Contents

The smooth transition from cane to our world renowned golden brown sugar crystals, illustrates the transformation underway in the Industry as encapsulated in our Turnaround Plan.

Key to this is the solid black background which represents the unified strength of all segments of our workers committed to achieving our ultimate goal of returning the Industry to profitability for the benefit of all stakeholders.

GUYSUCO

# The Evolution of the Sugar Industry In Guyana

Guyana's Sugar Industry has experienced far-reaching changes over the past 400 years. From the arduous task of constructing an elaborate drainage system along the coast land to modernizing and expanding the marketing of Guyana's sugar, the Industry has evolved to a state where it is internationally recognized for its quality product. Within is a brief synopsis of the five main periods, which together characterize the evolution of the Sugar Industry in Guyana.

## SLAVERY

The sugar industry began in the 1600s when the Dutch West India Company sent settlers to establish plantations along the Pomeroon River in Essequibo. The plantation owners at first imported slaves from West Africa to supply the labour required for sugar cultivation (the indigenous Amerindian population of Guyana was small and lived mostly in the impenetrable interior). The first consignment of sugar produced in Guyana was dispatched to Holland in 1661. Thousands of slaves were imported each year as plantations expanded; more than 100,000 slaves worked in the colony by 1830. The deplorable, inhumane conditions that slaves had to endure on the plantations can hardly be over emphasized. The British Guiana plantation economy fell into turmoil after 1833, when Britain passed the Act for the Abolition of Slavery throughout the British Colonies. The law provided a five-year transitional period during which plantation owners were to begin paying soon-to-be-freed slaves for their services. In practice however, owners alienated the slaves by wringing as much work as possible from them during their final years in bondage. Upon emancipation in 1838, almost all of the former slaves abandoned the plantations. Agricultural production plummeted. Some groups of former slaves were able to buy failed plantations, but they lacked the capital to reconstruct the complex operations after years of neglect. Most former slaves reverted to subsistence farming. By 1848 only 20,000 Africans worked on sugar estates. Faced with the prospect of a complete extinction of the sugar industry, plantation owners looked abroad for labourers.

## INDENTURESHIP

Indentured servants were typically contracted to work for five years in exchange for a one-way passage to British Guiana as well as for food and housing (in some cases, a return voyage was offered in exchange for extra years of service). After taking on indentured servants from Portugal, China, and the West Indies, plantation owners turned to India, which would become the most important source of immigrants. About 240,000 indentured East Indians were brought to British Guiana between 1838 and 1917, the date when indentured labour was abolished. The British government supported this intra-empire transfer of labour. In the short term, the [illegible] of labour saved the sugar industry. In the long term, the immigration greatly affected British Guiana's ethnic makeup. Most of the East Indians remained in the colony after completing their terms of indenture; many became independent rice farmers. Their descendants, along with the immigrants themselves, accounted for more than half of Guyana's [illegible] population.

# WORKERS EMPOWERMENT

The workers' movement in Guyana developed out of the [illegible] of two exploitative employment structures, slavery and indentureship, and [illegible] acknowledgement by colonial powers and plantation owners of worker and human rights were [illegible] through struggle and sacrifice. During the period of slavery, workers sought to undermine the exploitative plantation system on which they toiled without remuneration using a number of strategies, subtle and overt, organized and spontaneous, violent and nonviolent. The Manpower Citizen's Association (MPCA) which was formed as Union number three on November 5, 1937 was a strong organizer among sugar workers. In the Union's first five years, some twenty thousand workers enrolled. The MPCA was seen as "their long awaited saviour and a victory for sugar workers and trade unionism generally" (Chase, 1964:85 90). In 1947, the Guiana Industrial Workers' Union (GIWU) was formed. GIWU later changed its name to the Guyana Agricultural Workers' Union (GAWU) and has become very active in advocating for the rights of workers. Pivotal in the workers' empowerment in the sugar industry was the Enmore strike, which started on April 22, 1948, the struggle of sugar workers to win respect from the sugar producers to recognize a trade union in which the sugar workers had confidence; and to bring about substantial changes in housing and other social and working conditions in the sugar industry.

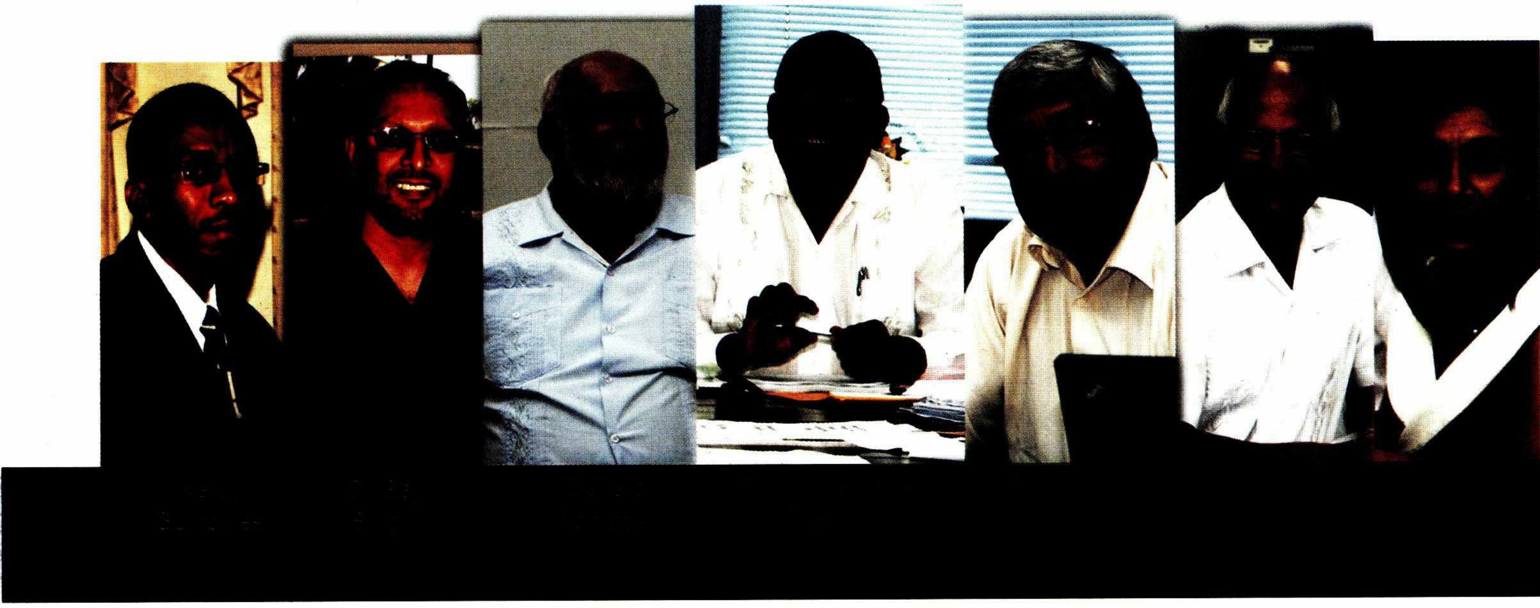
# NATIONALISATION

GuySuCo was formed in 1976, when the Government of Guyana nationalised and merged the sugar estates operated by Booker Sugar Estates Limited, Tate and Lyle and Jessels Holdings to form the Guyana Sugar Corporation. For the first time in its history, Guyanese were in charge of their sugar industry. The industry moved forward under its new management with constant improvements.

# MODERNISATION

At the beginning of the new century and in the face of a dwindling labour force and high cost of production, efforts to modernize the industry began to deeply take root. Semi-mechanization commenced, as lands are gradually being reconfigured to accommodate machines as is the case at some of the estates, where cane loaders are utilized to fill the punts with freshly cut sugar canes. There is also a gradual increase in the use of mechanical harvesters to harvest the canes. These two machines will significantly increase production output and reduce the cost of production. The new Skeldon Sugar Factory is the best example of the modernization efforts, as it is one of the most technologically advanced and largest sugar factories in CARICOM, capable of producing over 100,000 tonnes of sugar annually. It also uses bagasse, a bi-product of crushed cane to produce electricity, some of which is passed on to the national grid for consumers in Berbice. GuySuCo's future is focused on the production of over 450,000 tonnes of sugar annually, 80,000 tonnes of which will be direct consumption packaged sugars. Project Gold (the Enmore Packaging Plant) is already on its way and [illegible] expected to launch a range of valued added cane sugar products, including bra[illegible] packaged sugars to the Caribbean region and the rest of the world.

# The Board of Directors



# GUYANA SUGAR CORPORATION INC.

## TEN YEAR REVIEW 2000 to 2009

| Column1 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| HECTARES HARVESTED | 44,259 | 41,621 | 41,627 | 41,959 | 45,447 | 41,890 | 42,422 | 39,757 | 44,262 | 43,556 |
| TONNES CANE MILLED ('000) | 2,984 | 3,142 | 3,708 | 3,382 | 3,744 | 3,005 | 2,975 | 3,099 | 2,767 | 2,764 |
| *YIELDS:* | | | | | | | | | | |
| ESTATE - TONNES CANE / HECTARE | 62.20 | 67.10 | 80.60 | 72.75 | 74.87 | 65.43 | 64.48 | 71.97 | 57.71 | 57.50 |
| TONNES CANE /TONNE SUGAR | 10.88 | 11.00 | 11.20 | 11.03 | 11.52 | 12.20 | 11.46 | 11.55 | 12.16 | 11.67 |
| TONNE SUGAR / HECTARE | 5.67 | 6.16 | 7.29 | 6.59 | 6.45 | 5.36 | 5.63 | 6.23 | 4.75 | 4.93 |
| *PRODUCTION (TONNES)* | | | | | | | | | | |
| SUGAR | 273,318 | 284,474 | 331,052 | 302,378 | 325,317 | 246,071 | 259,549 | 266,482 | 226,267 | 233,736 |
| MOLASSES | 108,703 | 118,103 | 137,794 | 127,201 | 138,140 | 115,732 | 107,501 | 115,048 | 99,280 | 109,598 |
| *HOME CONSUMPTION (TONNES):* | | | | | | | | | | |
| SUGAR | 23,667 | 24,437 | 23,782 | 24,529 | 23,669 | 22,781 | 23,396 | 23,480 | 23,345 | 23,594 |
| MOLASSES | 45,061 | 49,533 | 56,424 | 55,272 | 51,685 | 40,058 | 41,895 | 46,253 | 74,206 | 92,396 |
| *EXPORT (TONNES):* | | | | | | | | | | |
| SUGAR | 277,267 | 251,798 | 282,425 | 311,846 | 289,016 | 229,697 | 237,681 | 244,865 | 205,268 | 217,707 |
| MOLASSES | 63,642 | 56,439 | 82,576 | 76,726 | 83,974 | 71,071 | 61,851 | 57,282 | 19,169 | 12,271 |
| *SALES:* | | | | | | | | | | |
| DOMESTIC SUGAR ($M) | 1,094 | 1,109 | 1,066 | 1,286 | 1,319 | 1,335 | 1,644 | 1,673 | 1,595 | 1,906 |
| AVERAGEPRICE / TONNE($) | 46,337 | 45,380 | 51,556 | 52,428 | 55,723 | 58,601 | 70,245 | 71,252 | 68,328 | 76,857 |
| EXPORT SUGAR ($M) | 22,106 | 20,287 | 22,562 | 25,094 | 25,288 | 21,324 | 25,509 | 27,101 | 23,777 | 24,398 |
| AVERAGE PRICE / TONNE ($) | 79,727 | 80,569 | 79,886 | 80,469 | 87,498 | 92,835 | 107,332 | 110,676 | 115,832 | 112,067 |
| AVERAGE PRICE / TONNE (US$) | 431 | 426 | 417 | 418 | 439 | 465 | 538 | 545 | 570 | 552 |
| MOLASSES ($M) | 669 | 1,330 | 1,177 | 1,373 | 1,265 | 1,637 | 1,914 | 1,667 | 1,306 | 1,815 |
| AVERAGE PRICE / TONNE ($) | 6,154 | 12,515 | 8,469 | 10,402 | 9,193 | 14,731 | 18,449 | 17,254 | 13,984 | 20,807 |
| *EXPENDITURE ($M)* | | | | | | | | | | |
| EMPLOYMENT COST | 12,430 | 12,821 | 14,449 | 16,207 | 16,444 | 14,710 | 16,067 | 17,373 | 17,580 | 15,571 |
| MATERIALS AND SERVICES | 7,978 | 7,314 | 7,496 | 7,754 | 7,220 | 8,408 | 9,485 | 8,958 | 10,858 | 10,629 |
| (LOSS) / PROFIT BEFORE TAX ($M) | 61 | (1,235) | (328) | (1,130) | 1,220 | (1,188) | 2,429 | 2,159 | (6,210) | (1,949) |
| (LOSS) / PROFIT BEFORE TAX AND LEVY | 1,061 | (1,235) | (328) | (4,006) | 1,220 | (1,188) | 2,429 | 2,159 | (6,210) | (1,949) |
| (LOSS) / PROFIT AFTER TAX($M) | (481) | (869) | (274) | (1,429) | 261 | (1,866) | 476 | 630 | (4,089) | (102) |
| (LOSS) / PROFIT AFTER TAX BEFORE LEVY | 519 | (869) | (274) | (4,305) | 261 | (1,866) | 476 | 630 | (4,089) | (102) |
| AVERAGE MID MARKET EXCHANGE RATE (G$ / US$ ) | 185.00 | 189.38 | 191.27 | 192.33 | 199.28 | 199.75 | 199.50 | 202.99 | 203.34 | 202.99 |

Note: Local sugar sales (home consumption) for 2009 includes 11,348.85 tonnes of imported

I take pleasure in presenting my first report as Chairman of the Board of Directors for the year ended December 2009. The Directors and I had no delusions about the task which was ahead of us.

For a variety of reasons, the industry was in dire financial straits and radical steps were needed to put it back on the road to viability. A Turnaround Plan, the Strategic Blueprint 2009-2013, was developed by the Interim Board and Management and was approved by the Shareholder, the Government of Guyana. The success of this Turnaround Plan requires the full support of all stakeholders.

The year was the beginning of an accelerated rehabilitation programme for the industry and significant changes for the Corporation as we embarked on a recovery programme to counter the effects of four years of adverse weather conditions and poor management which resulted in declining yields and production and which impacted negatively on the industry. With the improvement in the weather from April 2009 the Corporation was allowed to accelerate its land preparation and planting activities in the second crop. We achieved a high level of success which will impact in a positive way in the second crop of 2010. Following an unsatisfactory level of production in 2008, the lowest since 1992, efforts were focused on improving the management structure, skills levels, and operations with emphasis on capacity building.

Following the resignation of the former Chief Executive, Mr Nick Jackson, Mr Errol Hanoman was appointed CEO from 14 February 2009. He then joined with the members of the Board and senior management to work assiduously to complete the task of implementing the Blueprint which proved to be far more challenging than envisaged. The Strategic Blueprint along with a 10-year Business Plan were submitted and approved by the Government on May 27, 2009. The life of the Interim Board was thereafter extended and since May 2009, the Board has functioned in a full capacity. This Strategic Blueprint focuses on revenue generation, improving production, retooling the industry, building skills and capacity, and removing non-core units. Some key components of the strategy will be the expansion/ upgrade of the Blairmont and Enmore factories and cultivation, construction of the Enmore Packaging Plant, accelerated mechanisation, retirement of the Diamond cultivation and consolidation of the East Demerara estates.

The Board was pleased with the significant improvement at the level of operating profit with a positive turnaround of $4.6 Bn. This effort will serve as a stimulus for the long road ahead as we continue to improve our performance and cost efficiencies. The high level of performance in the agriculture sector particularly in the areas of tillage and planting in the second crop was very commendable as the achievement was against the backdrop of the El Nino phenomenon which restricted momentum. Other challenges that the industry faced were wet weather conditions in the first quarter of the year, poor labour turnout, high turnover of skilled staff, and a high number of strikes during the period - the highest over the last six years.

Notwithstanding the bleak financial position of the Corporation a three percent wage increase was paid for 2009 based on the Gobind Ganga arbitration tribunal award. The Corporation will continue in its efforts to improve communication, transparency, efficiency and its relations with the

Unions so that together we will move towards the success of the Strategic Plan and ultimately, the industry.

The Board of Directors was happy to be associated with the commissioning of the new Skeldon factory in August 2009 by H.E President Bharrat Jagdeo and Hon. Minister of Agriculture, Robert Persaud. This state-of-the-art factory and co-generating facility, which is the first of its type in the Caribbean, will have tremendous financial and environmental benefits for both the Corporation and country. However, the early expectations of the factory have not been realized and the numerous defects which have been identified have been or are in the process of been fixed. When this exercise is complete it is expected that the factory will be able to produce at its full capacity and efficiency level.

The diverse skills and professional disciplines of Board members have served to supplement the Corporation's management team as we work together to achieve our medium to long term vision for the industry.

While the Board is confident that the stage is set for a recovery and forward thrust of the industry we must be cognisant of the fact that recovery will not be overnight. As the year has shown, there will be a progressive movement towards ultimate success/profitability. The Board has noted the limited progress made in the year and will continue to support the Corporation's management as it seeks to make further progress consistent with the Turnaround Plan.

