Management Standards. We also passed our yearly International Ships and Port Security (ISPS) inspection conducted during the year 2017.

The Corporation maintained active internal Committees, such as, Health and Safety, Workers' Participation Council, Sports Club, Maintenance, Security (ISPS), Credit and Internal Tender Committees, which all worked assiduously to accomplish their mandate.

REPORT OF THE DIRECTORS

REVIEW OF OPERATIONS - 2017 Cont'd

The same Board of Directors (BOD) was re-appointed by the Ministry of Finance for the year 2017 and was actively involved in providing policy guidelines and direction to the Corporation. The BOD continues to provide support to Management on the five year Strategic Plan of the Corporation that is aimed at re-defining our business strategy to meet the demands of customers and principals and ultimately position the Corporation to take a leading role in the development plans for the Georgetown Harbour. There were monthly meetings of the BOD as well as sub-committee meetings on Administration, Finance, Internal Audit and Operational areas within the Corporation.

A major strategic alliance was made with Kaizen Environmental Services (a Canadian Company) in January, 2017 to develop the northern section of the La Penitence Wharf to provide marine logistics and support services to the Oil and Gas Industry in Guyana. However, developmental works that were expected to commence in September 2017 were considerably delayed at the end of the financial year.

DEPARTMENTAL REVIEW - 2017

The Corporation had budgeted for the main Revenue earners to be the Coastal Shipping Department and Wharf activities which were expected to contribute thirty six percent (36%) and twenty five percent (25%), respectively, to the total budgeted revenue for the year of \$663.601M. Actual performance showed the departments' contributions were thirty one percent (31%) and twenty six percent (26%), respectively, of the total actual revenue.

In absolute terms, the Coastal Shipping Department would have underperformed against the budgeted revenue by \$33.039M and also the actual revenue for the year 2016 by \$60.714M. On the other hand, the La Penitence Wharf would have exceeded its performance against the budgeted revenue by \$2.957M and also the actual revenue for the year 2016 by \$27.625M.

The Shipping Department exceeded its budget by seven percent (7%) by generating \$104.358M in revenue for 2017. This amounted to a sixteen percent (16%) contribution to the actual total revenue earned.

The Corporation continued with the rental of office, bond and wharf space at the Warehouse Complex and the Wharf No. 1 and 2. The proceeds from this area of the business represented fifteen percent (15%) or \$105.380M towards the actual total revenue.

The Transportation Department contributed \$20.733M towards the actual total revenue. While the Department fell short of its budgeted target by \$8.354M, it should be noted that revenue had increased by \$5.487M over the year 2016.

The Insurance Department exceeded its budgeted revenue of \$10.830M by \$1.750M and also exceeded year 2016 revenue by \$2.623M

REPORT OF THE DIRECTORS

DEPARTMENTAL REVIEW - 2017 CONT'D

CAPITAL EXPENDITURE

For the year 2017 the Corporation was granted approval of a significant Capital Expenditure Budget by the Ministry of Finance of \$195.000M. The Corporation spent a total of \$30.996M and the projects undertaken were: improvements to buildings (\$8.177M), purchase of machinery and equipment (\$20.204M), acquisition of furniture and fixtures (\$2.525M) and purchase of office equipment (\$0.090M). Also, there was work in progress at the end of the year of \$15.896M. This included rehabilitation to mechanical equipment and engineer fees for the construction of a new warehouse.

The most significant investment was the purchase of a Doosan Forklift truck for \$15.750M which is expected to improve our cargo handling capability. The purchase of a walk through metal detector scanner was aimed at improving our security environment and our International Ship and Port Security (ISPS) facility code compliance. A contract for \$78.760M to execute the Civil Works component of the new state of the art Warehouse was signed in late 2017 so this project will commence in year 2018. This was a project that was brought forward from the year 2016 at a total budgeted cost of \$140.000M for the Civil Works and Steel Frame and Fabrication for the Warehouse Project.

There were several capital acquisitions, for example purchase of a reconditioned mobile crane at \$70.500M, two container hauler/tractors \$20.500M, ten container trailers \$17.000M and a container spreader and gears \$12.000M, which were planned for the year 2017 but were not accomplished. The need for a financing structure to facilitate these capital investments continues to engage the attention of Management, since the Corporation is currently unable to self finance capital acquisitions of these magnitudes. The lack of timely Capital investment continues to have a negative impact on the Corporation's development plans.

INDUSTRIAL RELATIONS

The Industrial relations climate existing between the Corporation and the unions representing the employees, namely the Clerical and Commercial Workers Union (CCWU) and the Guyana Labour Union (GLU) remained cordial throughout the year. The recruitment of skilled and qualified persons to fill vacant posts remained a challenge especially for the Central Workshop, Cargo Handling and Security Departments.

HUMAN RESOURCES

The Corporation implemented a Human Resources Data Management System in January, 2017 that was geared at providing real-time recruitment and personnel data.

REPORT OF THE DIRECTORS

HUMAN RESOURCES Cont'd

In its pursuit to identify the key skills and knowledge required for all levels of staff, Management expanded the scope of the training and skills development for the workforce. A Training Plan was developed that was geared towards improved productivity and customer service levels and improved individual efficiency through competent performance management. For the year, sixty five (65) training programmes, both internal and external, were conducted and covered areas, such as, Disaster Response, Occupational Safety and Health, Customer Service Skills, Industrial Accident and Sickness Benefits, Mental Health Awareness, Internal Auditor Training for ISO 9001 QMS, Corporate Attitude Guideline, Peachtree Upgrade and Leadership and Development. Web Based training was also done by our principal Hapag Lloyd, with key staff of the operational and support departments, in areas such as sales, receivables and compliance.

The Corporation also maintained its "Employee of the Quarter" programme in order to motivate staff to increase their productivity and efficiency.

The Corporation would have celebrated its forty first (41st) anniversary in May, 2017 and activities included a Thanksgiving service, planting of a tree, shoe box initiative for donation to the Archer's home, a tour by the Brickdam Secondary School, signing of a pledge board by members of staff, dominoe competition and television programme.

SUMMARY

While the year 2017 was a challenge to the Corporation as a result of a feeder vessel not calling at the La Penitence Wharf, we managed to successfully capitalize on other means of revenue generation, through aggressive marketing, and improved our performance over the previous year. This is a step in the right direction as we begin to increase our presence in the industry to what is used to be in yesteryear.

The Company's five-year Strategic Plan continued to be a useful guide for its development path. Established strategic goals intended to set a new direction for the Company were pursued vigorously by Management during the year. Although there was not full achievement of all goals, the critical issues affecting our development will be reviewed and new priorities set as we prepare ourselves to remain competitive in a rapidly changing economy.

The Corporation will continue its focus on networking with international and regional companies and the local business community so as to improve on relations and seek new opportunities for business, especially as it relates to the oil and gas industry.