The Board's vision for the Corporation as expressed in the Strategic Blueprint is to ensure a viable and sustainable sugar industry making a positive contribution to the growth and prosperity of Guyana. This will be achieved by the production of sugar and maximising key value added product returns using world class standards and practices. At the same time the modernisation of the industry will continue with the aim of improving productivity and developing a motivated and dedicated workforce. It is in this regard that it will be necessary in 2010 for all workers to band together as a team and work fervently to ensure that the work which was done in second crop 2009 realizes its full value. The second crop therefore in 2010 can only be successful if all workers put their shoulders to the wheel thus ensuring maximum efficiency and productivity.

I would like to take this opportunity to thank the members of the Board, the management and workforce for their dedication and contribution made to the industry in what can be considered a challenging year. We look forward to everyone's continued support and dedication in 2010.

2009 was the beginning of a restructuring process for the Corporation after four consecutive years of unseasonal weather which seriously hampered the tillage and replanting programmes resulting in declining cane yields and significant sugar production shortfalls. Major management and operational changes were implemented from January 2009. A new Board of Directors was installed from this month, a new Chief Executive Officer assumed duty from 14 February, 2009 and a Strategic Blueprint for the period 2009 to 2013 was developed and approved in May. This Blueprint contains measures to reverse the decline, and to ensure competitiveness and profitability by 2013. The first phases of implementation of the Strategic Blueprint began in the second half of the year.

Sugar Production for the year was 233,736 tonnes, a marginal increase over that of 2008 which was 226,267 tonnes. Total land preparation and planting/replanting were 9,763 ha and 9,946 ha, respectively, compared with 8,135 ha and 7,985 ha achieved in 2008.

There was improvement in the Corporation's financial performance. An operating profit of G$85M was achieved compared with an operating loss in 2008 of G$4.5Bn, a turnaround of $4.6Bn. The loss before tax in 2009 was G$1.9Bn in comparison to a loss before tax of G$6.2Bn in 2008, an improvement of G$4.3Bn. The significant reduction in operating loss reflected, in part, the considerable efforts made in the year to improve performance and reduce costs. This performance improvement was achieved in spite of numerous challenges: wet weather conditions continued during the first quarter of the year; the highest number of strikes in six years (229 strikes); there were considerable labour shortages particularly at the Demerara estates and the final EU price cut took effect from 1 October, 2009. The high loss of skills and experience continued.

Roles and responsibilities of managers were reviewed and changes were made to strengthen estates' management. The previously merged Demerara estates (East Demerara and West Demerara) were de-linked to improve the effectiveness of management and supervision. The Corporation welcomed Mr Rajendra Singh who was appointed Deputy Chief Executive Officer. Agricultural management at Skeldon estate was strengthened with the appointment of two additional Agricultural Managers and the Skeldon factory was staffed with the most experienced and skilled factory personnel from across the industry. An Agriculture Advisor was appointed and continuous mentoring and training was undertaken during the year. The curriculum of the Guysuco Training Centre / Port Mourant Training School was revised to incorporate new technologies being introduced into the industry. Worker Council meetings were re-energised and meetings were held regularly in the year. This forum gives workers the opportunity to interact with senior management. Senior Head Office personnel actively participated in these meetings.

Implementation of the Strategic Blueprint commenced in the second half of the year. As a consequence of the under achievement of the replanting programme over the preceding four years, over 30% of the industry's cultivation was uneconomical. The accelerated rehabilitation of the cultivation was a key component of the Strategic Blueprint. The programme to remove poor yielding ratoons across the industry got underway in July and progress during the August/ December months was very satisfactory. The pace of mechanisation was also increased, the expansion of the Blairmont cultivation commenced. Work in relation to the expansion of the Blairmont and Enmore factories, and the rehabilitation of previously abandoned lands on the East Coast Demerara commenced. The contract for the upgrade of the Enmore factory and construction of the Enmore Packaging Plant was signed on 5 June, 2009 and construction commenced later in the year. The project is on target for commissioning during the first quarter of 2011. Retirement of the Diamond lands started. The Corporation remains committed to its objective that no worker should be displaced by this venture. Herdmanston House situated in Queenstown, Georgetown was sold. While of historical value to the sugar industry, disposal of this property, was a necessary component of the Blueprint.

The Skeldon factory was commissioned by H.E. President Bharrat Jagdeo on 22 August, 2009. Construction commenced in September 2005 and the factory was taken over by the Corporation on 19 March 2009. The factory's performance is expected to steadily improve to achieve the design throughput of 350 tch by 2011. An agreement with the Contractor to provide technical support after the take over date was entered into. This was in addition to the Contractor's obligation to rectify all defects during the Defects Notification Period.

Co-generated power supply (using bagasse) increased in 2009. However, power exported was lower than planned since increased power export was dependant on the commissioning of the 69KV transmission line by Guyana Power and Light Company (GPL). This is expected to be done in the first half of 2010. Negotiations with GPL on a Power Purchase Agreement progressed in 2009 and are expected to be concluded by July 2010, after which the approval of the Public Utilities Commission will be sought.

The welfare of workers is of paramount importance to the Corporation. In recognition of the growing problems of alcoholism, drug abuse and HIV/AIDS, awareness campaigns were intensified in 2009. Anti-alcoholism signs were mounted in prominent positions at Head Office and on the estates, sensitisation sessions on alcoholism, substance abuse and HIV/AIDS were held on the estates and at Head Office by peer educators from the Corporation. Safety of our workers continued to be a priority. Improvements occurred in the numbers of reported worker and vehicular accidents, and absences due to illness.

I take this opportunity to express my sincere thanks to the GuySuCo Team for their sterling support in this the first year of our Turnaround Plan, a year in which we had to break new ground, a year in which we have started the process of laying a new foundation to secure the future of our industry.

After the steep increases which were experienced in 2008 in the cost of some of the Corporation's key inputs brought on by global economic conditions, significant reductions in the price of these inputs were experienced in 2009. These key inputs included:

- Fertilizers
- Fuel
- Steel
- Freight

This assisted the Corporation in reducing its materials and services costs significantly in 2009 and coupled with a sustained effort by all locations across the industry to monitor and control all expenditure, the Corporation's financial results in 2009 were much improved from the 2008 substantial loss.

The Finance department was at the forefront in the drive to reduce costs with frequent review of expenditure across the industry together with recommendations on reductions, prudent purchasing decisions to ensure that the best prices were obtained and inventory levels minimized to avoid tying up much needed cash in inventory. Given the tight cashflows experienced, the management of cash was critical with emphasis placed on timely debt collection, minimizing the credit period allowed to customers and maximizing on the credit terms obtained from our suppliers. Two lucrative freight contracts were also entered into for the movement of sugar to our European customer Tate & Lyle. The contracted freight rate was lower than what prevailed in the rising spot market and the benefit of this would also be partially realized in 2009.

For the fifth consecutive year, crop financing was obtained from ING bank of Holland. The amount advanced of G$3,000M was fully repaid by 31st December in keeping with the conditions attached to the borrowings. Additionally, a consortium of local banks continued to provide working capital which amounted to $3,100M. A letter of credit for US$11.6M was established with the Bank of Nova Scotia. The bank was evaluated as the one making the best offer for the letter of credit facility from the three who tendered. The letter of credit is in favor of Surendra Engineering who was awarded the contract for the construction of the Enmore packaging plant.

By the end of the year the Corporation had reached an agreement with the Government of Guyana for the sale of land situated at Diamond on the East Bank of Demerara to the value of four billion dollars.

The reorganization of the management structure and reporting lines across the industry during the year resulted in the Finance Managers on the estates reporting directly to the Finance Controller at Head Office. Previously a functional reporting line existed with Head Office finance.

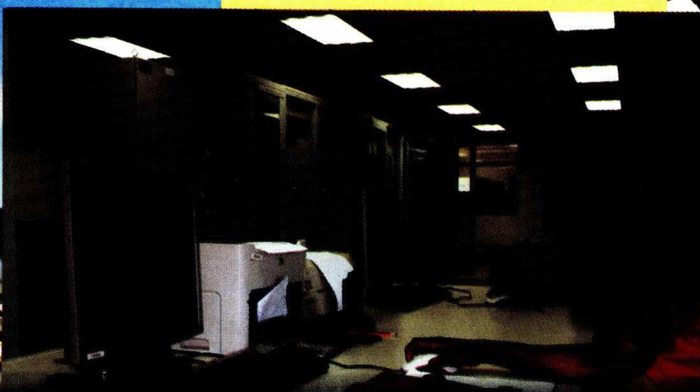
MECHANISATION

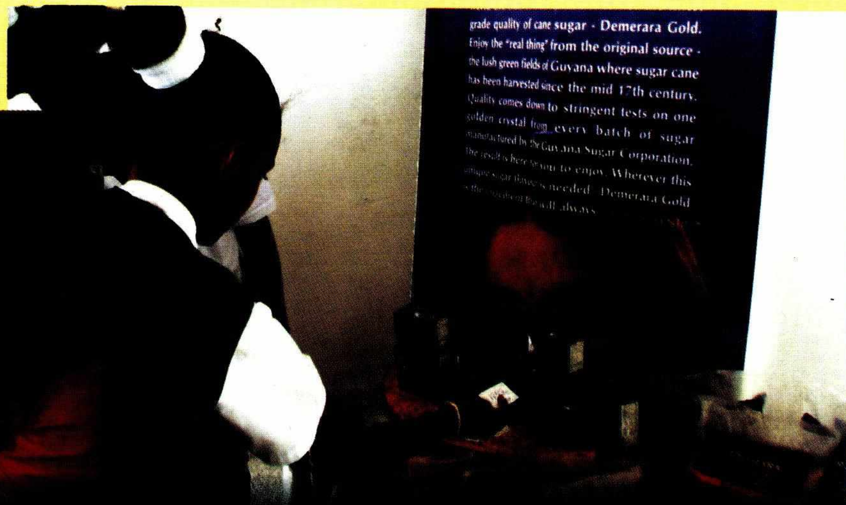
TRAINING AND DEVELOPMENT

keeping with the new technologies being implemented in the Industry.

MODERNISAT

price cuts and unstable financial markets.





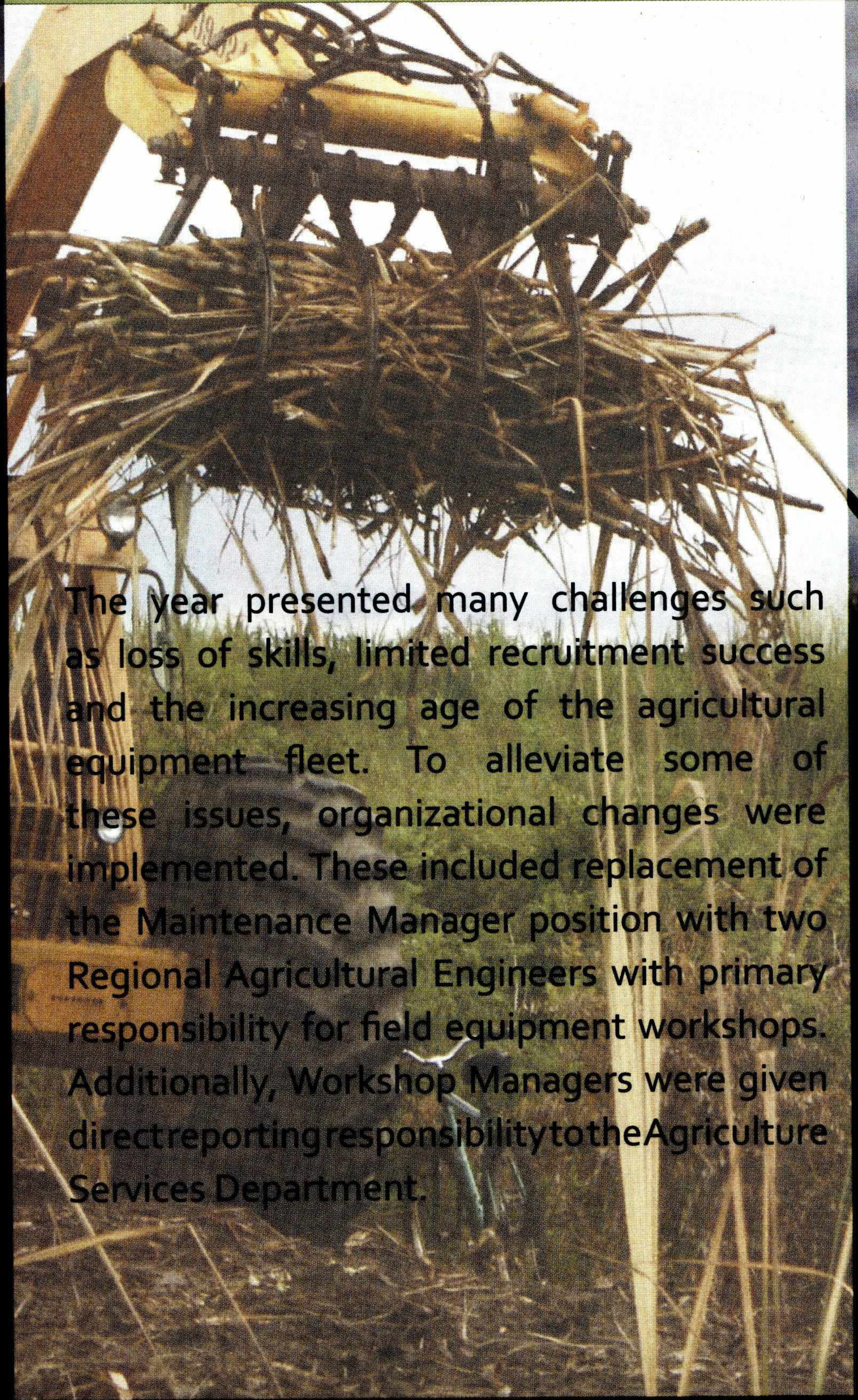

ON

# TECHNOLOGICAL DEVELOPMENT

# MARKET AND TRADE

computerizes the records of the personnel section of the human resources department.

# AGRICULTURE OPERATIONS



The year presented many challenges such as loss of skills, limited recruitment success and the increasing age of the agricultural equipment fleet. To alleviate some of these issues, organizational changes were implemented. These included replacement of the Maintenance Manager position with two Regional Agricultural Engineers with primary responsibility for field equipment workshops. Additionally, Workshop Managers were given direct reporting responsibility to the Agriculture Services Department.

A revised system for the procurement of spares was implemented in 2009 and proved to be beneficial. There were improvements in the management and use of the spares inventory, primarily due to inter estate transfers and greater central control.

The Drainage and Irrigation system continued to be monitored using surveys to ensure conformity to design. A Water Resources Manager was recruited in 2009. Establishment of drainage channel profiles was a major focus with occasional surveys for land disposal and establishment of construction reference levels. In February 2009 an external expert, Mr Bob Merry, visited and made recommendations for a number of Drainage and Irrigation projects to be done.

Plans for the expansion of the LBI, Enmore and Blairmont cultivations were developed. Drainage works commenced at LBI and Enmore during the latter part of 2009. These projects will result in improved cane supply to the respective factories.

Field equipment utilization was affected by operators' unavailability and inexperience coupled with regular resignations. Operators' training is an ongoing occurrence at all locations. Additionally, Industrial Relations incidents, ground conditions in the first crop and punt management issues contributed to lower than expected machine utilization. In the early part of the year, security concerns at Enmore and LBI affected machine utilization. Equipment utilization continues to be monitored with interventions to achieve improvement.

## Workshop Staffing

The workshops suffered losses in the year of many experienced and skilled personnel. While replacements are being sought, filling the positions with the requisite skills has proved to be challenging. This led to frequent outsourcing and requests for dealership support.

## Machinery Support

The Corporation benefited in the year from consignment stores arrangement with the suppliers of tractors, motor cycles. During the later part of the year, discussions were held with the Mahendra dealership for a spares stocking arrangement.

Training sessions were held for operators and mechanics on all locations for tillage machines and cane loaders. This is an ongoing practice during out of crop periods.

## Central Workshop

The Central Workshop is now a fabrication centre for punts and factory components. The workshop provides limited fabrication services to external parties when spare capacity will allow.

A total of 104 punts were produced. The number was limited by availability of materials. Punts are now manufactured on a job rate basis. The limitation at the fabrication centre is the punt handling equipment.

There was significant improvement in land preparation during the second half of the year due to the dry weather conditions experienced. This resulted in an overall achievement of 8,425 hectares (ha) by the estates and 1,338 ha by the farmers for the year. This represented 106% achievement of the year's estimate (LE) for estate and farmers (9,160 ha). Included in this is 3,944 ha of broad bed establishment (2,980 ha estate and 964 ha farmers) to aid in mechanization.
There were 62 opportunity days in the second crop as a result of the dry weather conditions, compared to an average of 17 days in the first crop.

Estate land conversion (2,071 ha Routine and 909 ha Skeldon Expansion) was concentrated mainly at Enmore and LBI where the English bed layout is predominant. The Berbice estates (excluding Skeldon) carried out limited conversion. Fourteen contractors participated in land development activities during the period. Dutch beds conversion is limited until a better evaluation of the results and operational sequence is determined.

| | 2009 | 2008 | % Change |
|---|---|---|---|
| [redacted] | 1,378 | 211 | 553% |
| | 1,679 | 1554 | 8% |
| | 1,042 | 973 | 7% |
| | 1,072 | 734 | 46% |
| | 5,172 | 3,472 | 49% |
| | 887 | 637 | 39% |
| | 753 | 694 | 9% |
| | 788 | 613 | 29% |
| | 825 | 949 | -13% |
| | 3,253 | 2,893 | 12% |
| | 8,425 | 6,365 | 32% |

## Water Management

All estates were in a good state of preparedness for the seasonal year end rains. However, due to the El Nino phenomenon, the period was reasonably dry. Drought-like conditions prevailed across the industry during November to December 2009. Conservancies were at or near dead storage levels and salt water intrusion up the Canjie Creek reached alarming proportions.

Occupation of corridors to the sidelines and façade drains within the front lands across estates has had a devastating effect on essential periodic delisting and maintenance of these main drains. The consequential adverse effect on drainage of sugar cane crop and productivity of sugar has been immeasurable. The required drainage reserve for sidelines and façade drains should be a strip of land of approximately 50 feet wide on either side, starting from the top edge of the respective drains.

A breach occurred in January 2009 at Field 16, Plantation Lochaber which caused flooding to approximately 67 ha of sugar cane. The Sea and River Defence Department made efforts to temporarily seal the breach but this remained unsealed at the end of 2009.

Evaluation of the ~~adequacy of existing~~ drainage pumps at Enmore/Lusignan Estate for draina~~ge of~~ the abandoned lands (at the back of the crown dam) earmarked for reactivation was conducted. A similar evaluation was done for the Ogle/ LBI Estate.

Hydraulic calculations were done for drain cross sections for the new Ellis land development at Blairmont. A technical report along with a plan to upgrade drainage is being prepared for consideration and approval.

### Drainage at Skeldon Estate

Progress on construction of conservancy dams, D&I structures and land development at Skeldon was very encouraging during 2009. Mobile drainage pumps were installed at Block 2 and at Block 10+. Works on construction of the major Block 10+ drainage pump station commenced during the latter part of 2009.

### Resuscitation of the Re-circulation System at Vriend Schaap

The management of Albion Estate refurbished the recirculation system associated with the Vriend Schaap drainage pumps on the Canje which would shorten the route and accelerate the supply of water to Albion Estate.

## Cane Farming

The cane farmers' contribution to sugar production was approximately 8% in 2009, achieving 19,072 tonnes of sugar (exceeding 2008's production by 2,878 tonnes).

The focus in 2009 was on optimizing cane yields. While it is vitally important to get all available lands in cane, it is of greater importance to get the optimum yield per unit area of land. Several training sessions and infield demonstrations were held across the industry by the Cane Farming Managers with direct contributions from the Agriculture Research Centre. Skeldon and Wales Estates must be commended for facilitating best practice transfer by grouping farmers and visiting best producing farms.

GuySuCo continued to provide valuable extension services to farmers. Cane Farming Officers are present at each estate.

### 2008

| Location | Ha | TC | TS | Tc/Ha | Ts/Ha |
|---|---|---|---|---|---|
| Skeldon | 177 | 11,930 | 778 | 67.6 | 4.4 |
| Albion | 744 | 34,308 | 2,477 | 46.1 | 3.3 |
| Rose Hall | 691 | 39,244 | 2,785 | 56.8 | 4.0 |
| Enmore | 50 | 2,399 | 185 | 47.7 | 3.7 |
| LBI | 446 | 26,577 | 1,999 | 59.6 | 4.5 |
| Wales | 1,928 | 97,793 | 7,975 | 50.7 | 4.1 |
| Total | 4,036 | 212,251 | 16,198 | 52.6 | 4.0 |

### 2009

| Location | Ha | TC | TS | Tc/Ha | Ts/Ha |
|---|---|---|---|---|---|
| Skeldon | 690 | 56,556 | 3,009 | 81.9 | 4.4 |
| Albion | 585 | 25,349 | 1,906 | 43.3 | 3.3 |
| Rose Hall | 792 | 43,913 | 3,643 | 55.4 | 4.6 |
| Enmore | 70 | 2,795 | 216 | 40.1 | 3.1 |
| LBI | 562 | 28,729 | 2,287 | 51.2 | 4.1 |
| Wales | 2,032 | 104,332 | 8,011 | 51.3 | 3.9 |
| Total | 4,731 | 261,674 | 19,072 | 55.3 | 4.0 |

[redacted]

October was the only month of the second half of the year in which there was significant rainfall. The medium term forecast indicates that the weather will continue to be subjected to strong El Niño influences as late as April 2010. The prolonged dry conditions and in particular the absence of the end of year rainfall placed some constraint on the development of canes scheduled for harvest in the latter months of the 2010 First Crop.

**Individual Estate Annual Rainfall – 2009**

| | Annual Rainfall 2009 | Annual Rainfall 2008 | 50+ year Annual Rainfall |
|---|---|---|---|
| [redacted] | 1,223.4 | 2,383.8 | 1,633.4 |
| | 1,309.3 | 2,752.4 | 1,732.3 |
| | 1,178.7 | 2,641.3 | 1,932.5 |
| | 1,223.6 | 2,703.2. | 1,818.4 |
| | 1,374.3 | 3,453.6 | 1,938.9 |
| | 1,639.3 | 2,972.1 | 1,990.5 |
| | 1,969.2 | 3,455.9 | 2,249.9 |
| | 2,272.4 | 3,541.2 | 2,678.9 |
| | 1,523.7 | 2,987.9 | 19,996.2 |

## Variety Development

Demerara Crossing Programme

349 crosses achieved in the Demerara Crossing Programme and distributed as follows:

- Experimental 5
- High quality 90
- Multipurpose 28
- Bi-parental 39
- Open- poly crosses 187

The reduction in viable crosses in 2009 was derived from reduced flowering linked to the very dry conditions that prevailed from August 2009. Measurements performed in the Ebini Germplasm plots indicated that of the 37 varieties planted, 9 varieties flowered of which 2 were heavy flowering, 3 intermediate and 4 shy flowering.

During the season 46,910 seedlings were raised comprising 17,967 DB2007, 10,143 D 2007 and 8,800 DB2008. Family selection has been formally adopted as the first step in the ARC variety selection programme. Two hundred and forty five (245) families were evaluated comprising 14 second generation multi-purpose families from the DB2005 series, 200 DB2006 families and 31 D 2006 families. On this evidence, requests have been made to the West Indies Central Sugar Cane Breeding Station (WICSBS) for fuzz to produce a minimum of 500 seedlings from each of 115 DB2006 families. The maximum brix obtained from families within this population was 29.8. Results from evaluation of the D2006 families were also very interesting; 9 families with mean brix values ranging from 18.1 to 19.3 and weight of individual stools ranging 4.6 kg to 6.5 kg were identified for further evaluation at Stage I. The maximum brix value of seedlings in the population was 27. This is a further indicator of the D programme's potential for producing high quality clones.

The recent commercial release, DB 9633, has gained acceptance across the industry based on its performance in a wide range of micro-environments. The variety is being rapidly expanded and at the end of 2009 had been established on 3,700 ha. The other recent commercial release, DB 9314, is also stimulating greater interest in the estates.

Fourteen (14) varieties, 10 in the 1st Crop and 4 in the 2nd Crop were released to estates for Stage V evaluation. This is the highest number of promising material released from the Breeding Programme in several years. These varieties were found equivalent or superior to the standard DB 7869 in the main productivity indices in repeated Stage IV trials. The materials are being multiplied in estates' nurseries for formal Stage V trial evaluation commencing 2010. Since its release, DB9984 has been withdrawn because smut inoculation tests have re-designated it as susceptible.

*DB 9855 – Stage V Release*

Ten (10) strains of Glycine max obtained from NARI continued to be evaluated during the year. After three rounds of evaluation four varieties were selected as having potential for rotational cropping with sugarcane. Sambaiba, Serido and Patti have proved high yielding strains; Candeia having a mean canopy width of 49.5cm should be the strain of choice as a fallow crop while the best overall strain is Serido, which consistently out yielded the other strains as well as having very good canopy width, height of plant and acceptable height of lowest pod bearing internode.

## Pests & Diseases

The industry's biological control programme continues to contribute significantly to the management of the major insect pest Diatraea spp. Efforts to improve and sustain established biological strategies as part of I.P.M. continued with successful results in the maintenance of predominant species below threshold levels throughout the year and across the industry.

Rodent activity has been generally low with reported damage levels below threshold for most of the year on the majority of estates. However, upsurges in activity and increase damage levels were experienced in rat endemic locations at Wales, Skeldon, Uitvlugt and to a lesser extent at Blairmont. Interventions with acute (Zinc Phosphide) baits were made at Wales twice and once at Uitvlugt and Skeldon respectively. These were found to be effective.

Outbreaks of the hardback beetle (Dyscenetus spp) were experienced in newly planted blocks of Skeldon and the SSMP. Successful management was achieved by flash flooding or use of Chloropyrifos 48% EC (Lorsban) in killing grubs.

## Weeds

Tanner Grass (Brachiaria arrecta) continued to engage focused attention across the industry. A variant of tanner grass at Uitvlugt Estate does not appear to be the original tanner that was brought in as a pasture species. Support in verification and identification of this species is being received from an FAO scientist, Dr Reinaldo Jose Alvarez Puente. The strategies for controlling the weed have been subjected to review to reflect present knowledge of the weed and an integrated approach to its control. This has been effective in reducing the chronic infestation levels of the weed at Uitvlugt and Wales. Guinea grass (Panicum maximum) population levels are also declining in Enmore and LBI as a result of an integrated approach adopted by the estates' management. The East Demerara Estates have adopted the aggressive approach following previous experiences in Berbice in management of antelope grass (Echinochloa pyrimidalis).

## Chemistry

Fifty seven thousand, four hundred and sixty one (57,461) analyses were conducted on eleven thousand, three hundred and ninety eight (11,398) samples during the year. International proficiency testing continued during the year for plant tissue and raw sugar in collaboration with the International Plant Analytical Exchange (IPE) at the Wageningen University in The Netherlands and the Sugar Association of London (SAOL), in the United Kingdom respectively, as part of the unit's quality assurance programme. An average proficiency level of 87.5% was attained in 2009 compared to 69.4% in 2008. The 2009 performance in the IPE has been the best for the past 5 years. Four rounds of SAOL administered collaborative testing of raw sugar were completed during the year. The Analytical and Environmental Monitoring Services' (CAEMS) performance in pol analysis compared favourably with the mean values derived from data submitted by 27-35 participating laboratories

The precision of several sugar and water analyses remained constant in 2009, as the unit maximized the use of quality control charts (QCC) in its quality assurance programme.

## Environment

The final farmers' consultation for the Mainstreaming Adaptation to Climate Change Project (MACC), Vulnerability Capacity Assessments (VCA) of Guyana's agriculture sector was held on the 21st February, 2009 in the Boardroom of the Guyana Forestry Commission. At this forum the findings of this project coordinated by GuySuCo were presented for the three pilot sites - MARDS, Wales' Sugar Estate, and the island of Leguan, after which there were final deliberations before the submission of the final project document. The study was regarded as being very successful. This document was then used as a source in the preparation of the strategy policy document to be tabled in Parliament. The submission of the project document in the Climate Change Centre of Belize included DSSAT base simulation models for sugarcane and rice.

Physico-chemical monitoring of estate inlet and effluent streams for agriculture and factory processing operations, irrigation and drainage water for agriculture operations, tailings pond samples for controlled waste discharge, agro chemical waste from aircraft operations, intake and outlet water for factory processing and wastewater from agriculture and factory operations in 2009 were comparable to the trends of previous years. The data indicated that GuySuCo's waterways and discharge levels were consistently within World Bank limits.

## Plant Growth Regulators (PGRs)

Evergreen 7-7-7, for which mixed results on improving sugarcane vigour have been found in trials conducted over the past three years and Ehephon are being evaluated for their potential in promoting vigorous growth and early development as seed cane treatments. A trial to assess these properties was established at the ARC in December 2009 on Varieties DB 7869 and DB75159 that were planted after pre-soaking the cane setts in solutions of the respective PGRs.

## Land and Soil Management

There was continued monitoring of the reduced tillage trial at the LBI Estate, Le Ressouvenir (LR) location during the year. This trial, established during the first crop 2007 is examining conventional full-width tillage with the para plow, against reduced tillage systems including strip and zero tillage respectively, restricted to the cane rows. The trial also incorporates the evaluation of four cane varieties (D9017, DB 75159, D93409 and DB 7869) under single-row or double-row planting systems.

Cane yields obtained for the first ratoon cycle during the year revealed significantly lower yields for the no-till treatment. Yields (determined from actual field size) for full-width, strip and no-till were 61.9, 80.4 and 39.1 MT/ha respectively. The gross areas included sections of dam that were left unplanted. Yields estimated from metre-row sampling in each plot were substantially greater for all the treatments. The average estimated tonnes cane per hectare (TCH) across all varieties, were 112 and 104 single and double-row planting, respectively. The values were similar for full-width and strip tillage, respectively. Soil bulk density post-harvest first ratoon values were consistently low (<1.1 g/cm3) across varieties, tillage system and row-planting method, respectively. The no-till treatment also indicated low bulk densities ~ 1.0 g/cm3. These data indicate no adverse effects of reduced tillage on soil physical properties nor cane yields while showing a significant reduction in cost for land preparation.

In 2008, trials were initiated across the industry to improve the economic efficiency through improved fertilizer use efficiency. GuySuCo's current policy stipulates the use of both Ammonium Sulphate and Urea fertilizers as sources of N; these are applied in the ratio of 2:1 and 1:1 in the plant and ratoon cycles respectively. The unit cost of N supplied by Ammonium Sulphate is approximately 1.6 times that supplied by Urea. The study was therefore initiated with a view to improving the economic output without affecting the cane and soil nutritional status. The K study on the other hand was initiated in response to results obtained from long-term reference block trials, which suggested that a lower K fertilizer regime might be appropriate for some soils.

## Ebini Adaptability Studies

During the year the ARC staff periodically visited the Ebini germplasm site to monitor and observe the various varieties of canes in the replicated nutrition trial and for breeding evaluation. The replicated trial evaluating the nutritional requirement for canes in this environment and more specifically the required N and K rates for optimum yield was harvested as the first ratoon cycle. The harvested canes and leaves were ensiled for feeding to livestock (sheep and cattle). The mean cane yield average over the various varieties was 104.2 MT/ha. D93222 gave the highest cane yield (140 MT/ha) average over all the various treatments. This was followed by D9017, D93409, DB 75159, D89138 and D9633. The standard variety DB7869 yielded the least at 88.3 MT/ha.

## Automatic Weather Stations

As of February 2008, the Centre in collaboration with estate locations and with the technical expertise of a technician from the National Hydro-met department successfully purchased and installed six Automatic Weather Stations (AWS). These stations were of two types, namely; the Grow Weather System and the Vantage PRO 2.

The acquisition of these weather stations now makes possible the measurement and storage of a number of parameters that are required for analyzing the Environmental conditions in-which plants, pests and other organisms develop. This is done on a real time basis and provides management with a source/ tool that forecasts probable climatic changes which may affect the planning and execution of various agronomic activities.

Agriculture Research Centre Met Station LBI

## Engineering

A cane loading trial was done at LBI –LR 11-31 after the heavy rains using the Bell loader in order to assess the impact of the loader on the inter row, and the cane stools within rows. Twenty four hours after a rain shower the Bell loader was used in-field at full and reduced tyre pressures respectively. There was no slippage and only minimal depressions in the undisturbed inter-rows using full tyre pressure.

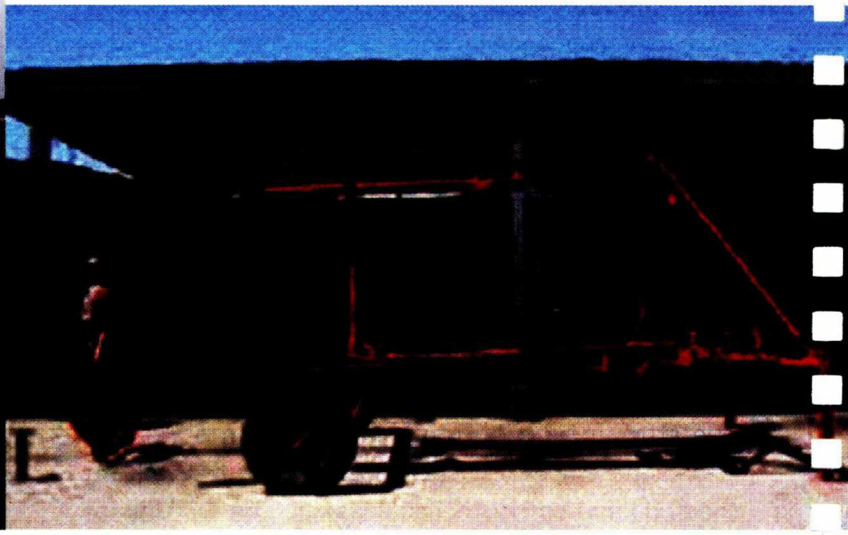
The multi task strip tillage implement underwent its first large field trial at Enmore Estate in which it prepared two fields that have since been planted. This implement will continue to be evaluated in first crop of 2010 on larger scale.

## Multi Task Implement

One single-row cane planting unit is presently being fabricated and is almost complete. It will not require a trailer to carry cane as the canes will be housed on the side of the machine. The unit will have the ability to operate on 11m Dutch beds. A trial run is planned for early in 2010.

A long reach loading and weighing device for use in experiments is almost complete. This device will be capable of loading and discharging punts.