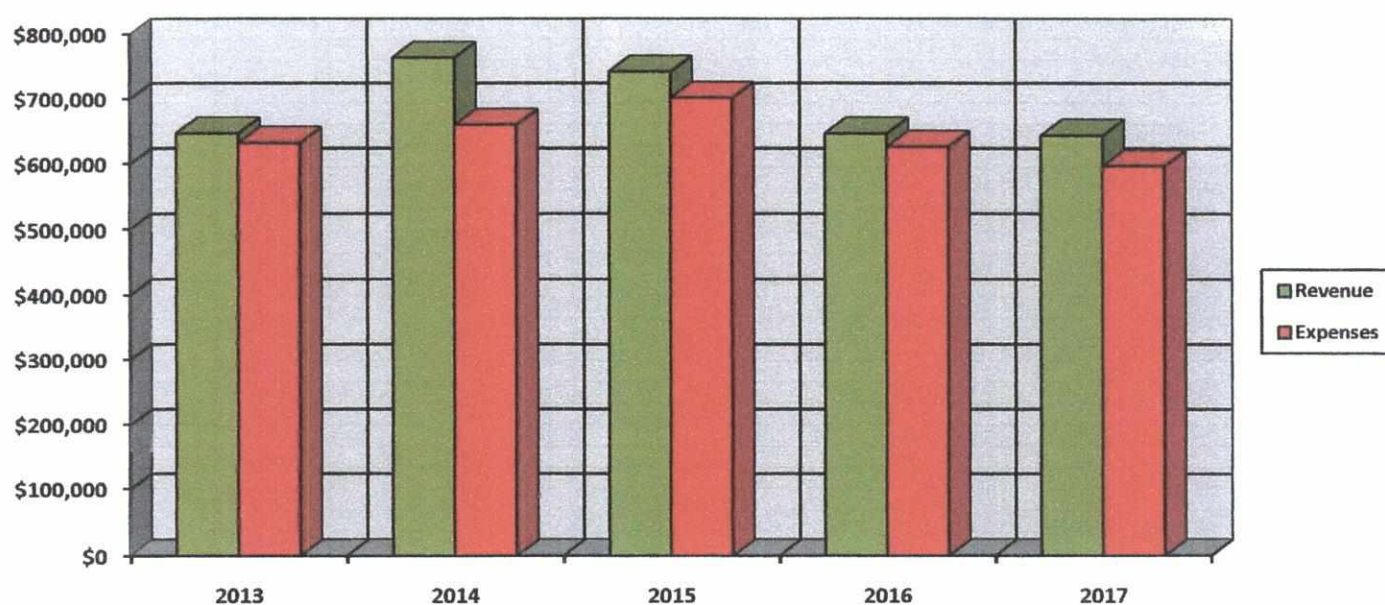
GUYANA NATIONAL SHIPPING CORPORATION LIMITED

FIVE (5) YEARS FINANCIAL STATEMENT INFORMATION AND ANALYSIS

DESCRIPTION	ACTUALS G\$'000				
	2013	2014	2015	2016	2017
PROFIT BEFORE TAXATION	14,515	103,590	40,554	20,268	46,625
REVENUE	647,012	763,894	742,463	647,035	644,093
EXPENSES	632,497	660,304	701,909	626,767	597,468
TOTAL ASSETS	1,715,624	1,705,194	1,651,878	1,644,841	1,657,914
CAPITAL INVESTMENT	16,734	10,853	81,188	156,416	30,996
CAPITAL RESERVE	319,704	312,575	305,446	299,045	293,064

PROFIT GROWTH/(DECLINE) BY %		614	(61)	(50)	130
REVENUE GROWTH/(DECLINE) %		18	(3)	(13)	(0)
EXPENSES GROWTH/(DECLINE) %		4	6	(11)	(5)
CURRENT RATIO	2.3	3.0	4.0	3.0	3.3
PRE-TAX PROFIT MARGIN %	2.2	13.6	5.5	3.1	7.2
RETURN ON EQUITY %	1.0	7.1	2.7	1.4	3.1
RETURN ON TOTAL ASSETS %	0.8	6.1	2.5	1.2	2.8
BASIC EARNINGS PER SHARE \$	4	20	13	0	8

Figure 1 showing Revenue & Expenses movement - Year 2013 to 2017 Actuals (G\$'000)



GNSCL
La Penitence
June, 2018

GUYANA NATIONAL SHIPPING CORPORATION LIMITED

Figure 2 showing Profit movement Year 2013 to 2017 Actuals (G\$'000)

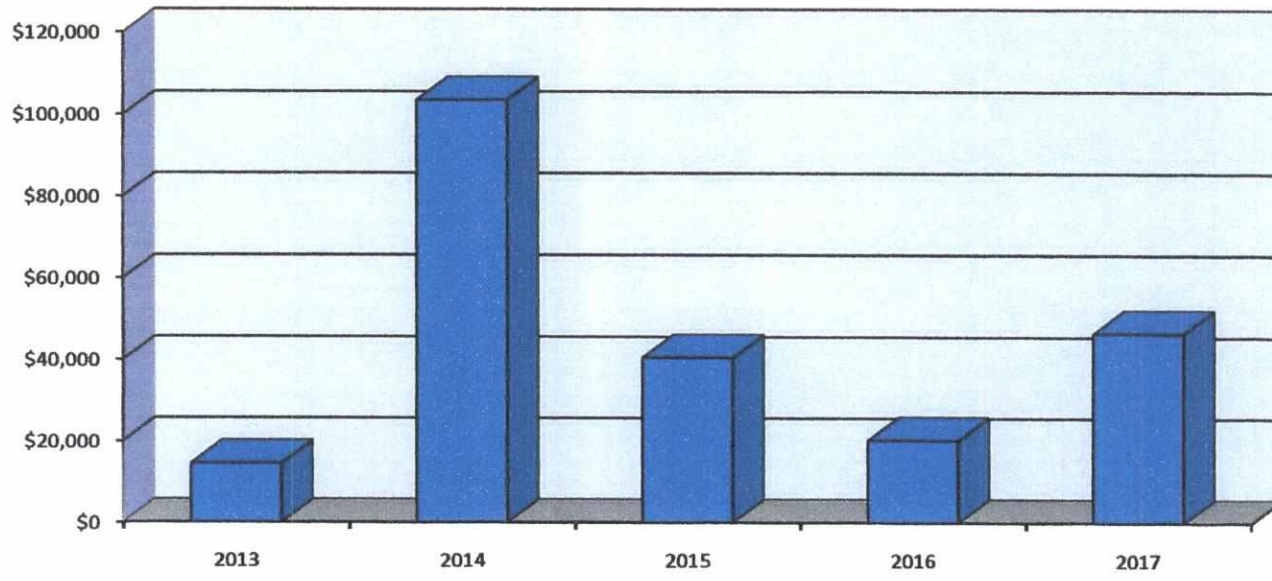
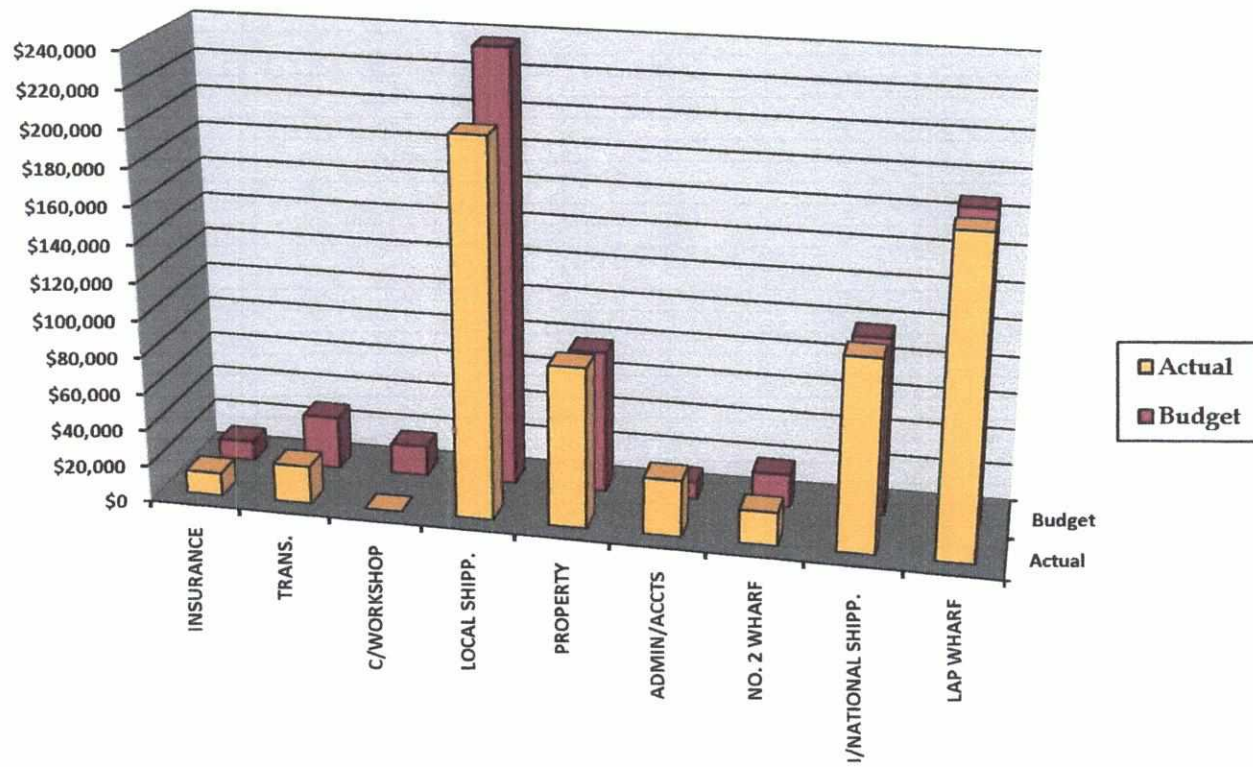