Multi Task Implement



Long Reach Loading and Weighing Device

- Sugarcane is a C4 perennial plant and is the most efficient known converter of $CO_2$ to dry matter.
- High annual yields of biomass ( inclusive of tops and residues) – of 120 tonnes per ha , averaged over a 5 year cycle can be expected from sugar-cane growing under the environmental conditions of Guyana
- The potential this presents for sugarcane as a renewable energy source and avoided emissions of $Co_2$ is considerable if all of this dry matter could be converted
- The technology for realising this potential is being developed and is one of the fastest growing areas of technology innovation in industrial agriculture
- Life cycle analyses for sugarcane production typically estimate generation of emissions at approximately between 24 to 32 kg $CO_2$ equivalents for every tonne of cane produced. This would include the emissions generated from pre-harvest burning and degradation (over time) of crop residues in the field. GuySuCo's current mode of operation generates at levels of the order 27 kg $CO_2$ per tonne cane. On

the other hand, the normal industrial process of cane provides a net saving on $CO_2$ from avoided emissions equivalent to 12.5 kg $CO_2$ per tonne cane produced. This power is used for milling processes and electricity supply to the plant and estate infrastructure.

The introduction of high pressure boilers and associated electrical generation enables the utilisation of the sugar cane fibre and crop residues if these can be effectively collected for usable electrical energy and further avoided emissions. The Skeldon project is the first venture by Guysuco into exploiting this opportunity for sugarcane.

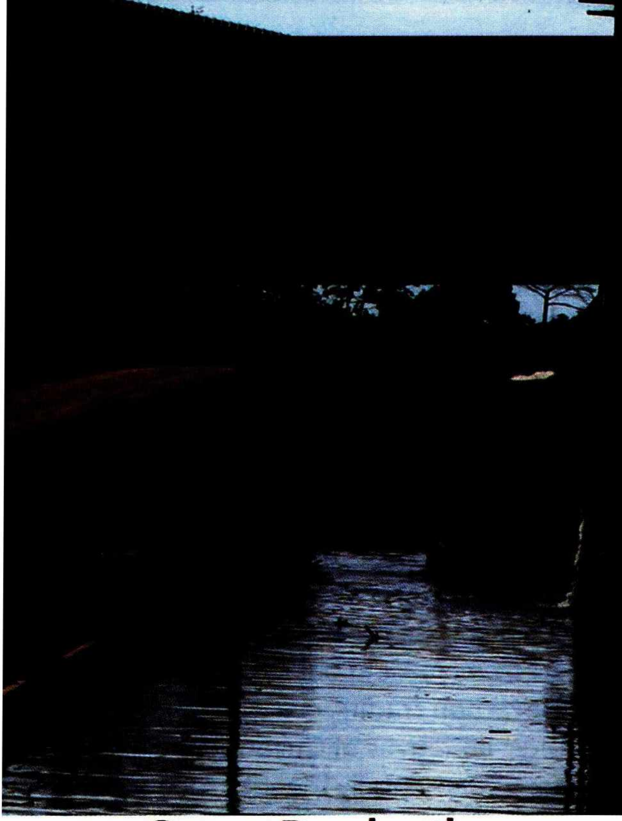
At steady state the Skeldon plant will generate from bagasse approximately 15MWhr for 37 weeks from 110,000 tonnes of cane. Of this 10MWh will be available for export to the grid. The avoided emissions at this operating mode is estimated at 37.5 kg $CO_2$ per tonne cane. This expected to earn carbon credits between 2009 and 2014 based on the annual bagasse usage and power exported to the National Grid.

The Enmore project is proposed to be the next co-generation project. This is a part of the strategic focus of the Corporation where there will be the creation of a modern agricultural-industrial complex at Enmore with a Packaging Plant operational from 2011, mechanised cultivation and one modern factory with co-generation.

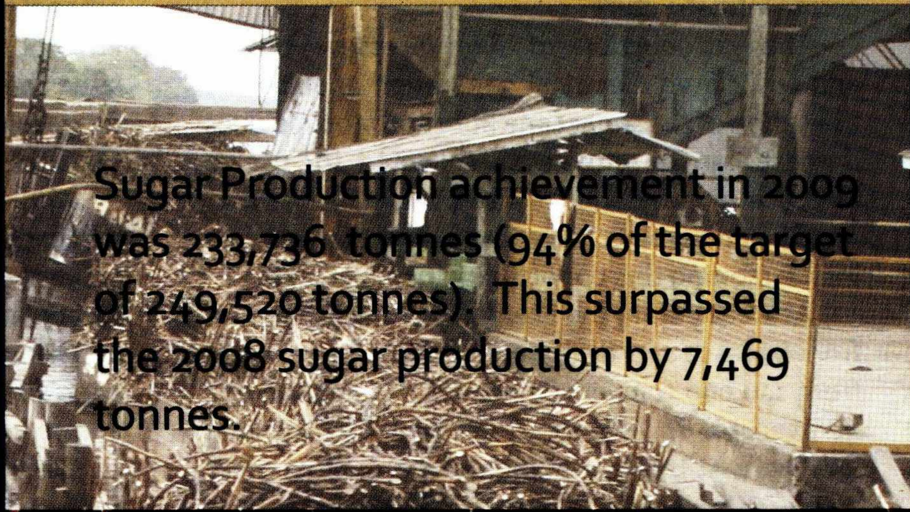
The expanded sugarcane industry will also generate molasses in larger quantities than at present in keeping with the strategic direction of GuySuCo with the objective of an operational ethanol plant producing fuel ethanol by 2015. Fuel ethanol projects have a directly measurable and large carbon saving potential as this is substituted for gasoline. Ethanol production is expected to be 13.2 litres annually.

Additionally, as GuySuCo increases its mechanisation of cane harvesting, the ability to harvest green canes will also increase, reducing carbon emissions. By 2013, it is expected that 41% of the industry's cultivation will be fully mechanical harvesting, thereby increasing our carbon savings and potential for carbon credits.

Other strategic initiatives of GuySuCo are also expected to be environmentally friendly, following a low carbon strategy. The projected expansion of Blairmont factory can ultimately create another co-generating facility utilising bagasse for power generation. Expansions and upgrades of the remaining factories can likewise create co-generating facilities utilising bagasse.



# FACTORY OPERATIONS



Sugar Production achievement in 2009 was 233,736 tonnes (94% of the target of 249,520 tonnes). This surpassed the 2008 sugar production by 7,469 tonnes.

## Sugar Production

Tonnes Sugar Production

| Factory | 2009 | 2008 | Change |
|---|---|---|---|
| **Skeldon** | **25,715** | **8,383** | **40%** |
| **Albion** | **52,271** | **55,454** | **-6%** |
| **Rose Hall** | **37,151** | **34,953** | **6%** |
| **Blairmont** | **35,950** | **32,410** | **11%** |
| **Enmore** | **24,525** | **24,243** | **1%** |
| **LBI** | **18,175** | **20,081** | **-9%** |
| **Wales** | **20,971** | **24,984** | **-16%** |
| **Uitvlugt** | **18,978** | **15,760** | **20%** |
| Industry | 233,736 | 226,267 | 3% |

**Weekly Grinding Hours**
**Average Weekly Grinding Hours**

| | | | |
|---|---|---|---|
| | 81.66 | 93.79 | 89.39 |
| | 99.87 | 123.32 | 116.19 |
| | 113.98 | 128.29 | 123.26 |
| | 117.16 | 130.96 | 125.74 |
| | 85.20 | 93.20 | 89.93 |
| | 75.76 | 79.65 | 78.17 |
| | 94.74 | 97.88 | 96.64 |
| | 76.51 | 95.87 | 89.40 |
| | 94.11 | 106.12 | 101.79 |

Blairmont and Enmore factories surpassed the year's target by 102% and 105%, respectively. Wales was the lowest producer due mainly to cane shortages. Skeldon's low production attainment was due to extensive factory problems. LBI declined while Uitvlugt increased in comparison to 2008 production.

The industry average weekly grinding hours was 102 hours. This was a marginal increase from 2008 (97 hours). Blairmont, Rose Hall and Albion surpassed 140 weekly grinding hours on numerous occasions. Cane shortages at the Demerara locations were the main reason for factory under-utilization.

## Time Loss

Rose Hall, Albion and Blairmont were the best operating factories with improved cane supply. This increased workers' morale, particularly in the Second Crop of 2009 when Blairmont Factory achieved 18 of its 21 weekly targets.

**Time Loss in 2009**

[redacted]

| | | | |
|---|---|---|---|
| [redacted] | 240.25 | 768.77 | 1051.07 |
| [redacted] | 496.82 | 515.85 | 264.90 |
| [redacted] | 610.84 | 248.75 | 228.17 |
| [redacted] | 0 | 518.44 | 179.14 |
| [redacted] | 251.01 | 1435.17 | 185.01 |
| [redacted] | 464.67 | 1597.13 | 137.10 |
| [redacted] | 463.42 | 1037.19 | 236.70 |
| [redacted] | 261.76 | 1132.34 | 382.00 |

## Pre-Milling

Locally fabricated cardium drums at all Demerara factories in 2009 contributed to increased cane preparation and subsequent increased mill extraction. This equipment also contributed to reduced HP steam requirement for the leveller knife.

Notwithstanding the intermittent grinding pattern at some locations from cane shortages, several factory efficiency parameters were surpassed. However, final molasses purity continued to be above desired level.

### Mills

The mill rollers replacement programme was achieved as budgeted for the year. This resulted in improved mill recoveries and lower bagasse moisture.

Enmore Factory installed a locally fabricated Donnelly Chute on No. 2 mills. This resulted in increased mill extraction at that location despite the problem with No. 2 mill final drive gear.

## Steam Generation

Operations were affected by excessive mud and trash from semi mechanically harvested canes in the first crop but there were significant improvements during the dry second crop.

There was a 20.8% reduction in diesel usage over the previous year. Due to continuous grinding and improved boiler maintenance, all estates except Skeldon and Uitvlugt were self-sufficient with bagasse and wood usage was minimal. Excess bagasse was available for 2010 factory start-up at all locations.

## Instrumentation

Water management controls were installed and commissioned at Albion and Wales' boilers, contributing to improved boiler efficiency and operation.

Scales continue to be monitored closely. Frequent checks for accuracy were made at DST and Rose Hall. Intermittent failures on all inline scales were reported and corrective action was taken.

## Maintenance Programme

Workers' attendance during the maintenance periods in the out-of-crop periods and weekends reduced significantly. This contributed to a decline in work standards and factory time losses.

Delays in arrival of critical spares affected job progress. However, these were resolved through the collective efforts of the Factory Operations and Materials Management Departments.

## Capital Projects

Achievement of capital plans in 2009 was limited by cash availability. Several spares with good working life from the old Skeldon factory were transferred to other operating locations.

## Training

Training in laboratory practices and sugar declaration were done centrally for all Estate Managers, Factory Managers, Production Managers and Head Lab Technicians. NDT training was done to identify staff on all locations by external Engineer.

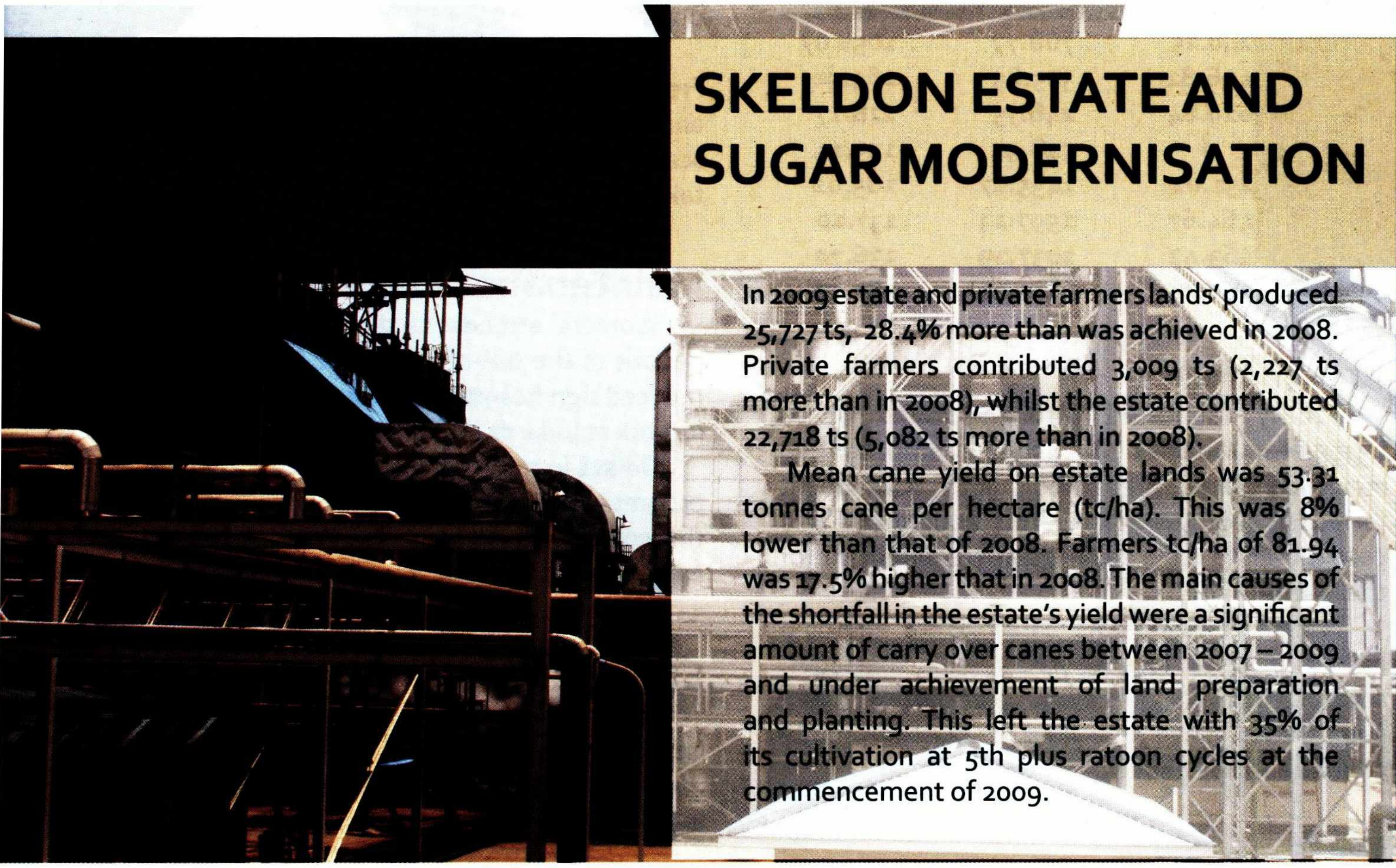
## Other

Movement of inventory between estates helped to accelerate maintenance activity and reduced inventory cost.

Staff shortages and lack of adequate engineering skills affected operations. The Management Trainee programme assisted in filling some vacancies. However, the need to have experienced personnel is urgently required for improved factory performance.

Several changes to factory management were necessary to maintain and improve performance.

Central Workshop continues to give excellent support to fabrication and welding jobs for all factories. This helped to reduce the maintenance period as jobs are done during the grinding operations. Also some fabrication was done at a much reduced cost compared to other workshops.



# SKELDON ESTATE AND SUGAR MODERNISATION

In 2009 estate and private farmers lands' produced 25,727 ts, 28.4% more than was achieved in 2008. Private farmers contributed 3,009 ts (2,227 ts more than in 2008), whilst the estate contributed 22,718 ts (5,082 ts more than in 2008).

Mean cane yield on estate lands was 53.31 tonnes cane per hectare (tc/ha). This was 8% lower than that of 2008. Farmers tc/ha of 81.94 was 17.5% higher that in 2008. The main causes of the shortfall in the estate's yield were a significant amount of carry over canes between 2007 – 2009 and under achievement of land preparation and planting. This left the estate with 35% of its cultivation at 5th plus ratoon cycles at the commencement of 2009.

The estate experienced total rainfall for the year of 1,609.4 mm against an LTM of 1,714.6 mm. The second half recorded a mere 676.0 mm which allowed for significant achievement of the estate's rehabilitation and expansion land development programmes.

## Land Preparation, Planting and Variety Extension

Heavy rain in the first half of the year interfered with land preparation. This resulted in a minimal achievement of 108.2 ha from a projection of 1,137 hectares for the first crop. In the second half of the year, conditions were more favourable for land preparation and the estate achieved 1,269.8 hectares, totalling 1,378 hectares for the year. Heavy rainfall in the 1st half of 2009 combined with absenteeism of operators and delays in procurement of spares impacted on the shortfall against the LE target. Machinery utilization averaged 68% against a target of 80%.

Planting achieved was 1,094 ha against the budgeted target of 2,904 ha. Unavailability of land and high absenteeism were the main constraints.

## Farmers

Farmers' land preparation and planting programmes achieved good results. Land preparation achievement was 964 ha against the budgeted target of 1,185 ha (81.3% achievement) whereas planting achieved was 937 ha against a budget of 1,185 ha (81.6%).

## Infrastructure

Significant work was done to improve drainage. The No. 74 sluice and the installations of a 150 tpm pump at Manarabisi have boosted the estate's ability to improve drainage. In addition, works commenced

## European Union

Sugar Protocol Quota: the Corporation delivered 246,222 metric tonnes (mt) to the EU market during the period July 1 to September 30, 2009 signalling the end to the Sugar Protocol (SP). October 1, 2009 initiated a new era of trade between the ACP and European Union, under the reform of the sugar regime. During this period also, the final price cut took effect.