Figure 3 showing Departmental Revenue against Budget for 2017 (G\$'000)



AUDITED FINANCIAL STATEMENTS OF THE
GUYANA NATIONAL SHIPPING CORPORATION LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017

TABLE OF CONTENTS

	PAGE
Transmittal Letter	i
Auditor's Opinion on the Financial Statements	ii - iv
Chartered Accountants Opinion on the Financial Statements	1 - 2
Audited Financial Statements	3- 28
Management Letter	1- 5



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>*

183/PC:28/2/2018

30 April 2018

Mr. A. Astwood
Managing Director
Guyana National Shipping Corporation Limited
5-9 Lombard Street
Georgetown.

Dear Mr. Astwood,

AUDIT OF THE FINANCIAL STATEMENTS
GUYANA NATIONAL SHIPPING CORPORATION LIMITED
FOR THE YEAR 2017

Please find attached nine 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,


Nichette Harcourt
Audit Manager (ag.)
for Auditor General



Audit Office of Guyana

*P.O. Box 1002, 63 High Street, Kingston, Georgetown, Guyana
Tel: 592-225-7592, Fax: 592-226-7257, <http://www.audit.org.gy>*

AG: 148 /2018

30 April 2018

**REPORT OF THE AUDITOR GENERAL
TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE
GUYANA NATIONAL SHIPPING CORPORATION LIMITED
ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

Opinion

Chartered Accountants PKF Barcellos Narine and Company have audited on my behalf the financial statements of Guyana National Shipping Corporation Limited, which comprise the statement of financial position as at 31 December 2017, 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 and explanatory notes as set out on pages 3 to 28.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Guyana National Shipping Corporation Limited as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Going Concern

The Company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. As part of my audit of the financial statements, I have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on my audit of the financial statements, I also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 judgment and maintain professional skepticism 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.



AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA

HNN/yp

REPORT OF CHARTERED ACCOUNTANTS PKF, BARCELLOS, NARINE & CO.
TO THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
GUYANA NATIONAL SHIPPING CORPORATION LIMITED
FOR THE YEAR ENDED DECEMBER 31, 2017

Opinion

We have audited the financial statements of Guyana National Shipping Corporation Limited which comprise the statement of financial position as at December 31, 2017, 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 and other explanatory notes.

In our opinion, the financial statements give a true and fair view, in all material respects, the financial position of Guyana National Shipping Corporation Limited as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by the International Federation of Accountants (IFAC). 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 Guyana National Shipping Corporation Limited in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

The company's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (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 Guyana National Shipping Corporation Limited 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 Guyana National Shipping Corporation Limited or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Guyana National Shipping Corporation Limited the financial reporting process.

Tel (592) 225 8915 (592) 225 8917/8

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PKF Barcellos Narine & Co. 106-7 Lamaha Street Georgetown Guyana

The Principal place of business where the list of partners' names is open to inspection is 106 Lamaha Street, Georgetown, Guyana.
PKF Barcellos Narine & Co. is authorized and regulated by the Institute of Chartered Accountants of Guyana.
PKF Barcellos Narine & Co. is a member of PKF International Limited, a network of legally independent member firms.

Auditors' 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 International Standards on Auditing (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 a part of an audit in accordance with International Standards on Auditing (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 Guyana National Shipping Corporation Limited 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 Guyana National Shipping Corporation Limited 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 Guyana National Shipping Corporation Limited to cease to continue as a going concern.

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.



PKF BARCELLOS, NARINE & CO.
CHARTERED ACCOUNTANTS
106-107 Lamaha Street
North Cummingsburg
Georgetown

April 27, 2018

Guyana National Shipping Corporation Limited
 (Subsidiary of National Industrial and Commercial Investments Limited)
 Statement of Financial Position
 As at December 31, 2017

<u>ASSETS</u>	<u>Notes</u>	<u>2017</u> <u>G\$000</u>	<u>Restated</u> <u>2016</u> <u>G\$000</u>
<u>Non-current assets</u>			
Property, plant and equipment	5	798,551	791,242
Investment Property	6	330,460	333,732
		<u>1,129,011</u>	<u>1,124,974</u>
<u>Current assets</u>			
Deferred Taxation	7	1,224	3,206
Inventories	8	39,694	33,243
Trade and Other Receivables	9	158,241	192,154
Deposit Accounts	10	198,171	191,619
Cash and cash equivalents	11	131,573	99,645
		<u>528,903</u>	<u>519,867</u>
TOTAL ASSETS		<u><u>1,657,914</u></u>	<u><u>1,644,841</u></u>
<u>EQUITY AND LIABILITIES</u>			
<u>Equity</u>			
Share capital	12	2,797	2,797
Revaluation Reserve	13	293,064	299,045
Retained earnings		1,201,523	1,171,955
Total Equity		<u>1,497,384</u>	<u>1,473,797</u>
<u>Current Liabilities</u>			
Trade & Other Payables	14	119,807	77,166
Bank Overdrafts	11	-	46,508
Taxation Payable	15	40,723	47,370
Total current liabilities		<u>160,530</u>	<u>171,044</u>
TOTAL EQUITY AND LIABILITIES		<u><u>1,657,914</u></u>	<u><u>1,644,841</u></u>

These financial statements were approved by the Board of Directors on April 24, 2018

On behalf of the Board of Directors:


Director


Director

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

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Statement of Comprehensive Income
for the year ended December 31, 2017

	<u>Notes</u>	<u>2017</u> <u>G\$000</u>	<u>2016</u> <u>G\$000</u>
Revenue	16	626,189	640,882
Less: Operating expenses	17	<u>(372,129)</u>	<u>(426,444)</u>
Gross Profit		254,060	214,438
Add:			
Other Income	18	<u>21,814</u>	<u>9,392</u>
		275,874	223,830
Less Expenses			
Administrative Expenses	19	225,339	200,323
Financial Charges		1,640	1,138
Directors' Fees		<u>2,270</u>	<u>2,101</u>
		229,249	203,562
Profit before Taxation	20	<u>46,625</u>	<u>20,268</u>
Taxation	21	<u>(23,038)</u>	<u>(21,042)</u>
Profit / (Loss) after taxation		<u>23,587</u>	<u>(774)</u>
Other Comprehensive income net of income tax:			
Items that will not be reclassified subsequent to the profit or loss.			
Amortization of revaluation reserve		5,981	6,401
		<u>5,981</u>	<u>6,401</u>
Total Comprehensive income for the year		<u>29,568</u>	<u>5,627</u>
Basic earnings per share in dollars	22	<u>8</u>	<u>(0)</u>

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

Guyana National Shipping Corporation Limited
 (Subsidiary of National Industrial and Commercial Investments Limited)
 Statement of Changes in Equity
 for the year ended December 31, 2017

	Share capital G\$000	Revaluation reserve G\$000	Retained earnings G\$000	Total G\$000
At January 01, 2016	2,797	305,446	1,182,911	1,491,154
(Loss) for the year after taxation	-	-	(774)	(774)
Other Comprehensive Income Amortization of Revaluation Reserve	-	(6,401)	6,401	-
At December 31, 2016	2,797	299,045	1,188,538	1,490,380
Prior Year Adjustment Deferred Tax charge	-	-	(16,583)	(16,583)
At December 31, 2016 Restated	2,797	299,045	1,171,955	1,473,797
Profit for the year after taxation	-	-	23,587	23,587
Other Comprehensive Income Amortization of Revaluation Reserve	-	(5,981)	5,981	-
At December 31, 2017	<u>2,797</u>	<u>293,064</u>	<u>1,201,523</u>	<u>1,497,384</u>

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

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Statement of Cash Flows
for the year ended December 31, 2017

	2017 G\$000	Restated 2016 G\$000
Operating activities		
Net Profit before taxation	46,625	20,268
Adjustments for -		
Depreciation	39,428	35,984
Amortisation	4,115	4,462
Disposal of Non-current assets	(1,020)	-
Operating profit before working capital changes:	89,148	60,714
Working Capital Changes		
(Increase)/Decrease in inventories	(6,452)	3,553
(Increase)/Decrease in trade and other receivables	33,913	(12,026)
Increase/(Decrease) in trade and other payables	42,641	(24,130)
Cash generated from operations	159,250	28,111
Taxes paid/adjusted	(27,701)	(31,858)
Net cash provided / (used) by operating activities	131,549	(3,747)
Investing activities		
(Increase)/Decrease in Deposit Accounts	(6,553)	(4,362)
Proceeds from sale of Non-Current Assets	1,175	-
Acquisition of property, plant and equipment	(47,735)	(159,703)
Net cash used in investing activities	(53,113)	(164,065)
Net increase in cash and cash equivalents	78,436	(167,812)
Cash and cash equivalents at beginning of year	53,137	220,949
Cash and cash equivalents as at December 31	131,573	53,137
Cash on hand and at the bank	131,573	99,645
Bank overdrafts	-	(46,508)
	131,573	53,137

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

11

10

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

(1) Incorporation and Principal Activity

The company was incorporated in the Co-operative Republic of Guyana under the Companies Act 89:01 on June 16, 1976 and continued under the Companies Act 1991 on May 17, 1997.

The Company's registered office is located at 5-9 Lombard Street, Georgetown.

The company's principle activities are the provision of shipping services, berthing, storage facilities and rental of wharf and office space.

These financial statements were approved by the board on April 24, 2018.

(2) Significant Accounting Policies

Basis of Preparation

These financial statements have been prepared under the historical cost convention as modified by the revaluation of Land and Buildings as at January, 2011 in accordance with International Financial Reporting Standards (IFRS) and its presentation comply with the Companies Act 1991.

There were several pronouncements by The International Accounting Standards Board (IASB) which are effective for the current financial year. These were issued as a result of the Board's annual improvements to the standards in issue.

There were also several other pronouncements as a result of the ongoing improvements which are adopted when they become effective.

Management reviews all pronouncements and those that have an impact on the company's financial reporting are generally early adopted.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

i. The following pronouncements which became effective were adopted as applicable:

New and Amended Standards Effective Periods	Effective Periods
IAS 1 Disclosures Initiative to IAS 1	January 1, 2016
Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	January 1, 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	January 1, 2016
Amendments to IFRS 11 – Accounting for Acquisitions of Interest of Joint Operations	January 1, 2016
IFRS 14 -Regulatory Deferral Accounts	January 1, 2016
Amendments to IAS 16 and IAS 41 – Agriculture Bearer Plants	January 1, 2016
Amendments to IAS 27 – Equity Method in Separate Financial Statements	January 1, 2016
Annual Improvements 2012-2014 Cycle	January 1, 2016
ii-The following pronouncements have been issued but are not yet effective; however, they are available for early adoption if applicable:	
IFRS 7 Disclosure Initiative – Amendments to IAS 7	January 1, 2017
IAS 12 Recognition for Deferred Tax Assets for Unrealised Losses	January 1, 2017
IFRS 9 - Financial Instruments: (2014)	January 1, 2018
IFRS 15 - Revenue From Contracts with Customers	January 1, 2018
IFRS 16 - Leases	January 1, 2019
IFRS 2 - Classification and Measurement of Share-based Payment Transactions	January 1, 2018
Interpretation	
IRRIC 22 – Foreign Currency Transactions and advance consideration	January 1, 2018

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

(3) Information about key sources of estimation of uncertainty and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future.

Key Sources of Estimation of Uncertainty.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

(i) Statutory Taxes

Provision is made for expenses relating to the current period for which there is no set amount. Any additional tax due is provided for as a current period tax expense.

(ii) Other Provisions

Provision is made for expenses relating to the current period for which there is no set amount to be incurred. These amounts are best estimates based on the closest comparable amount.

(4) Accounting Policies

(a) Property, Plant & Equipment

(i) Presentation and Disclosure

Property, Plant & Equipment held for trade and administrative purposes are stated in the statement of financial position at cost / valuation less any accumulated depreciation and impairment losses (if any).

(ii) Depreciation

No depreciation is charged on freehold land and work-in-progress. Depreciation on other Property, Plant & Equipment is computed on straight-line basis over their estimated useful lives as follows:

Assets are depreciated at the following rates:

Buildings	2%
Machinery & Equipment	7.5 - 25%
Motor Vehicles	25%
Furniture & Fixtures	10 - 12.5%
Office Equipment	10 - 25%

The gain or loss arising on the disposal or retirement of an item of equipment, furniture and motor vehicle is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting Policies (cont'd)

(b) Impairment of tangible assets

At the end of each reporting period, the company reviews the carrying amounts of the assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units if a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on an average cost method. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and bank balances that are not restricted.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting Policies (cont'd)

(e) Income and Expenditure

Income and expenditure are dealt with in these financial statements on the accrual basis.

(f) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for any discounts or rebates.

(g) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the company and the amount can be measured reliably. Interest income is accrued on a timely basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(h) Trade and Other Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "Receivables". Trade and other receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting Policies (cont'd)

(i) 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.

(j) Retirement benefit Cost

The Corporation participates in a defined pension scheme for its employees. The contributions are held in a Trustee administered fund which is separate from the Corporation's assets.