The Economic Partnership Agreement (EPA) is now in effect and has replaced the Sugar Protocol with all the benefits of access, price and unlimited duration being retained but transposed into duty free, quota free (DFQF).

A new Long Term Agreement with Tate & Lyle was concluded and sales under that agreement began in September, 2009. The agreement covers the period 2009-2015 and the conclusion of the contract is expected to coincide with conclusion of the new Sugar Regime

## United States

US Quota: 7,500 mt of sugar were delivered against the 2008/2009 quota of 12,636 mt, while the Corporation is expected to ship 12,000 mt of sugar against the 2009/2010 quota of 12,500 mt.

## Direct Consumption Sugars:

Caricom: bagged sales to the Caricom market were restricted and only 2,844 mt were sold. This consisted mainly of sales to smaller markets, such as Antigua, St. Kitts and Nevis. In 2009, priority had to be given to the EU since the total tonnage to be shipped during the final 15 months period required in excess of 85% of the total production. This was also important to maximize on the higher price before the final price cut in Europe.

During the latter part of the second crop, the Corporation initiated discussions with sister Caricom territories with a view to supplying their needs in 2010. Actual deliveries were accommodated in November and December 2009, based on "spot" sales that were negotiated on available sugar. This helped to cement relationships with specific territories, such as Grenada, St. Vincent and Barbados for 2010.

Regional: 1,056 mt of sugar were shipped to the regional market. These included Curacao, Anguilla, St. Croix, British Virgin Islands and St. Maarten.

Smaller sales were also accommodated to New Zealand and Australia. The Corporation will continue to service these markets into which GuySuCo has strategically made entry and focus our effort in the medium to long term on developing these and others within the territory for our value-added sugars.

**Local Market**: sugar sales totalled 22,874 mt, of which 2,797 mt were packaged. The Corporation imported sugar of Central American and Brazilian origin to meet the local consumption needs in 2009. A total of 11,938 mt were imported during the period February to September, 2009. Local sales from the Corporation's production in 2009 were 8,139 mt.

## Premium Value Added Sugars

Despite the fact that the Corporation did not have bagged direct consumption (DC) sugar available for intra and extra-regional trade during 2009, every effort was made to maintain presence of the brand in the market place. The Corporation achieved a total of 8,000 mt of value added sales to premium markets.

Over the next reporting period, all efforts will be directed at consolidating the market growth and penetration garnered in all markets. This is to position the Corporation to solidify the development of its value added products.

The new long term agreement with Tate and Lyle speaks to the marketing of DC sugar in Europe. During the period, the Corporation benefited from technical assistance from Tate and Lyle toward achieving this. Plans are on stream to develop capacity at Blairmont Factory to produce Fairtrade Sugars.

**Comparative Sales by Market: 2007, 2008 and 2009**

[redacted]

| | | | |
|---|---|---|---|
| EU | 197,142 | 185,649 | 197,089 |
| US Bulk | 13,500 | 0 | 12,500 |
| US Bagged | 0 | 89 | 0 |
| US Packaged | 0 | 99 | 0 |
| Caricom / Regional Bagged | 3,919 | 14,421 | 31,160 |
| Caricom /Regional Packaged | 4,581 | 4,126 | 2,979 |
| Bagged Demerara Gold | 180 | 946 | 2,070 |
| [redacted] | | | |
| Local bagged | 9,489 | 21,560 | 22,446 |
| Local bagged (imported) | 11,938 | 0 | 0 |
| Local packaged | 2,756 | 1,785 | 1,034 |
| Total Local Sales | 24,183 | 23,345 | 23,480 |

[redacted]

## Fairtrade Status

The Marketing Department coordinated efforts in 2009 to advance the process towards FairTrade Certification. Fairtrade certification for our small private cane farmers culminated for the year with two (2) Fairtrade Auditors from Germany visiting and inspecting them in December to ensure they comply with Fairtrade criteria

## Customer Service / ISO Certification

The Marketing Department and the Blairmont Factory were re-certified to the ISO 9000:2001 Management System and were also upgraded to the ISO 9000:2008 Standard. This upgrade was achieved by revising the existing quality management system documents and implementing these changes in the operation to meet the requirements of the new standard.

In 2009, GuySuCo also commenced implementation of its quality management system at the Enmore Factory since this facility will be focusing on packaged products for direct consumption. The Enmore Factory is the next facility in line for certification to the international standard.

## Shipping and Logistics

**Export Management:** The early part of 2009 saw freight rates remaining at around 30 Euros per tonne, mainly due to the slump in fuel prices and a decline in shipping business. The Corporation took the opportunity to enter into two freight contracts, thus guaranteeing relatively favourable rates for the remainder of the year. As the year progressed, freights were gradually showing an upward trend and on some markets, reached around 70 Euros.

However, this had little effect on GuySuCo as the rates were already secured.

**Coastal Bulk Sugar Transport:** all coastal vessels arriving at the Demerara Shipping Terminals (DST) with bulk sugar from the factories were offloaded in a timely manner. This facilitated quicker turnaround time and avoided stock congestion on the estates.

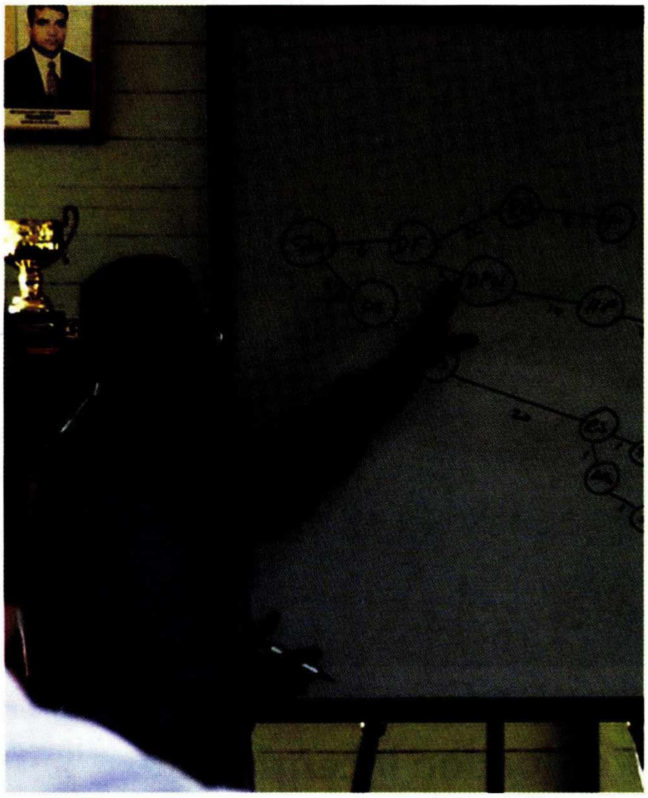
The year 2009 proved to be extremely challenging for the Corporation, and a new organizational structure was put in place to improve the fortunes of the industry. Staff departures continued to be a major cause for concern, and adequate replacements were not found in most instances. Vacancies in critical areas still exist, and shortage of labour (especially harvesters and operators) continued to plague the industry, especially LBI estate where the idea of outsourcing some activities was seriously considered.

Steps were also taken to enhance the efficiency and effectiveness of the HR function via the Human Resource Management System (HRMS) which will go live from February, 2010. Consistency in the application of policies and procedures will be enhanced, as well as the timeliness and accuracy of information.

The Health Services continued to function effectively, and were able to develop health programs relevant to the needs of the industry and consistent with the standards and procedures required by the Ministry of Health.

Weak retention at the senior management level characterized manpower flows during the year. With every three (3) additions to the group there was one (1) resignation and two (2) promotions, and the resort to accelerated promotions merely to fill vacancies did not positively impact production and productivity. The marked shift from reliance on internal promotion to external recruitment for filling vacancies was significant in that it brought superior quality recruits on paper, but high expenditure on recruitment. These occurrences will require intensive HR planning and proactive intervention.

The sourcing of labour still poses problems especially on estates seeking adequate numbers of harvesters, planters and operators, this has been only slightly alleviated with the introduction of mechanical harvesters and semi-mechanical planting.



## Training and Development

The Guyana Sugar Corporation Inc. placed critical emphasis on staff development industry wide in 2009, as it continues to face a two pronged challenge of accelerating its human resource development to cater for the adoption of new technologies in harvesting and production, while at the same time compete on the local and international markets to retain its skilled workers in all categories.

The sourcing of labour still poses problems especially on estates seeking adequate numbers of harvesters, planters and operators; this has been only slightly alleviated with the introduction of mechanical harvesters and semi-mechanical planting.

During the year 2009, the Training and Development unit was able to complete 63 workshops which directly targeted 911 workers.

Of significance was the fact that despite the challenges to the Corporation, 96 % of the training were provided by internal resources, while 4% percent was provided by External providers. This is a clear indication that workers development remains a top priority of Management.

The Corporation disbursed 317 new bursary awards in 2009, and expended a total of 8 million dollars, due to the improved performance at the SSEE and CXC.

During the reporting period, fourteen members of staff accessed funds for training through the Assistance to Study Scheme, while eight persons successfully completed training. The Department expended a total of $776,660 on the assistance to Study Scheme to eight (8) persons.

The Corporation approved the grant of cadetships to Ten (10) employees to pursue cadetships for the two-year Diploma course at the Guyana School of Agriculture.

The Corporation also has eleven (11) employees in the second year at the Guyana School of Agriculture.

The performance of our continuing cadets has generally been very encouraging, and Officials at the Guyana School of Agriculture and the Faculty of Agriculture have commented positively on the quality of the students we have selected.

A total of sixteen (16) students were on Work Study and Industrial Attachment during 2009. This included nine (9) from Secondary Schools, three (3) from the Technical Institute (GTI) and three (3) from the University of Guyana.

### Management Trainees

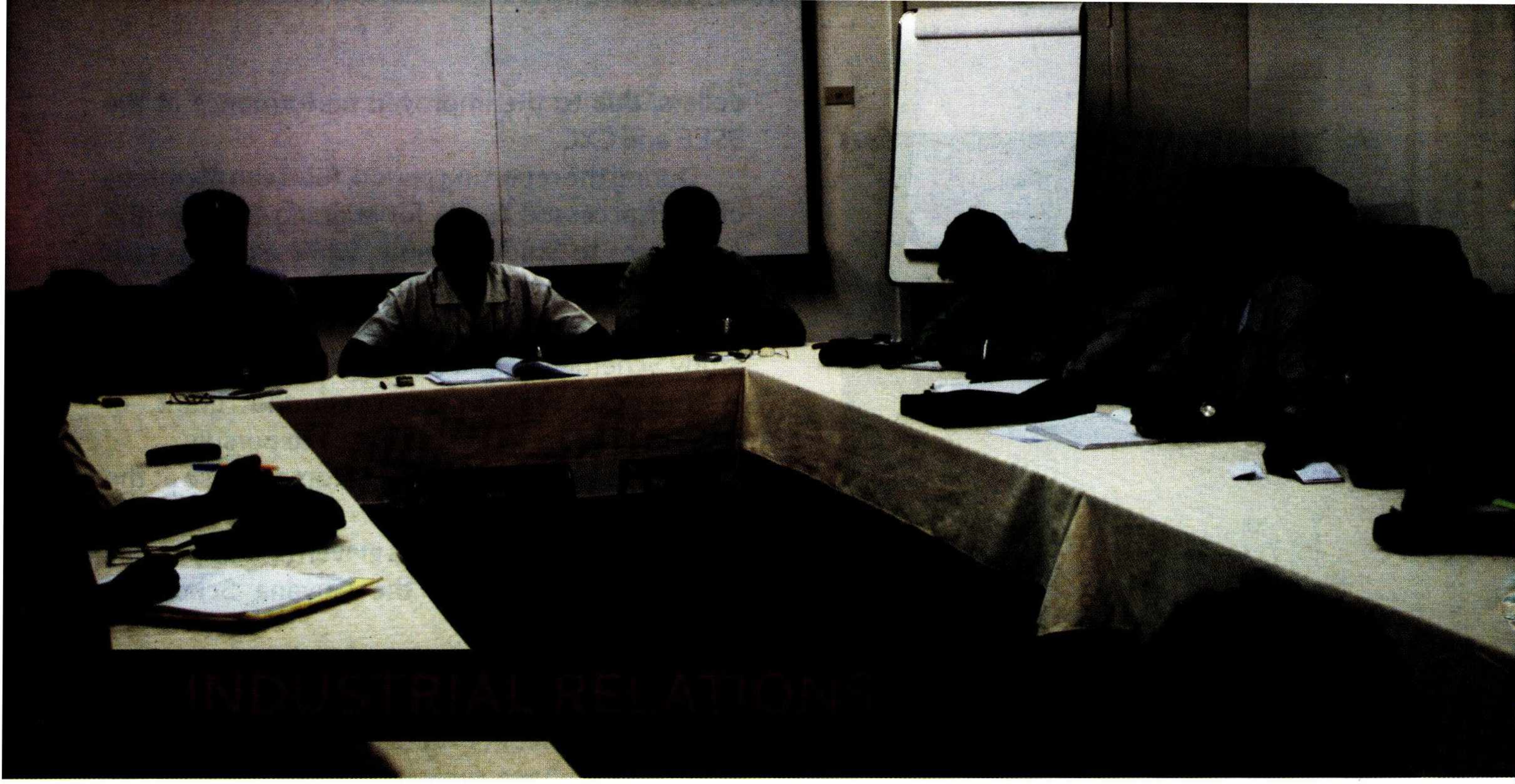
There were seventeen Management Trainees during 2009. All have been placed – nine (9) in the factories and eight (8) in the estate agriculture departments.

### GuySuCo Training Centre/Port Mourant

The current apprentice population at GTC/PM totals one hundred and twelve (112). The basic (first) year apprentices number sixty (60) and the Second Year Apprentices total fifty (50) with two (2) apprentices being Sugar Boilers.

In 2009, thirty five (35) apprentices graduated in the disciplines of Fitter Machinists, Electricians, Sugar Boilers and Automotive, Diesel Mechanics and Agriculture Mechanics.

In order to upgrade the current skill levels to satisfy the needs of the Corporation, the curriculum has been revised to offer both Craft and Technician courses. The necessary upgrades in instructors, infrastructure and equipment are being implemented.




During the year labour-management relations in the Corporation was severely challenged.

## Work Stoppages

A total of 229 strikes were recorded in 2009. This was the highest number for the past six years. Man days and wages lost were also the highest over the same six years period. The participation in some of the strikes (measured by man days and wages lost), especially the strikes involving the protest action on all estates over GuySuCo's wages offer for 2009 accounted for a total of 91,304 man days lost (70%). On the other hand, pricing and acceptance of work and incorrect punt weight recorded 11,790 (9%), 10,484 (8%) and 7,622 (6%) man days lost, respectively.

The comparative analysis of strikes from 2004 – 2009 are as follows:

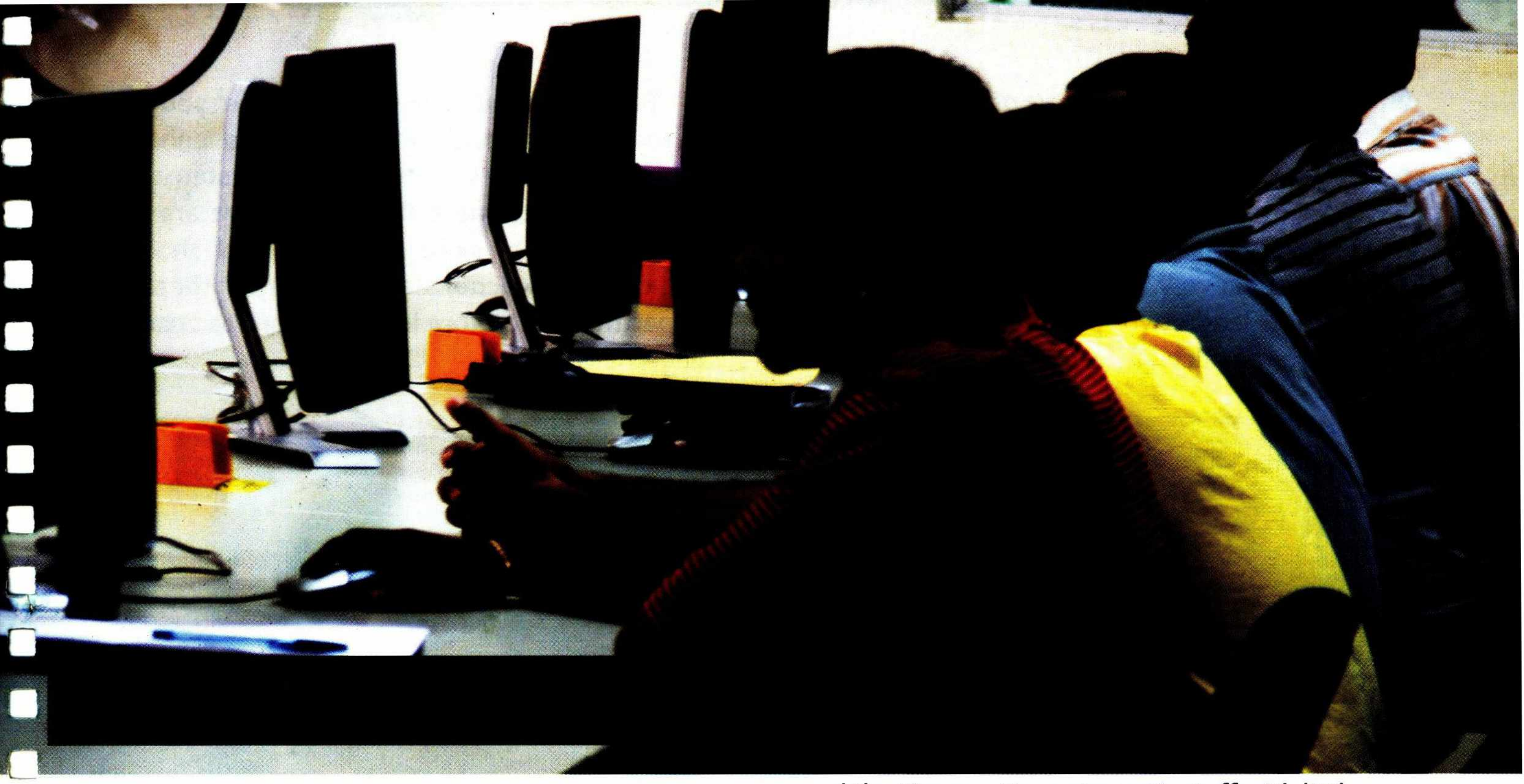
| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| **Work Stoppage** | 226 | 160 | 204 | 175 | 198 | 229 |
| **Mandays Lost'000** | 82.3 | 83.4 | 118 | 66 | 91 | 130 |
| **Wages Lost ($M)** | 128 | 150 | 204 | 130 | 179 | 274 |

## Production Incentives

A total of 79 days tax free pay were awarded as Weekly Production Incentive, comprising 23 and 56 days for the 1st and 2nd crop, respectively. The Corporation and the GAWU agreed on the award of six (6) days' pay for a production of 233,735 tonnes of sugar as API for the year 2009. Payment of six days was made on February 26, 2010 on the estates as well as to Head Office Junior Staff and levels below Junior Staff.