An actuarial valuation as at December 31, 2015 revealed a past service surplus of G\$278m. The proportion of surplus relating to the Corporation has not yet been ascertained.

With regards to the Corporation's compliance with International Accounting Standards 19 Employee Benefits, management estimates that there would be insignificant (if any) net benefit obligations after taking into account the fair value of the plan's assets. Also, the current service cost is a fair reflection of the cost to the Corporation.

(k) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past transaction and it is probable that the company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting Policies (cont'd)

(l) Foreign Currency

(i) Functional and Presentation Currency

The company's financial statements are presented in Guyana Dollars. This is the currency of the primary economic environment in which the entity operates (its functional currency).

Foreign Currency Transactions are translated to Guyana Dollars at the rates of exchange ruling at the dates of such transactions. At the statement of financial position date all amounts denominated in Foreign Currencies are converted to Guyana Dollars at the exchange rates ruling on that date. Any gain or loss arising from their conversion is written off to the statement of comprehensive income.

(ii) Transactions and Balances

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are translated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

(m) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

GUYANA NATIONAL SHIPPING CORPORATION LTD
(wholly owned subsidiary of National Industrial and Commercial Investments Limited)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

Accounting Policies (cont'd)

(n) Taxation

Taxation expense includes statutory and deferred taxation.

(i) Statutory

The tax payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the statement of comprehensive income because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The current tax charge is calculated using tax rates that have been enacted at the date of the statement of financial position.

(ii) Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

(iii) Statutory and deferred tax for the period

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items that are recognised outside the statement of comprehensive income (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the statement of comprehensive income, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

5 Property, Plant and equipment

<u>Cost/valuation</u>	2017						<u>Total</u> G \$000
	<u>Land & Bldg</u> G \$000	<u>Machinery & Equipment</u> G \$000	<u>Motor Vehicles</u> G \$000	<u>Furniture & Fixtures</u> G \$000	<u>Office Equipment</u> G \$000	<u>Work-in-Progress</u> G \$000	
At January 01, 2017	682,065	543,178	33,905	22,263	30,907	3,287	1,315,605
Additions	8,177	20,204	-	2,525	90	-	30,996
Transfer of Work-in-Progress	-	3,287	-	-	-	(3,287)	-
Disposals	-	(39,328)	-	(4,507)	(14,094)	-	(57,929)
Work-in-Progress	-	-	-	-	-	15,896	15,896
At December 31, 2017	690,242	527,341	33,905	20,281	16,903	15,896	1,304,568
<u>Accumulated Depreciation</u>							
At January 01, 2017	68,976	395,192	24,730	14,540	20,925	-	524,363
Charged for the year	13,290	18,867	3,575	1,442	2,254	-	39,428
Write back on disposals	-	(39,249)	-	(4,431)	(14,094)	-	(57,774)
At December 31, 2017	82,266	374,810	28,305	11,551	9,085	-	506,017
<u>Net Book Value</u>							
At December 31, 2016	613,089	147,986	9,175	7,723	9,982	3,287	791,242
At December 31, 2017	607,976	152,531	5,600	8,730	7,818	15,896	798,551

Land and Building were revalued by the Directors on 26th May, 1976 to bring them in line with the value in the books of the previous owners. Subsequently, the Land and Buildings were revalued as 1st January, 1982 based on independent professional advice and on 1st January, 2011.

<u>Cost/valuation</u>	2016						<u>Total</u> G \$000
	<u>Land & Bldg</u> G \$000	<u>Machinery & Equipment</u> G \$000	<u>Motor Vehicles</u> G \$000	<u>Furniture & Fixtures</u> G \$000	<u>Office Equipment</u> G \$000	<u>Work-in-Progress</u> G \$000	
At January 01, 2016	647,847	437,476	28,205	20,908	21,466	-	1,155,902
Additions	34,218	105,702	5,700	1,355	9,441	-	156,416
Work-in-Progress	-	-	-	-	-	3,287	3,287
At December 31, 2016	682,065	543,178	33,905	22,263	30,907	3,287	1,315,605
<u>Accumulated Depreciation</u>							
At January 01, 2016	56,322	377,009	22,105	13,203	19,740	-	488,379
Charged for the year	12,654	18,183	2,625	1,337	1,185	-	35,984
At December 31, 2016	68,976	395,192	24,730	14,540	20,925	-	524,363
<u>Net Book Value</u>							
At December 31, 2015	591,525	60,467	6,100	7,705	1,726	-	667,523
At December 31, 2016	613,089	147,986	9,175	7,723	9,982	3,287	791,242

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

6 Investment property

	2017 G\$ 000	2016 G\$ 000
Cost/Valuation	<u>360,000</u>	<u>360,000</u>
Opening balance as at January 01	26,268	21,806
Additions for the year	(843)	-
Amortisation for the year	4,115	4,462
Closing balance as at December 31	<u>29,540</u>	<u>26,268</u>
Net Book Value as at December 31	<u><u>330,460</u></u>	<u><u>333,732</u></u>
Income earned from this investment is recognised in the statement of comprehensive income as follows:		
Rental of Premises	<u>104,282</u>	<u>85,168</u>

The property (includes land and buildings) located at area "X", area "E", portion of block "G" and area "F" all being portions of Plantation La Penitence, Georgetown is held solely for rental. The property is stated at fair value based on its last valuation by a professional effective January 01, 2011. It is amortized based on the Corporation's depreciation policy for building.

7 Deferred taxation

Components of deferred tax asset:

	2017		2016 Restated
	Fixed Assets G\$ 000	Total G\$ 000	G\$ 000
As at January 01	3,206	3,206	4,448
Movement charge to statement of comprehensive income	(1,982)	(1,982)	(1,242)
At December 31	<u>1,224</u>	<u>1,224</u>	<u>3,206</u>

8 Inventories

Stores	39,694	36,073
Impairment allowance (i)	-	(2,830)
	<u>39,694</u>	<u>33,243</u>

(i) represents provision made for obsolete items

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

9 Trade and others receivables

The balance shown as trade and other receivables represents monies owed by customers, advance payments made to suppliers and security deposits. The composition is as follows:

	<u>2017</u> <u>G\$ 000</u>	<u>2016</u> <u>G\$ 000</u> <u>Restated</u>
Trade receivables (a)	468,500	184,855
Other receivables (b)	2,680	17,960
	<u>171,180</u>	<u>202,815</u>
Less: provision for impairment (c)	(12,939)	(10,661)
	<u>158,241</u>	<u>192,154</u>
 (a) Trade receivables are comprised as follow:		
Due from customers other than Government entities	85,544	86,906
Due from Government entities	82,956	97,949
	<u>168,500</u>	<u>184,855</u>
 (b) Other receivables are comprised as follow:		
VAT Receivable	-	10,246
Security deposits	186	186
Prepayments	2,494	7,528
	<u>2,680</u>	<u>17,960</u>
 (c) Provision for impairment-individually assessed		
Balance at January 1	7,980	4,835
Impairment allowance for the year	4,959	5,826
	<u>12,939</u>	<u>10,661</u>

10 Deposit Accounts

This balance is comprised as follows:

	<u>2017</u> <u>G\$ 000</u>	<u>2016</u> <u>G\$ 000</u>
Term Deposit account (a)	186,984	182,794
Bail bonds account	11,187	8,825
	<u>198,171</u>	<u>191,619</u>

(a) Interest is earned at an average of 0.57% per annum

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

11 Cash and cash equivalents	2017	2016
	G\$ 000	G\$ 000
		Restated
This balance is comprised as follows:		
Foreign exchange account (a)	78,741	91,267
Business Cash Management account (a)	8,130	8,117
Chequing account	43,986	
Other-CSAV	261	261
- Visa Travel Money Card	455	
	<u>131,573</u>	<u>99,645</u>
Bank Overdraft (b)	<u>-</u>	<u>46,508</u>

(a) Interest is earned at a rate of 0.02% - 0.12% per annum

(b) This balance resulted from cheques written in December but not issued to suppliers

12 Share Capital

Authorised		
Ordinary Shares of 4,000,000	<u>4,000</u>	<u>4,000</u>
Issued and fully paid		
2,796,644 Ordinary shares	<u>2,797</u>	<u>2,797</u>

Fully paid ordinary shares carry one vote per share and a right to dividends.

13 Revaluation reserve

At at January 01	299,045	305,446
Amortization of reserve	(5,981)	(6,401)
As at December 31, 2016	<u>293,064</u>	<u>299,045</u>

This represents the difference between compensation price and the valuation of fixed assets at 26 May, 1976 and the surplus on revaluation of Land and Building at 01 January, 2011.

This reserve is non-distributable.

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

14 Trade and other payables

The amount shown as trade and other payables represents monies to suppliers and advance payments received from customers. The balance is comprised as follows :

	2017	2016
	G\$ 000	G\$ 000
Trade payables (a)	77,878	46,930
Other payables (b)	41,929	30,236
	<u>119,807</u>	<u>77,166</u>
(a) Trade payables		
Due to non-Government entities	56,688	28,061
Due to Government entities	21,190	18,869
	<u>77,878</u>	<u>46,930</u>
(b) Other Payables		
VAT Payables	3,333	-
Accruals	18,398	21,929
Trade Receivables with credit balances	20,198	8,307
	<u>41,929</u>	<u>30,236</u>

The average credit period for purchases of certain goods range from 30 to 90 days. No interest is charged on trade payables.

The Corporation has financial risk management policies in place to ensure that all payables are paid within the credit period.

15 Tax payable

This balance represents corporation and property taxes payable at year end to the Guyana Revenue Authority

16 Revenue

Revenue represents the value of goods and services sold to third parties and related companies as shown below:

Handling / Stevedoring	129,581	111,043
Rental Of Premises	104,282	85,168
Freight	210,589	258,291
Agencies	47,213	44,123
Hire-Cargo Handling equipment	44,972	30,965
Others	65,434	89,907
Storage	22,703	20,910
Rental Of Equipment	1,415	475
	<u>626,189</u>	<u>640,882</u>

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

	2017 G\$ 000	2016 G\$ 000
17 Operating expenses		
Employment Cost	116,177	109,877
Hire of Vessels	148,298	194,847
Repairs & Maintenance	25,389	36,639
Mechanical Handling equipment	6,593	18,153
Hire of equipment	3,976	5,084
Customs fees	25,277	18,647
Fuel	4,818	3,741
Generator Cost	1,101	533
Tools	311	93
Other operational expense	342	906
Depreciation	35,732	33,462
Impairment of Assets	4,115	4,462
	<u>372,129</u>	<u>426,444</u>

18 Other Income

	2017 G\$ 000	2016 G\$ 000
Total Other Income	21,814	9,392

This amount includes bank interest received net of withholding tax, exchange gain, finance charge and gain on disposal of non-current assets.

19 Administrative

Employment cost	117,810	103,327
Electricity	12,746	12,172
Rates & Taxes	12,800	12,801
Other administrative expense	8,763	9,101
Insurance	5,959	5,911
Stationery & Office expense	7,935	7,675
Pension & Gratuity	9,738	7,902
Advertising	4,770	6,271
Motor vehicle expense	6,046	4,984
Legal & Professional Fees	5,611	3,633
Entertainment & social	3,336	2,498
Telephone and Internet	1,885	2,062
Training expense	1,431	709
Subscriptions	1,440	1,030
Audit Fee	1,736	1,651
Travelling Overseas	1,682	2,337
Water charges	1,498	720
R & M Furniture & Equipment	234	317
Security	4,634	3,955
Donation	803	762
Licence Fees	980	478
Bad Debts	9,631	5,083
Loss on Devaluation	-	1
Inventories write off	175	2,421
Depreciation	3,696	2,522
	<u>225,339</u>	<u>200,323</u>

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

	2017 G\$ 000	2016 G\$ 000
20 Net Profit / (Loss) before taxation	46,625	20,268
After crediting :		
Interest received	4,365	4,562
After charging :		
Depreciation	39,428	35,984
Amortisation	4,115	4,462
Directors' emoluments	2,270	2,101
Auditors' remuneration	1,736	1,619
21 Taxation		
Reconciliation of tax expense and accounting profit		
Accounting profit	46,625	20,268
Corporation tax at 27.5% (Year 2017) / 30% (Year 2016)	12,822	6,080
Add:		
Tax effect of expenses not deductible in determining taxable profits		
Depreciation of accounting purposes	10,843	10,795
Amortization of investment property	1,132	1,339
	24,797	18,214
Deduct:		
Other income tax @ 20%	(1,481)	(1,369)
Tax effect of depreciation and other allowances for tax purposes	(12,658)	(8,735)
Corporation tax	10,658	8,110
Property tax	10,398	11,690
Deferred tax	1,982	1,242
Tax expense	23,038	21,042
Recognised in the profit or loss:		
Current	21,056	19,800
Deferred	1,982	1,242
	23,038	21,042

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

	<u>2017</u> GS 000	<u>2016</u> GS 000
22 <u>Basic earnings per share</u>		
Calculated as follows:		
Net Profit / (Loss) after taxation	23,587	(774)
Ordinary shares issued and fully paid	2,797	2,797
Basic earnings / (loss) per share in dollars	<u>8</u>	<u>(0)</u>
23 <u>Pending Litigations</u>		
There are no legal and pending matters up to the time of approving these financial statements as confirmed by Management.		
24 <u>Related party transactions and balances</u>		
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 and operational decisions. Listed below are transactions with related parties.		
(i) <u>Related Government entities</u>		
Amounts due from	82,956	97,949
Amounts due to	21,190	18,869
No interest is charged on balances with related parties		
(ii) <u>Guarantees in favour of related companies</u>		
Bank Guarantee in favour of Hapag Lloyd	5,250	-
Performance Bond /Bank Guarantee in favour of Guyana Sugar Corporation	4,000	-
Bail Bonds in favour of High Court of Supreme Judicature Admiralty	1,900	1,900
	<u>11,150</u>	<u>1,900</u>
(iii) <u>Key Management Personnel</u>		
(a) Compensation paid		
The Corporation's key Management personnel includes its Managing Director and Managers.		
The remuneration paid to key Management personnel for the year is as follows:		
Short term employee benefits	48,058	33,405
(b) Directors' fees	2,270	2,101

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

25 Analysis of financial assets and liabilities by measurement basis

	Loans & Receivable GS 000	Other Financial Assets & Liabilities at amortized cost GS 000	Total GS 000
31.12.2017			
Assets			
Trades and Other Receivables	158,241	-	158,241
Deposit Accounts	-	198,171	198,171
Cash and cash equivalents	-	131,573	131,573
	<u>158,241</u>	<u>329,744</u>	<u>487,985</u>
Liabilities			
Taxation Payable	-	40,723	40,723
Trade & Other Payables	-	119,807	119,807
	<u>-</u>	<u>160,530</u>	<u>160,530</u>
31.12.2016			
Restated			
Assets			
Trades and Other Receivables	192,154	-	192,154
Deposit Accounts	-	191,619	191,619
Cash and cash equivalents	-	99,645	99,645
	<u>192,154</u>	<u>291,264</u>	<u>483,418</u>
Liabilities			
Taxation Payable	-	47,370	47,370
Trade & Other Payables	-	77,166	77,166
Bank Overdrafts	-	46,508	46,508
	<u>-</u>	<u>171,044</u>	<u>171,044</u>

Financial Management Risk

Financial Risk Management objectives

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

Management seeks to minimize the effects of these risks by the use of techniques that are governed by their policies on foreign exchange risk and credit risk which are approved by the Board of Directors.