## Wages and Salaries

An increase of 3% across the board was awarded for the year 2009 by the Dr Gobind Arbitration Tribunal, after the Corporation and the GAWU failed to reach an agreement at the level of conciliation. NAACIE on the other hand has agreed to accept the 3% pending the outcome of a Job Evaluation Exercise, which is currently in progress.



The Information Systems Department continued expanding and enhancing the state of information systems and technologies within GuySuCo. Most noteworthy among the improvements made is the work done with the Corporation's Enterprise Information System, Oracle E-Business Suite (EBS).

At the start of the year, the components of the EBS, installed by consultants during 2008 were beset by many technical errors leading to process errors and system-user frustration. At that time, resolution of these was largely beyond internal capabilities, thus the support of Oracle Corporation and third party consultants were heavily relied upon. This coincided with the existence of a challenging environment brought about by the departure of the majority of the senior and experienced staff over the one year period from mid 2008. In addition, the department carried a 28% vacancy among management and technical staff for most of 2009.

Nevertheless, due to a combination of the improved system documentation, increased emphasis on internal multi-media based technical training, and the determination to learn and succeed displayed by the inexperienced staff, these impediments were mostly overcome.

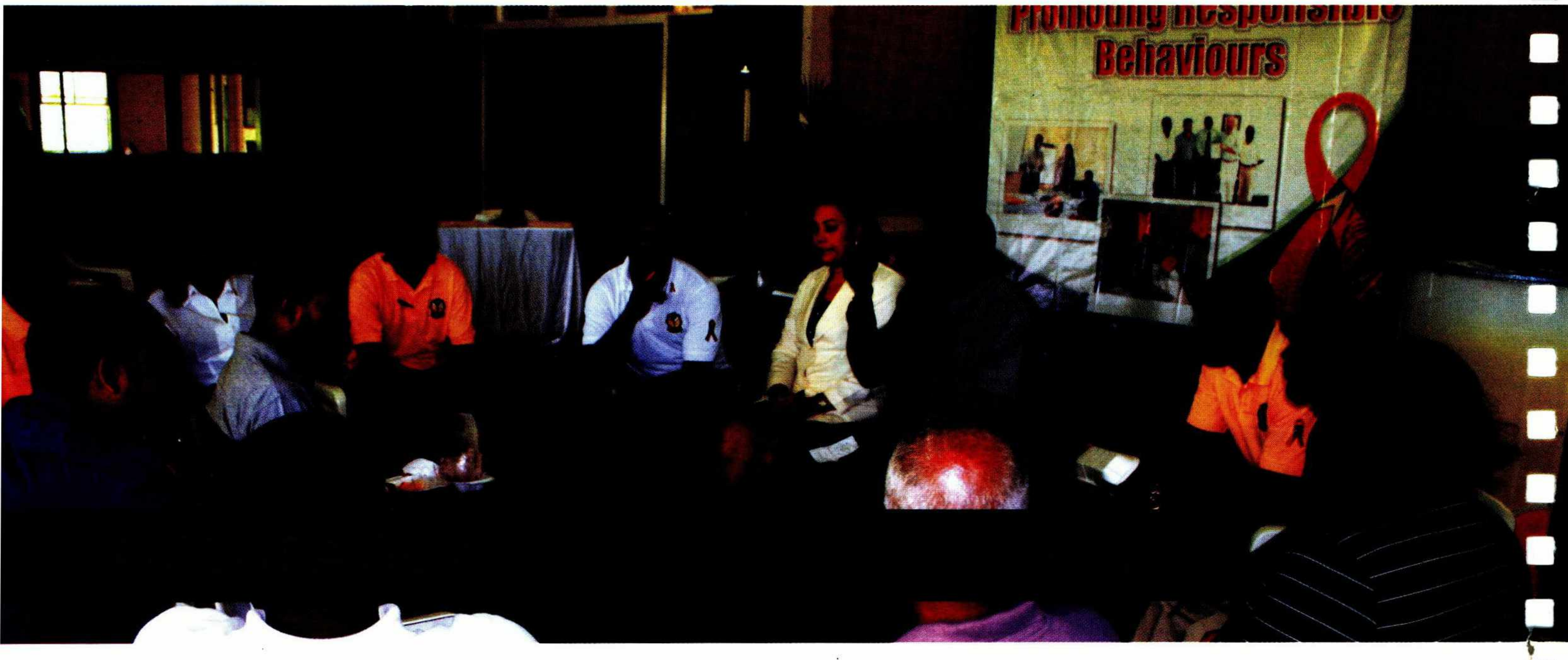
All of the outstanding EBS issues were resolved during 2009; the vast majority of these by ISD and the Finance Department's staff with little or no external assistance. By the second half of the year, ISD began focusing on implementing new features and enhancing existing features, mainly within the inventory and purchasing processes. These included expanding the areas of the inventory management process that are computerised and development of several customised management reports. The latter is a major accomplishment as development of complex, customised reports was an area that was outsourced at high cost in the previous year.

Other notable achievements and enhancements were:

i) Development of an information system for agriculture. This system will be finalised during 2010.
ii) Electronic document storage was centralised to offer improved backup facilities, increased storage space and improved access security.
iii) Email system centralised and made securely accessible via the internet globally.
iv) 50% reduction in computing hardware cost by purchasing "Thin Client" computers instead of the normal desktop computers.
v) Outsourcing the interconnection of Skeldon estate to the rest of GuySuCo's network as a pilot for outsourcing some components of our infrastructure.

vi) Demonstration of disaster preparedness with a full simulation exercise in December 2009. Currently, the department is fully prepared to recover all critical systems in the event of hardware or software failure thanks to proper system recovery documentation and ensuring that at least two persons are capable of recovering each of the systems.

Based on the progress made in 2009, ISD is ready to continue expanding and enhancing the corporation's information systems and technologies to meet demands. There are a few critical areas of skills and personnel shortages but corrective actions are in train for these. The department therefore looks forward to 2010 with eagerness.




In 2009 the Lost Time Accidents per 100,000 man-hours worked (LTA/100km-hrs) was 5. This result ranked the best in all years, and represents an improvement of 6.4 %.

The average time spent off the job due to a Lost Time Accident (LT/LTA) was 112 hours, 6.6%, better than the previous year. There were no fatalities.

Reported illness cases were down by 23% to 5,603, and man days lost followed closely by 21% to 64,663, however the average days per case climbed by 9%, moving up to 12.

Overall, reported vehicle accidents were 33% lower in 2009 than in 2008, whilst damages resulting from the accidents for the same period dropped by 37.3%.

A total of 3,189 employees received safety specific training (17% of the workforce). Training programs completed included Field and Factory Safe Working Practices, GuySuCo's Safety Policy, Duties of Workers and Employer, Hazard Identification, and Fire and Emergency Response.

Strategies to raise awareness of risks associated with Manual Handling, Office Ergonomics and Workshop Safety were also implemented.

Our fire fighters responded to 67 fire emergency calls, a 91% increase on 2008. Training of fire fighters was a priority in the year. Training consisted of localized weekly practical sessions and the use of trainers from the Guyana Fire Service.

The fire-preparedness of employees, especially in the factories and offices was checked at various stages through the fire drills with assistance from the Guyana Fire Service.

GuySuCo once more benefited from the Guyana HIV & AIDS Prevention & Control Project/ Health Sector Development Unit (HSDU) through the provision of technical and financial assistance to support work in the areas of Prevention, Training and Capacity Building, Outreach Programs, and Care and Counselling. Other partners involved in the Corporation's HIV/AIDS programme are the International Labour Organisation and United Nation Population Fund.

# REPORT OF THE DIRECTORS
## For the year ended 31st December, 2009

The Directors of Guyana Sugar Corporation Inc. present their report together with the audited financial statements for the year ended 31st December, 2009.

**Principal Activity**

The principal activity of the Corporation is the growing of sugar cane and the manufacture and sale of sugar and molasses from that cane.

The Chairman's Statement describes the development and operation of the Corporation during the year, including the preferential markets situation, the position at the end of the year and the proposed future developments.

**Results and Dividends**

The financial results of the Corporation are set out on pages 44-82.

In accordance with the policy of the Corporation for many years, no dividends are declared or payable.

**Directors**

The names of the Directors are set out on page 8. All the Directors are non-executive, except for Mr. E.O.S Hanoman.

None of the Directors during the year had any material interest in any contract which is of significance in relation to the business of the Corporation.

Directors' remuneration is set out in note 14.2.3 of the Financial Statements.

**Corporate Governance**

The Board believes that its primary function is to generate sustainable wealth for the shareholder as the key stakeholder in the business. The Guyana Sugar Corporation recognises the importance and is committed to high standards of corporate governance. This report by the Directors covers the key elements regarding the application by the Corporation of the principles of corporate governance.

(a) **The Board:** The Board comprises six non-executive directors (including the Chairman) and one executive director (the Chief Executive). The Board considers that each Director is able to bring independent judgment to the Corporation's affairs in all matters. The Board meets not less than ten times a year and has adopted a schedule of matters reserved for its decision. It is responsible for the strategic direction of the Corporation and receives information about the progress of the Corporation and its financial position each month. This information, together with papers required for each Board meeting, is circulated in a timely manner before each meeting.

The Board has established four Committees with defined terms of reference, namely the Audit Committee, the Central Tender Committee, the Remuneration Committee and the Lands Committee.

The Audit Committee comprises three non-executive directors. Representatives of the Corporation's senior management attend meetings. The role of the Committee is to assist the Board in fulfilling its obligations in relation to the integrity of financial statements, risk management and internal control. The Audit Committee reviews and discusses, with the Internal Auditor and External Auditor, the Group's internal accounting controls, internal audit function, choice of accounting policies, internal and external audit programmes, statutory auditors' report, financial reporting and other related matters.

The Central Tender Committee evaluates all tenders for the supply of materials and services above predetermined levels. The Remuneration Committee approves remuneration of senior staff and sets the policies for remuneration of other staff. The Lands Committee approves all land disposals and establishes policy issues concerning the Corporation's land.

(b) Internal Control: The Board is responsible for the Corporation's system of internal control and for reviewing its effectiveness which is designed to provide reasonable (but not absolute) assurance regarding the safeguarding of assets against unauthorised use, the maintenance of proper accounting records and the reliability of the financial information used within the Corporation.

The Board has delegated this responsibility to the Audit Committee. The said Committee conducts an annual assessment of the effectiveness of the system of internal control during the year. Key procedures have been established which are designed to provide an effective system of internal control.

The framework of the Corporation's system of internal control includes:

- an organisational structure with clearly defined lines of responsibility and delegation of authority;
- documented policies, procedures, and authorisation limits for all transactions including capital expenditure;
- a comprehensive system of financial reporting. The Board approves the annual budget and actual results are reported against budget each month. Any significant adverse variance is examined and remedial action taken. Revised profit forecasts for the year are prepared on a quarterly basis;
- an internal audit function

The system of internal control is designed to manage rather than eliminate risk as no system of control can provide absolute protection against loss.

The Directors are of the opinion, based on information and explanations given by management and the internal auditors, and on comment by the independent auditors on the results of their audit, that the Corporation's internal accounting controls are adequate and that the financial records may reasonably be relied upon for preparing the financial statements and for maintaining accountability for assets and liabilities.

**Employees**

Performance appraisals, staff development and training are provided at all levels and emphasis is placed on both technical and personal development.

Guysuco is committed to equality of opportunity amongst its employees.

Recruitment, terms of service and career development are based solely on ability and performance.

**Pensions**

The Corporation's senior staff Pension Scheme is established under an irrevocable trust. The Pension Scheme Management Committee includes employee representatives. The Scheme is managed by Professionals. Both the Committee and the Managers are required to act at all times in accordance with the rules of the Scheme and to have regard to the best interests of the members of the Scheme. The Management Committee controls the investment funds, which are managed by external fund managers. Guysuco is committed to ensuring that the Scheme is administered in accordance with the highest standards. In addition to the senior staff pension scheme the Corporation pays an ex-gratia pension to those unionized workers who satisfy the qualification criteria for a pension. This scheme is unfunded.

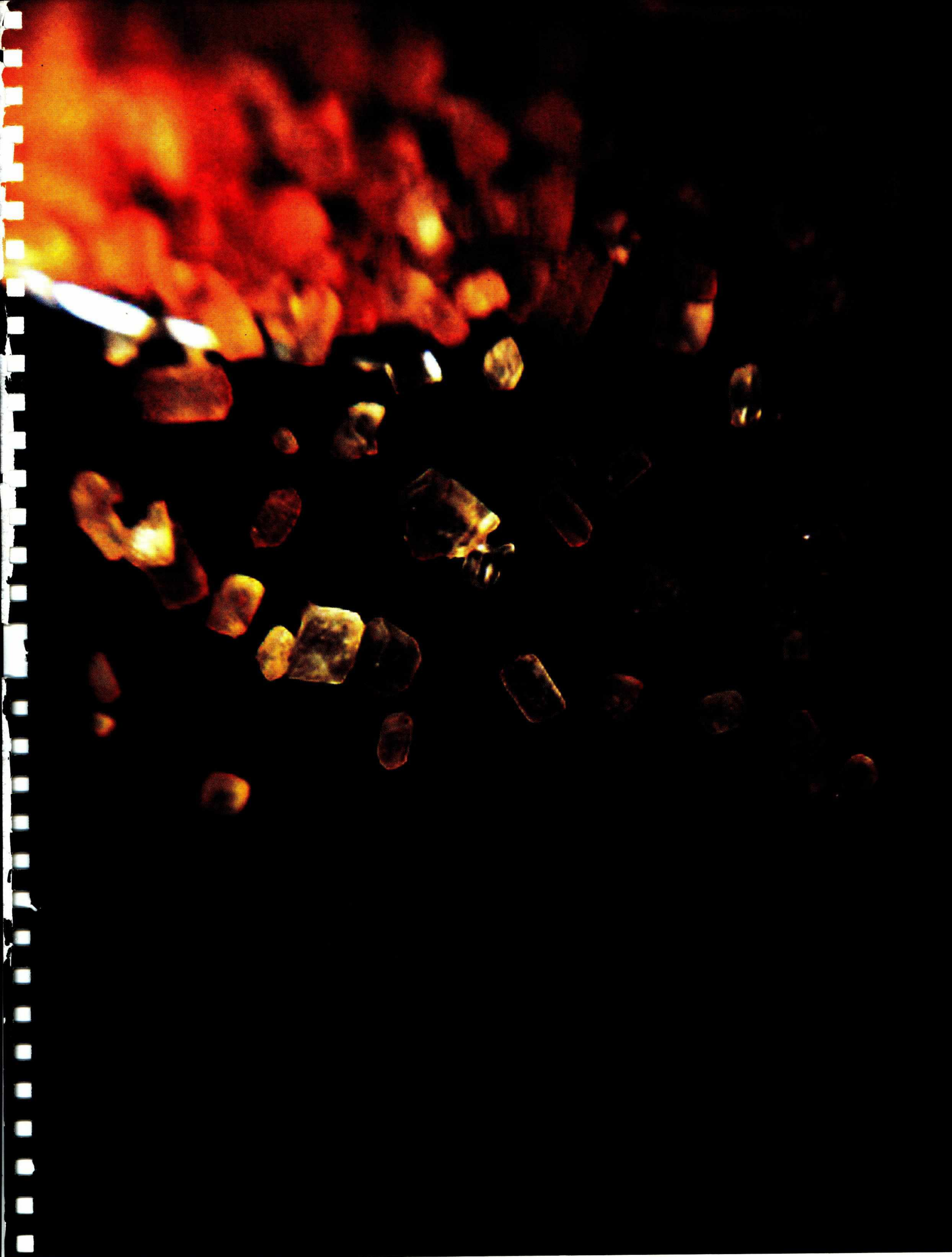
**Material events after year-end**

There was no material event which is material to the financial affairs of the Corporation or the group occurring between the date of the Balance Sheet and the date of approval of the Financial Statements.

**Auditors**

The Auditor General has audited the Financial Statements. For the financial years 1995 to 1998, inclusive, this activity was sub-contracted to Deloitte and Touche, while for the period 1999 to 2003 this activity was sub-contracted to Ram and McRae.From 2004 to 2009 Deloitte and Touche were the sub-contracted auditors.

By order of the Board
Paul Bhim
Company Secretary (ag)
Registered Office
Ogle Estate
East Coast Demerara



*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: 48/2010 13 July 2010

# REPORT OF THE AUDITOR GENERAL TO THE MEMBERS OF THE GUYANA SUGAR CORPORATION INC. ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

Chartered Accountants TSD LAL & Company have audited on my behalf the financial statements of Guyana Sugar Corporation Inc. for the year ended 31 December 2009, as set out on pages 2 to 40. The audit was conducted in accordance with the Audit Act 2004.

*Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*

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

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

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

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

*Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Guyana Sugar Corporation Inc. as of 31 December 2009, and its financial performance and its cash flows for the year then ended in conformity with International Financial Reporting Standards and the Companies Act 1991.

*Emphasis of matter*

Without qualifying my opinion I wish to emphasize that with respect to the Corporation's indebtedness to the Guyana Revenue Authority for taxes amounting to $2,319,952,485, the Guyana Revenue Authority has accepted the Corporation's proposal to discharge the liability over a period of five years (2011 – 2015). However, the Corporation's request for waiver of penalties and interest will be addressed in the agreement which will be entered into. The exact terms of this agreement has not yet been determined.

AUDIT OFFICE
GUYANA

D. SHARMA
AUDITOR GENERAL (ag.)

AUDIT OFFICE
63 HIGH STREET
KINGSTON
GEORGETOWN
GUYANA.

REPORT OF THE CHARTERED ACCOUNTANTS

TSD LAL & CO.

TO THE AUDITOR GENERAL

ON THE CONSOLIDATED FINANCIAL STATEMENTS OF

GUYANA SUGAR CORPORATION INC.

ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31 2009

**Report on the Financial Statements**

We have audited the accompanying financial statements of Guyana Sugar Corporation Inc., which comprise the statement of financial position as at December 31 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 40

*Directors'/Management's Responsibility for the Financial Statements*

The Directors/ Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

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

*Auditor's Responsibility – Cont'd*

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

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

*Opinion*

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Sugar Corporation Inc. as at December 31 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we wish to emphasize that with respect to the Corporation's indebtedness to the Guyana Revenue Authority for taxes amounting to G$2,319,952,485, the Guyana Revenue Authority has accepted the Corporation's proposal to discharge the liability over a period of five years (2011-2015). However, the Corporation's request for waiver of penalties and interest will be addressed in the agreement which will be entered into. The exact terms of this agreement have not yet been determined.

**Report on Other Legal and Regulatory Requirements**

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

TSD Lal & Co

TSD LAL & CO.
CHARTERED ACCOUNTANTS
(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)

77 Brickdam,
Stabroek, Georgetown,
Guyana

Date: July 12 2010

# Guyana Sugar Corporation Inc.
## Consolidated Statement Of Financial Position
### As At December 31,2009

| | NOTES | COMPANY 2009 $M | COMPANY Restated 2008 $M | GROUP 2009 $M | GROUP Restated 2008 $M |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non current assets** | | | | | |
| Property, plant and equipment | 5 | 102,577 | 97,761 | 102,577 | 97,761 |
| Deferred tax asset | 6 | 9,182 | 8,756 | 9,202 | 8,774 |
| Investments | 7.1 | 134 | 137 | 134 | 137 |
| Investment in subsidiary | 7.2 | 22 | 22 | - | - |
| **Total non current assets** | | 111,915 | 106,676 | 111,913 | 106,672 |
| **Current assets** | | | | | |
| Inventories | 8.1 | 3,641 | 4,156 | 3,641 | 4,156 |
| Standing cane | 8.2 | 6,742 | 6,397 | 6,776 | 6,429 |
| Product stock | 8.3 | 951 | 541 | 951 | 541 |
| Trade receivables | | 1,324 | 572 | 1,324 | 572 |
| Other receivables | | 887 | 627 | 887 | 627 |
| Prepayments | | 818 | 1,591 | 818 | 1,591 |
| Taxes recoverable | | - | - | 34 | 32 |
| Cash on hand and at bank | 9.1 | 3,277 | 2,855 | 3,302 | 2,889 |
| **Total current assets** | | 17,640 | 16,739 | 17,733 | 16,837 |
| **TOTAL ASSETS** | | **129,555** | **123,415** | **129,646** | **123,509** |
| **EQUITY AND LIABILITIES** | | | | | |
| **Shareholder's equity** | | | | | |
| Stated capital | 10 | 10,800 | 10,800 | 10,800 | 10,800 |
| Revaluation reserve | 11.1 | 50,856 | 51,035 | 50,856 | 51,035 |
| Other reserves | 11.2 | 153 | 156 | 153 | 156 |
| Accumulated deficit | | (7,085) | (5,762) | (7,095) | (5,772) |
| | | 54,724 | 56,229 | 54,714 | 56,219 |
| Non controlling interest | 7.3 | - | - | 26 | 30 |
| **Total equity** | | **54,724** | **56,229** | **54,740** | **56,249** |
| **Non current liabilities** | | | | | |
| Deferred tax liability | 6 | 10,703 | 11,063 | 10,715 | 11,075 |
| Deferred income | 12 | 2,713 | - | 2,713 | - |
| Borrowings | 13.2 | 24,109 | 22,162 | 24,109 | 22,162 |
| Employees retirement benefits | 15 | 23,242 | 21,672 | 23,242 | 21,672 |
| **Total non-current liabilities** | | 60,767 | 54,897 | 60,779 | 54,909 |
| **Current liabilities** | | | | | |
| Trade payables | | 2,174 | 2,239 | 2,186 | 2,251 |
| Other payables | | 4,463 | 2,693 | 4,466 | 2,696 |
| Related parties | 14.1 | 1,418 | 1,541 | 1,453 | 1,576 |
| Taxes payable | | 2,612 | 2,452 | 2,625 | 2,464 |
| Borrowings | 13.1 | 1,475 | 1,469 | 1,475 | 1,469 |
| Bank overdraft(secured) | 9.2 | 1,922 | 1,895 | 1,922 | 1,895 |
| **Total current liabilities** | | 14,064 | 12,289 | 14,127 | 12,351 |
| **TOTAL EQUITY AND LIABILITIES** | | **129,555** | **123,415** | **129,646** | **123,509** |

The Board of Directors approved these financial statements for issue on 12 July 2010

Director          Director

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

# GUYANA SUGAR CORPORATION INC.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED DECEMBER 31, 2009

| | NOTES | COMPANY | | GROUP | |
|---|---|---|---|---|---|
| | | 2009 | 2008 | 2009 | 2008 |
| | | $M | $M | $M | $M |
| Revenue | 16 | 32,062 | 32,148 | 32,062 | 32,148 |
| Cost of sales | | 27,755 | 29,861 | 27,755 | 29,869 |
| **Gross profit** | | **4,307** | **2,287** | **4,307** | **2,279** |
| Other income | | 467 | 781 | 468 | 779 |
| Administrative expenses | | (1,555) | (2,775) | (1,556) | (2,790) |
| Marketing and distribution expenses | | (3,134) | (4,779) | (3,134) | (4,779) |
| **Operating profit/(loss)** | | **85** | **(4,486)** | **85** | **(4,511)** |
| Finance cost | | (475) | (268) | (477) | (268) |
| Employees retirement benefits | 15.2 | (1,570) | (1,470) | (1,570) | (1,470) |
| Income from subsidiary and others | | 11 | 14 | 11 | 7 |
| **Loss before tax** | 17 | **(1,949)** | **(6,210)** | **(1,951)** | **(6,242)** |
| Taxation | 18 | 626 | 2,121 | 628 | 2,119 |
| **Loss for the year** | | **(1,323)** | **(4,089)** | **(1,323)** | **(4,123)** |
| **Other Comprehensive income:** | | | | | |
| Net (loss)/gain on revaluation of investments | | (3) | (16) | (3) | 4 |
| Net loss on revaluation of non-current asset | | (179) | - | (179) | - |
| Other comprehensive income net of tax | | **(182)** | **(16)** | **(182)** | **4** |
| **Total comprehensive loss for the year** | | **(1,505)** | **(4,105)** | **(1,505)** | **(4,119)** |
| **Loss for the year** | | | | | |
| **Attributable to:-** | | | | | |
| Equity holders of the parent | | (1,323) | (4,089) | (1,323) | (4,123) |
| Non controlling interest | | - | - | - | - |
| | | **(1,323)** | **(4,089)** | **(1,323)** | **(4,123)** |
| **Total comprehensive loss for the year** | | | | | |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | (1,505) | (4,105) | (1,503) | (4,101) |
| Non controlling interest | 7.3 | - | - | (2) | (18) |
| **Loss for the year** | | **(1,505)** | **(4,105)** | **(1,505)** | **(4,119)** |
| Basic loss per share in dollars | 24 | **(0.14)** | **(0.38)** | **(0.14)** | **(0.38)** |

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

## GUYANA SUGAR CORPORATION INC.
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED DECEMBER 31, 2009

**Company**

| | Notes | Stated Capital $M | Revaluation Reserve $M | Other Reserves $M | Retained Earnings $M | Total Equity $M |
|---|---|---|---|---|---|---|
| **Balance at January 1, 2008** | | 10,800 | 51,035 | 172 | (1,212) | 60,795 |
| Other comprehensive income | | - | - | (16) | - | (16) |
| **Loss for the year** | | - | - | - | (4,089) | (4,089) |
| **Total comprehensive income for the year** | | - | - | (16) | (4,089) | (4,105) |
| **Balance as at December 31, 2008** | | 10,800 | 51,035 | 156 | (5,301) | 56,690 |
| **Prior period adjustment** | 27 | - | - | - | (461) | (461) |
| **Balance as at December 31, 2008 as restated** | | 10,800 | 51,035 | 156 | (5,762) | 56,229 |
| Other comprehensive income | | - | (179) | (3) | - | (182) |
| **Loss for the year** | | - | - | - | (1,323) | (1,323) |
| **Total comprehensive income for the year** | | - | (179) | (3) | (1,323) | (1,505) |
| **Balance at December 31, 2009** | | 10,800 | 50,856 | 153 | (7,085) | 54,724 |
| | | - | - | - | - | |

**Group**

| | Notes | Stated Capital $M | Revaluation Reserve $M | Other Reserves $M | Retained Earnings $M | Non Controlling Interest $M | Total Equity $M |
|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2008** | | 10,800 | 51,035 | 152 | (1,213) | 68 | 60,842 |
| Other comprehensive income | | - | - | 4 | - | - | 4 |
| **Loss for the year** | | - | - | - | (4,101) | (18) | (4,119) |
| Dividends paid to non controlling interest | 7.3 | - | - | - | - | (12) | (12) |
| **Total comprehensive income for the year** | | - | - | 4 | (4,101) | (30) | (4,127) |
| **Balance at December 31, 2008** | | 10,800 | 51,035 | 156 | (5,314) | 38 | 56,715 |
| **Prior period adjustment** | | - | - | - | (458) | (8) | (466) |
| **Balance as at December 31, 2008 as restated** | | 10,800 | 51,035 | 156 | (5,772) | 30 | 56,249 |
| Other comprehensive income | | - | (179) | (3) | - | - | (182) |
| **Loss for the year** | | - | - | - | (1,323) | (2) | (1,325) |
| **Total comprehensive income for the year** | | - | (179) | (3) | (1,323) | (2) | (1,507) |
| Dividends paid to non controlling interest | 7.3 | - | - | - | - | (2) | (2) |
| **Balance at December 31, 2009** | | 10,800 | 50,856 | 153 | (7,095) | 26 | 54,740 |

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

**GUYANA SUGAR CORPORATION INC.**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED DECEMBER 31, 2009**

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | **2009 $M** | **2008 $M** | **2009 $M** | **2008 $M** |
| **Loss before taxation** | (1,949) | (6,210) | (1,951) | (6,242) |
| Adjustments for: | | | | |
| Depreciation and write down of assets | 3,256 | 2,263 | 3,256 | 2,263 |
| Loss on disposal of property, plant and equipment | 31 | - | 31 | - |
| Net interest | 474 | 2 | 474 | 2 |
| Income from subsidiary and others | (11) | (14) | (6) | (7) |
| **Operating profit/(loss) before working capital changes** | **1,801** | **(3,959)** | **1,804** | **(3,984)** |
| Decrease in inventories | 515 | 153 | 515 | 153 |
| (Increase)/decrease in standing cane | (345) | 1,055 | (347) | 1,038 |
| (Increase)/decrease in product stocks | (410) | 562 | (410) | 562 |
| Increase in accounts receivable,prepayments | (239) | (999) | (239) | (995) |
| Increase in accounts payable and accruals | 1,704 | 888 | 1,705 | 908 |
| Increase/(decrease) in amounts due to related parties | (123) | (28) | (123) | 22 |
| Increase in defined benefit pension liability | 1,570 | 1,470 | 1,570 | 1,470 |
| **Cash generated from/(used in) operations** | **4,473** | **(858)** | **4,475** | **(826)** |
| Interest paid | (484) | (286) | (484) | (286) |
| Taxes paid | - | (199) | (1) | (209) |
| **NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES** | **3,989** | **(1,343)** | **3,990** | **(1,321)** |
| **INVESTING ACTIVITIES** | | | | |
| Interest received | 10 | 284 | 10 | 284 |
| Purchase of property, plant and equipment | (8,282) | (5,980) | (8,282) | (5,980) |
| Dividends received from investments | 11 | 14 | 4 | 5 |
| Dividends paid to minority interest | - | - | (2) | (12) |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(8,261)** | **(5,682)** | **(8,270)** | **(5,703)** |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from borrowing | 1,953 | 3,501 | 1,953 | 3,501 |
| Proceeds from Government Grant | 2,713 | - | 2,713 | - |
| **NET CASH PROVIDED BY FINANCING ACTIVITIES** | **4,666** | **3,501** | **4,666** | **3,501** |
| Increase/(decrease) in cash and cash equivalents | 394 | (3,524) | 386 | (3,523) |
| Cash and cash equivalents at beginning of the period | 960 | 4,484 | 994 | 4,517 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | **1,355** | **960** | **1,380** | **994** |
| **CASH AND CASH EQUIVALENT COMPRISED OF:-** | | | | |
| **Cash on hand and at bank** | **3,277** | **2,855** | **3,302** | **2,889** |
| **Bank overdraft(secured)** | **(1,922)** | **(1,895)** | **(1,922)** | **(1,895)** |
| | **1,355** | **960** | **1,380** | **994** |

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

1. Incorporation and activities

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

2. New and revised standards and interpretations

**Effective for the current year end**

| | **Effective for annual periods beginning on or after** |
|---|---|
| **New Standards** | |
| IFRS 8 Operating Segments | 1 January 2009 |
| **Amendments to Standards** | |
| IFRS 1 & IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | 1 January 2009 |
| IFRS 2 Vesting Conditions and Cancellations | 1 January 2009 |
| IFRS 7 Enhancing Disclosures about Fair Value and Liquidity Risk | 1 January 2009 |
| IAS 1 Presentation of Financial Statements | 1 January 2009 |
| IAS 23 Borrowing Costs | 1 January 2009 |
| IAS 32 & IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation | 1 January 2009 |
| IAS 39 Clarification regarding Assessment of Embedded Derivatives | 30 June 2009 |
| Various Improvements to IFRSs - first batch | Varies (mostly 1 January 2009) |
| **New Interpretations** | |
| IFRIC 13 Customer Loyalty Programmes | 1 July 2008 |
| IFRIC 15 Agreements for the Construction of Real Estate | 1 January 2009 |
| IFRIC 16 Hedges of a Net Investment in a Foreign Operation | 1 October 2008 |
| IFRIC 18 Transfers of Assets from Customers | 1 July 2009 |

2 New and revised standards and interpretations – cont'd

<u>Available for early adoption for current year end</u>

| | **Effective for annual periods beginning on or after** |
|---|---|
| **New Standards** | |
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2013 |
| **Amendments to Standards** | |
| IFRS 1 Revisions to IFRS 1on First-time Adoption of IFRS's | 1 July 2009 |
| IFRS 1 Additional Exemptions for First-time Adopters | 1 January 2010 |
| IFRS 2 Group Cash-settled Share-based Payments | 1 January 2010 |
| IFRS 3 & IAS 27 Business Combinations | 1 July 2009 |
| IAS 24 Related Party Disclosures | 1 January 2011 |
| IAS 32 Classification of Rights Issues | 1 February 2010 |
| IAS 39 Eligible Hedged Items | 1 July 2009 |
| Various Improvements to IFRSs - second batch | Varies (mostly 1 January 2010) |
| **New interpretations** | |
| IFRIC 17 Distributions of Non-cash Assets to Owners | 1 July 2009 |
| IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2010 |
| **Amendments to Interpretations** | |
| IFRIC 14 Prepayments of a Minimum Funding Requirement | 1 January 2011 |

During the year the major standard and amendments adopted by the group were amendments to IAS 1 & IFRS 7.