The Corporation's management reports monthly to the Board of Directors on matters relating to risk and management of risk.

(a) **Market Risk**

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Corporation's exposure to market risk arises from its financial assets and liabilities. Management continually identify, evaluate and diversify risk in order to minimize the total cost of carrying such risks.

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

Financial Management Risk continued

(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 is exposed to various risks that are associated with the effects in interest rates. This impacts directly on its cash flows. The Corporation is exposed to interest rate risk which is immaterial as its financial instruments are substantially at fixed rates. The Corporation's exposure to interest rate risk on financial assets and liabilities are listed below:

Interest risk tables

	Maturing 31.12.2017			
	Average Interest Rate %	1 Year G\$ 000	Non-interest Bearing G\$ 000	Total G\$ 000
Assets				
Trades and Other Receivables		-	158,241	158,241
Deposit Accounts		198,171	-	198,171
Cash and cash equivalents	0.02 to 0.12	131,573	-	131,573
		<u>329,744</u>	<u>158,241</u>	<u>487,985</u>
Liabilities				
Taxation Payable		-	40,723	40,723
Trade & Other Payables		-	119,807	119,807
		<u>-</u>	<u>160,530</u>	<u>160,530</u>
Interest sensitivity		<u>329,744</u>		

	Maturing 31.12.2016			Restated
	Average Interest Rate %	1 Year G\$ 000	Non-interest Bearing G\$ 000	
Assets				
Trades and Other Receivables		-	192,154	192,154
Deposit Accounts		191,619	-	191,619
Cash and cash equivalents	0.05 to 0.60	99,645	-	99,645
		<u>291,264</u>	<u>192,154</u>	<u>483,418</u>
Liabilities				
Taxation Payable		-	47,370	47,370
Trade & Other Payables		-	77,166	77,166
Bank Overdrafts		-	46,508	46,508
		<u>-</u>	<u>171,044</u>	<u>171,044</u>
Interest sensitivity		<u>291,264</u>		

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

Financial Management Risk continued

(ii) **Currency risk**

The Corporation's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from foreign payables and foreign currency bank balance. The currency which the Corporation is mainly exposed to is United States Dollar.

The aggregate amount of assets and liabilities denominated in currency other than Guyana dollars are as follows:

	<u>2017</u> <u>G\$ 000</u>	<u>2016</u> <u>G\$ 000</u>
Assets	<u>102,073</u>	<u>116,982</u>
Liabilities	<u>24,277</u>	<u>3,736</u>
Net Exposure	<u>77,796</u>	<u>113,244</u>

Foreign currency sensitivity analysis

The following table details the Corporation's sensitivity to a 2.5% increase and decrease in the Guyana dollar (GYD) against the United States dollar (USD)

Potential impact	<u>1,945</u>	<u>2,831</u>
------------------	--------------	--------------

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2.5% change in foreign currency rates. A positive number indicates an increase in profit where the US\$ strengthens 2.5% against the GY\$. For a 2.5% weakening of the US\$ against GY\$ there would be an equal and opposite impact on the profit and the balance below would be negative.

(iii) **Price risk**

Price 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 of its issuer or factors affecting all securities traded in the market. Management continually identifies the risk and diversifies the portfolio in order to minimize the risk.

The Corporation is not significantly exposed to other price risks.

(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.

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

Financial Management Risk continued

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

	Maturing		
	31.12.2017		
	Within one year		Total
On demand	Due 3 - 12 months	G\$ 000	
	G\$ 000	G\$ 000	G\$ 000
Assets			
Trades and Other Receivables	-	158,241	158,241
Deposit Accounts	198,171	-	198,171
Cash and cash equivalents	131,573	-	131,573
	<u>329,744</u>	<u>158,241</u>	<u>487,985</u>
Liabilities			
Taxation Payable	-	40,723	40,723
Trade & Other Payables	-	119,807	119,807
	<u>-</u>	<u>160,530</u>	<u>160,530</u>
Net assets	<u>329,744</u>	<u>(2,289)</u>	<u>327,455</u>

	Maturing		Restated
	31.12.2016		
	Within one year		
	On demand	Due 3 - 12 months	Total
	G\$ 000	G\$ 000	G\$ 000
Assets			
Trades and Other Receivables	-	192,154	192,154
Deposit Accounts	191,619	-	191,619
Cash and cash equivalents	99,645	-	99,645
	<u>291,264</u>	<u>192,154</u>	<u>483,418</u>
Liabilities			
Taxation Payable	-	47,370	47,370
Trade & Other Payables	-	77,166	77,166
Bank Overdrafts	-	46,508	46,508
	<u>-</u>	<u>171,044</u>	<u>171,044</u>
Net assets	<u>291,264</u>	<u>21,110</u>	<u>312,374</u>

Guyana National Shipping Corporation Limited
 (Subsidiary of National Industrial and Commercial Investments Limited)
 Notes to the Financial Statements
 for the year ended ~~December 31, 2017~~

Financial Management Risk continued

(c) **Credit risk**

Credit risk is the risk that financial loss arises from the failure of a customer to meet its obligations under a contract, it arises in the case of the Corporation, principally from cash resources and receivables.

Cash and bank includes balances held at financial institutions. These banks have been assessed by the Directors as being credit worthy, with very 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 only dealing with reputable customers as a means of mitigating the risk of financial loss from defaults.

The Corporation's exposure to credit risk is continuously monitored to ensure that amounts are recovered. Management implicitly monitors the analysis of credit risk portfolio. The Corporation does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

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.

	2017 G\$ 000	Restated 2016 G\$ 000
Gross maximum exposure:		
Receivables	168,500	184,855
Security deposits	186	186
Deposit Accounts	198,171	191,619
Cash and cash equivalents	131,573	99,645
Total credit risk exposure	498,430	476,305

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

Concentration of risk is managed by geographical region as detailed in the following:

Geographical sectors

The Corporation's maximum credit exposure, after taking account of credit loss provisions established but before taking into account any collateral held and other credit enhancements, can be analyzed by the following geographical sectors based on the Country of domicile of counterparties:

Guyana	145,168	159,140
International	23,332	25,715
	168,500	184,855

Guyana National Shipping Corporation Limited
(Subsidiary of National Industrial and Commercial Investments Limited)
Notes to the Financial Statements
for the year ended December 31, 2017

26 Capital Risk Management

The Corporation manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Corporation's overall strategy remains unchanged from 2016. The capital structure of the Corporation consists of cash equivalents and equity comprising issued capital, reserves and retained earnings.

Gearing ratio

The Corporation's management reviews the capital structure on an ongoing basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Corporation has not set a target gearing ratio.

The gearing ratio at the year end was as follows:

	2017	Restated
	G\$ 000	2016
	G\$ 000	G\$ 000
Debt (i)	-	46,508
Deposit Accounts	(198,171)	(191,619)
Cash and cash equivalents	(131,573)	(99,645)
Net balance	<u>(329,744)</u>	<u>(244,756)</u>
Equity (ii)	<u>1,497,384</u>	<u>1,473,797</u>

The Corporation has a negative debt structure due to higher level of cash and cash equivalents than borrowings.

(i) Debt is defined as interest bearing debts

(ii) Equity includes all capital and reserves of the Corporation

27 Restatement

Deferred Tax

The amount computed was incorrect for the year 2015. The opening balances were restated.

VAT receivables and Payables

VAT receivable for the prior year was merged with receivables, to confirm with current year presentation.

Cash and Cash equivalent and Other Receivables

Fixed Deposits previously reported as Cash and Cash equivalent and Other Receivables have been transferred to Deposit Accounts

	G\$ 000
Cash and Cash equivalent previously reported	282,439
Bail Bonds under Other Receivables previously reported	8,825
Transfer to Deposit Accounts	(191,619)
Cash and Cash equivalent	<u><u>99,645</u></u>

May 4, 2018

IINN/er

Mr. Andrew A. Astwood
Managing Director
Guyana National Shipping Corporation Limited
Lot 5 Lombard Street
Georgetown

Dear Mr. Astwood,

Re: Internal Control Evaluation

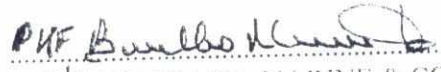
We have completed our review of the accounting system and procedures operated at your entity for the year ended December 31, 2017. The purpose of this letter is to bring to your attention certain matters which arose as a result of our review and to offer our comments and recommendations. These comments relate solely to the weaknesses and do not address the many strong features and control within the entity's system.

The primary purpose of our examination was to enable us to form an opinion on the financial statements of the entity for the year ended December 31, 2017. We reviewed and tested the entity's financial system and related internal control to the extent that we considered necessary to evaluate the system as required by International Auditing Standards. In consequence, our work did not encompass a detailed review of all aspects of the system and cannot be relied on necessarily to disclose all defalcations or other irregularities or to include all possible improvements in internal control.

Our comments have been discussed with your accountant and we look forward to receiving your written comments on the points made. Should you require any further information or explanations please do not hesitate to contact us.

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

Yours faithfully,


PKF BARCELLOS, NARINE & CO.

Tel (592) 225 8915 (592) 225 8917/8
Fax (592) 226 5340 Email bnpkf@networksgy.com www.pkfgy.com
PKF Barcellos Narine & Co. 106-7 Lamaha Street Georgetown Guyana

The Principal place of business where the list of partners' names is open to inspection is 106 Lamaha Street, Georgetown, Guyana.
PKF Barcellos Narine & Co. is authorized and regulated by the Institute of Chartered Accountants of Guyana.
PKF Barcellos Narine & Co. is a member of PKF International Limited, a network of legally independent member firms.

WEAKNESSES**IMPLICATIONS****RECOMMENDATIONS****Corporation Tax**

- | | | | |
|---|---|---|---|
| 1 | The company claimed wear and tear allowances on non industrial properties in the amount of G\$31,252,777 in the previous years. | This would result in additional corporation tax liability of G\$9,375,833 for previous years. | The company should only claim allowances in accordance with the Income Tax Act. |
|---|---|---|---|

Client Comments:

The Audited Financial Statements for previous years along with the tax returns were already submitted to the Guyana Revenue Authority (GRA). If the Guyana Revenue Authority conducts an audit and the above is substantiated then we will make the necessary payments.

- | | | | |
|---|--|--|--|
| 2 | Adjustments were not made for gain on disposal in Tax computation. | This can result in corporation tax being incorrectly computed and understatement of capital gains tax. | All income or expenses not subject to corporation tax should be adjusted in the computation. |
|---|--|--|--|

Client Comments:

This was corrected in the final financial statements submitted to the External Auditors.

Property Tax

- | | | |
|--|---|--|
| Due to the wear and tear allowances being claimed on non industrial buildings, the property tax values were being understated. | The Guyana Revenue Authority can assess the company for the additional tax. | Property tax should be computed in accordance with the Property Tax Act. |
|--|---|--|

Client Comments:

The Audited Financial Statements for previous years along with the tax returns were already submitted to the Guyana Revenue Authority (GRA). If GRA conducts an audit and the above is substantiated then we will make the necessary payments.

WEAKNESSES**IMPLICATIONS****RECOMMENDATIONS****Deferred Tax**

- 1 Deferred tax was incorrectly computed for 2016 - it was assumed that the variance between the property tax and net book value of assets by the tax rates. However, some assets had permanent variances which had to be adjusted for.

The prior year computation overstated the deferred tax asset by G\$15M.

Deferred tax should be done in accordance with the International Accounting Standard.

Client Comments:

This was corrected in the final financial statements submitted to the External Auditors.

- 2 No provision was made for deferred tax movements for the year.

Incorrect tax charge/credit for the year.

Deferred tax should be done in accordance with International Accounting Standard.

Client Comments:

This was corrected in the final financial statements submitted to the External Auditors.

Capital Gains Tax

- 1 No provision has been made for tax on capital gains.

The gain is G\$1,175,000 which should be taxed at 20%. The under provision is therefore G\$235,000.

The company should ensure all tax liabilities are provided for and settled within the required period.

Client Comments:

If the Guyana Revenue Authority conducts an audit and the above is substantiated then we will make the necessary payments.

WEAKNESSES**IMPLICATIONS****RECOMMENDATIONS****Income**

- 1 A surcharge of 30 cents is being charged to customers for ISPS expenses under Port Surcharge. This Income is classified as a Payable.

This would result in understated of Revenue. The accumulated amount is G\$5,492,086.

All revenue earned should be recognised in the correct period.

Client Comments:

This was corrected in the final financial statements submitted to the External Auditors.

- 2 The Central Workshop makes charges against the other departments for labour cost and it is being recognised as income.

This is internally generated income that would overstate revenue by G\$16,555,266 and corresponding expenses which can conflict with reporting to Guyana Revenue Authority.

The company should adjust for all intercompany charges before issuing statutory financial reports.

Client Comments:

This was corrected in the final financial statements submitted to the External Auditors.

Valued Added Tax

The company had variance in their VAT reporting when compared to the general ledger of G\$2,666,882.

This can result in incorrect reporting. Reconciliations should be done periodically to ensure variances are properly documented.

Client Comments:

The above is noted. Going forward detailed reconciliations will be done.

WEAKNESS**IMPLICATIONS****RECOMMENDATIONS****Pension Scheme**

- 1 The company is a contributor to the Guyana Sugar and Trading Enterprises, along with several other entities, for which only a draft valuation of the scheme was submitted.

This can result in incorrect reporting of potential liabilities.

Management needs to ensure compliance with the scheme.

Client Comments:

We are in receipt of a finalised valuation as at December 31, 2015.

- 2 The scheme reported a surplus of G\$278M after assuming that Guysuco, another contributing entity, will remit the contributions deducted from staff amounting to G\$866M. If Guysuco is to default, the scheme would have a deficit of G\$588M.

This can result in the pension scheme being unable to service its commitments to its members.

Management needs to conduct an evaluation of the effects on its employees if Guysuco is to default on its contribution and consider having an independent pension scheme.

Client Comments:

This concern is receiving the attention of the Board of Directors. A meeting was held with the actuary. We are considering their recommendations which hinges on a valuation as at December 31, 2017, that is in progress, which was solicited by the trust.