Apart from the foregoing, none of the above new standards, interpretations and amendments to standards is expected to have a significant impact on the Group's accounting policies.

## 3. Summary of significant accounting policies

### 3.1 Accounting convention

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments and fixed assets and conform with International Financial Reporting Standards adopted by the Institute of Chartered Accountants of Guyana.

### 3.2 Revenue and expense recognition

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

### 3.3 Fixed assets and depreciation

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

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

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

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

### 3.4 Freehold and leasehold land

In addition to 21,565 acres of land, the Group leases from the Government of Guyana 55,173 hectares of land on which it grows cane and for ancillary purposes.

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

3. Summary of significant accounting policies – cont'd

3.5 Inventory

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

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

3.6 Standing cane

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

3.7 Research and development

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

3.8 Financial instruments

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

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

Investments

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

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

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

3. Summary of significant accounting policies – cont'd

3.8 Financial instruments– cont'd

Trade, other receivables and prepayments

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

Cash and cash equivalents

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

Trade, other payables and accruals

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

3.9 Reserves

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

(ii) Other

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

3.10 Impairment of tangible assets

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

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

3. Summary of significant accounting policies – cont'd

### 3.11 Taxation

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

Current tax

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

Deferred tax

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

3. Summary of significant accounting policies – cont'd

3.12 Employee retirement benefits

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

The contributions are held in trustee administered funds which are separate from the company's finances.
Employees who have retired and are not members of the pension scheme are paid ex-gratia pensions and are provided with post retirement medical care, which are partially recoverable from the Sugar Industry Price stabilisation Fund.

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

3.13 Translation of foreign currency

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

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

3.14 Presentation currency

The financial statements have been presented in Guyana dollars.

3.15 Provisions

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

3. Summary of significant accounting policies – cont'd

3.16 Skeldon Sugar Modernisation Project (SSMP)

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

3.17 Basis of consolidation

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

3.18 Basic earnings per share

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

3.19 Borrowing costs

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

4 Critical accounting judgements and key sources of estimation uncertainty

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

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

4. Critical accounting judgements and key sources of estimation uncertainty – cont'd

Key sources of estimation uncertainty

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

i) Trade, other receivables and prepayments

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

ii) Other financial assets

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

iii) Useful lives of property, plant and equipment

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

iv) Impairment of financial assets

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

v) Retirement benefit asset/obligation

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

## 5. PROPERTY, PLANT & EQUIPMENT

### 5.1 COMPANY

| Cost/valuation | Land | Buildings others | Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---|---|---|---|---|---|---|---|
| | $M | $M | $M | $M | $M | $M | $M |
| **As at Jan 01 2009** | 43,803 | 10,587 | 3,717 | 261 | 30,187 | 31,367 | 119,922 |
| Reclassification | 479 | - | 40 | 30 | 27,668 | (28,217) | - |
| **Revaluation** | - | - | - | - | - | (19) | (19) |
| Additions | - | - | - | 19 | - | 8,263 | 8,282 |
| Disposals | - | - | (3) | - | (504) | - | (507) |
| **As at December 31, 2009** | **44,282** | **10,587** | **3,754** | **310** | **57,351** | **11,394** | **127,678** |
| **Comprising:** | | | | | | | |
| Cost | 479 | 1,277 | 119 | 310 | 57,179 | 11,394 | 70,758 |
| Valuation | 43,803 | 9,310 | 3,635 | - | 172 | - | 56,920 |
| | 44,282 | 10,587 | 3,754 | 310 | 57,351 | 11,394 | 127,678 |
| **Depreciation** | | | | | | | |
| **As at Jan 01 2009** | - | 2,253 | 830 | 49 | 19,029 | - | 22,161 |
| Charge for the period | - | 232 | 80 | 9 | 3,095 | - | 3,416 |
| Retired on disposals | - | - | (1) | - | (475) | | (476) |
| **As at December 31, 2009** | **-** | **2,485** | **909** | **58** | **21,649** | **-** | **25,101** |
| **Net book value** | | | | | | | |
| **As at December 31, 2009** | **44,282** | **8,102** | **2,845** | **252** | **35,702** | **11,394** | **102,577** |
| **As at December 31, 2008** | **43,803** | **8,334** | **2,887** | **212** | **11,158** | **31,367** | **97,761** |

### 5.2 GROUP

| Cost or valuation | Land | Buildings others | Buildings wooden | Land expansion cost | Plant, machinery and equipment | Work in progress | Total |
|---|---|---|---|---|---|---|---|
| | $M | $M | $M | $M | $M | $M | $M |
| **As at Jan 01 2009** | 43,803 | 10,599 | 3,717 | 261 | 30,187 | 31,367 | 119,934 |
| Reclassification | 479 | - | 40 | 30 | 27,668 | (28,217) | - |
| **Revaluation** | - | - | - | - | - | (19) | (19) |
| Additions | - | - | - | 19 | - | 8,263 | 8,282 |
| Disposals | - | - | (3) | - | (504) | - | (507) |
| **As at December 31, 2009** | **44,282** | **10,599** | **3,754** | **310** | **57,351** | **11,394** | **127,690** |
| **Comprising:** | | | | | | | |
| Cost | 479 | 1,277 | 119 | 310 | 57,179 | 11,394 | 70,758 |
| Valuation | 43,803 | 9,322 | 3,635 | - | 172 | - | 56,932 |
| | **44,282** | **10,599** | **3,754** | **310** | **57,351** | **11,394** | **127,690** |
| **Depreciation** | | | | | | | |
| **As at Jan 01 2009** | 7 | 2,247 | 830 | 49 | 19,040 | - | 22,173 |
| Charge for the year | - | 232 | 80 | 9 | 3,095 | - | 3,416 |
| Retired on disposals | - | - | (1) | - | (475) | - | (476) |
| **As at December 31, 2009** | **7** | **2,479** | **909** | **58** | **21,660** | **-** | **25,113** |
| **Net book value** | | | | | | | |
| **As at December 31, 2009** | **44,275** | **8,120** | **2,845** | **252** | **35,691** | **11,394** | **102,577** |
| **As at December 31, 2008** | **43,796** | **8,352** | **2,887** | **212** | **11,147** | **31,367** | **97,761** |

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

**5.3** Skeldon Modernisation Project

Expenditure includes project management costs, the preparation of new cane areas, equipment and interest cost.

Interest capitalised is as follows:

| | CDB SSMP $M | CDB D&I $M | GOG SSMP $M | TOTAL $M |
|---|---|---|---|---|
| Balance as at January 1 2008 | **181** | **39** | **-** | 220 |
| Capitalised for the year | **119** | **14** | **469** | 602 |
| Balance as at December 31, 2008 | **300** | **53** | **469** | 822 |
| Capitalised for the year | **171** | **-** | **905** | 1,076 |
| Balance as at December 31, 2009 | **471** | **53** | **1,374** | 1,898 |

**5.4** If no revaluation of land, buildings and equipment was done, the net book value of property, plant and equipment would have been approximately $70,618,000,000 (2008 - $62,567,000,000)

**5.5 LEASEHOLD LANDS**

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

| | Hectares |
|---|---|
| Unexpired leases | 19,364 |
| Expired leases | 7,561 |
| Expired permissions | 944 |
| During the President's pleasure licenses | 26,962 |
| During the President's pleasure permissions | 342 |
| | **55,173** |

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

Lease payment per hectare per annum has been as follows:

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

A valuation prepared by a professional valuer placed a value on these lands of $1,482,600 per hectare at January 01, 1999. However, no active market exists for these lands.

## 6. DEFERRED TAX

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

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| **Deferred tax liability** | | | | |
| Property, plant and equipment | 8,342 | 8,825 | 8,343 | 8,837 |
| Standing cane | 2,361 | 2,238 | 2,372 | 2,238 |
| | **10,703** | **11,063** | **10,715** | **11,075** |
| **Deferred tax asset** | | | | |
| Tax value of losses carried forward | (1,045) | (1,169) | (1,063) | (1,169) |
| Property, plant and equipment | - | - | (2) | (18) |
| Inventories provision | (1) | (1) | (1) | (1) |
| Defined benefit pension liability | (8,136) | (7,586) | (8,136) | (7,586) |
| | **(9,182)** | **(8,756)** | **(9,202)** | **(8,774)** |

**Movement in temporary differences**

| COMPANY | Balance at Jan 01,2009 | Recognised in Income | Balance at Dec 31,2009 |
|---|---|---|---|
| **Deferred tax liability** | | | |
| Property, plant and equipment | 8,825 | (483) | 8,342 |
| Standing cane | 2,238 | 123 | 2,361 |
| | **11,063** | **(360)** | **10,703** |
| **Deferred tax asset** | | | |
| Tax value of losses carried forward | (1,169) | 124 | (1,045) |
| Inventories provision | (1) | - | (1) |
| Defined benefit pension liability | (7,586) | (550) | (8,136) |
| | **(8,756)** | **(426)** | **(9,182)** |

**Movement in temporary differences**

| GROUP | Balance at Jan 01,2009 | Recognised in Income | Balance at Dec 31,2009 |
|---|---|---|---|
| **Deferred tax liability** | | | |
| Property, plant and equipment | 8,837 | (481) | 8,356 |
| Standing cane | 2,238 | 121 | 2,359 |
| | **11,075** | **(360)** | **10,715** |
| **Deferred tax asset** | | | |
| Tax value of losses carried forward | (1,169) | 122 | (1,047) |
| Property, plant and equipment | (18) | - | (18) |
| Inventories provision | (1) | - | (1) |
| Defined benefit pension liability | (7,586) | (550) | (8,136) |
| | **(8,774)** | **(428)** | **(9,202)** |

## 7. INVESTMENTS

### 7.1 Investments

| Available for sale: | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| **Livestock Development Co.** | - | - | - | - |
| **Republic Bank Limited** | 134 | 137 | 134 | 137 |
| | 134 | 137 | 134 | 137 |

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

### 7.2 INVESTMENT IN SUBSIDIARY

| | COMPANY 2009 $M | COMPANY 2008 $M |
|---|---|---|
| **Lochaber Limited** | 22 | 22 |

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

### 7.3 Non controlling interest

| | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|
| | | - |
| Restated At January 1 | 30 | 68 |
| Share of loss | (2) | (18) |
| Dividend paid | (2) | (12) |
| Prior period restatement | - | (8) |
| At December 31 | 26 | 30 |

## 8. CURRENT ASSETS

### 8.1 Inventory categories

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| Fuel | 88 | 90 | 88 | 90 |
| Spares | 1802 | 1829 | 1802 | 1,829 |
| Fertilizers and chemicals | 435 | 475 | 435 | 475 |
| Other | 1640 | 2089 | 1640 | 2,089 |
| **Gross inventories** | **3,965** | **4,483** | **3,965** | **4,483** |
| Less collectively assessed provision for slow moving and obsolete items | (324) | (327) | (324) | (327) |
| **Net Inventories** | **3,641** | **4,156** | **3,641** | **4,156** |

Provision for slow moving and obsolete items decreased by $3M which was due to obsolete items being written off during the year.

It is estimated that fuel,fertilizers and chemicals and other inventories will be realised within one year

Spares expected to be recovered more than one year $623M (2008 - $677M)

### 8.2 Standing Cane

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

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| Balance as at January 01 | 6,397 | 7,452 | 6,462 | 7,500 |
| Adjustment to cost of sales | 345 | (1,055) | 314 | (1,038) |
| Estimated point of sale costs | - | - | - | (33) |
| **Balance as at December 31** | **6,742** | **6,397** | **6,776** | **6,429** |

**Standing Cane by Age**

| **Age of Cane** | COMPANY 2009 Hectares | COMPANY 2008 Hectares | GROUP 2009 Hectares | GROUP 2008 Hectares | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|---|---|---|---|
| 1-5 Months | 28,434.70 | 28,308.90 | 28,597.70 | 28,417.00 | - | - | - | - |
| 6 Months | 1,140.30 | 1,236.70 | 1,160.90 | 1,343.60 | 46.1 | 50 | 46.1 | 54 |
| 7 Months | - | 1,424.60 | - | 1,424.60 | - | 128 | - | 128 |
| 8 Months | 1,559.40 | 3,186.00 | 1,559.40 | 3,216.10 | 242.5 | 495 | 242.5 | 495 |
| 9 Months | 4,214.00 | 4,416.70 | 4,250.00 | 4,461.40 | 1,323.7 | 1,367 | 1,335.7 | 1,372 |
| 10 Months | 5,890.50 | 4,538.70 | 5,970.90 | 4,578.50 | 2,835.9 | 2,202 | 2,843.9 | 2,216 |
| 11 Months | 3,245.30 | 2,829.90 | 3,271.40 | 2,873.00 | 1,860.3 | 1,588 | 1,874.3 | 1,607 |
| 12 Months | 785.90 | 1,039.20 | 785.90 | 1,039.20 | 433.9 | 567 | 433.9 | 590 |
| Estimated point of sale costs | - | - | - | - | - | - | - | (33) |
| | **45,270.10** | **46,980.70** | **45,596.20** | **47,353.40** | **6,742** | **6,397** | **6,776** | **6,429** |

| | COMPANY 2009 $ | COMPANY 2008 $ | GROUP 2009 $ | GROUP 2008 $ |
|---|---|---|---|---|
| Farmers' price per tonne of sugar | 80,229 | 80,825 | 80,229 | 80,825 |

### 8.3 Product stock categories

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| Sugar | 734 | 409 | 734 | 409 |
| Molasses | 206 | 121 | 206 | 121 |
| Livestock | 11 | 11 | 11 | 11 |
| | **951** | **541** | **951** | **541** |

## 9. CASH AND CASH EQUIVALENTS

### 9.1 CASH ON HAND AND AT BANK

| | COMPANY 2009 | COMPANY 2008 | GROUP 2009 | GROUP 2008 |
|---|---|---|---|---|
| US Dollar (Escrow) | 3,263 | 2,635 | 3,288 | 2,669 |
| US Dollar (Current a/c) | 2 | 92 | 2 | 92 |
| GBP | 11 | 25 | 11 | 25 |
| Euro | 1 | 103 | 1 | 103 |
| | **3,277** | **2,855** | **3,302** | **2,889** |

## 9. CASH AND CASH EQUIVALENTS CONTINUED

### 9.2 BANK OVERDRAFT(SECURED)

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009<br>$M | 2008<br>$M | 2009<br>$M | 2008<br>$M |
| Guyana Dollar(a) | 1,922 | 1,895 | 1,922 | 1,895 |
| (a) **These comprised of:-** | | | | |
| (i) Guyana Bank for Trade and Industry Limited | 996 | 997 | 996 | 997 |
| (ii) Republic Bank Guyana Limited | 370 | 237 | 370 | 237 |
| (iii) Demerara Bank Limited | 25 | 74 | 25 | 74 |
| (iv) Bank of Nova Scotia | 531 | 587 | 531 | 587 |
| | 1,922 | 1,895 | 1,922 | 1,895 |

**Securities held consist of**

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

(iii) & (iv) - Over properties at Plantation Vryheids Lust, Plantation Montrose, Plantation Felicity, Plantation Better Hope & Plantation Brothers all of East Coast Demerara.
- Over properties at Plantation La Bonne Intention and Plantation Chateau Margot both of East Coast Demerara.
- Over properties at Plantation Le Ressouvenir and Plantation Success both of East Coast Demerara.

**(b) Interest rates are as follows:-**

| | GROUP | |
|---|---|---|
| | 2009 | 2008 |
| Guyana Bank for Trade and Industry Limited | 9% | 8% |
| Republic Bank Guyana Limited | 8% | 8% |
| Demerara Bank Limited | 8.5% | 8% |
| Bank of Nova Scotia | 8.5% | 8% |

## 10. STATED CAPITAL

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

## 11. RESERVES

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| 11.1 **Revaluation reserve** | 2009<br>$M | 2008<br>$M | 2009<br>$M | 2008<br>$M |
| Revaluation of fixed assets | 50,856 | 51,035 | 50,856 | 51,035 |

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

### 11.2 Other reserves

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009<br>$M | 2008<br>$M | 2009<br>$M | 2008<br>$M |
| 1. Amounts received by the Corporation from the Sugar Industry Special Funds for rehabilitation work carried out on the Corporation's factories. | 25 | 25 | 25 | 25 |
| 2. Monies received from the Government of Guyana for the purpose of financing projects in the Corporation's diversification programme. | 15 | 15 | 15 | 15 |
| 3. The value of the net assets of Guyana Agricultural Products Corporation and Demerara Sugar Company Limited which were acquired by the Government of Guyana and transferred to the Corporation. During 2002 $14M was capitalised as equity. | 1 | 1 | 1 | 1 |
| 4. Adjustment of investments to reflect fair value | 112 | 115 | 112 | 115 |
| | 153 | 156 | 153 | 156 |

## 12. DEFERRED INCOME

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| **Income from European Union** | 2,713 | - | 2,713 | - |

Deferred income represents income from the European Union as part of the Guyana National Action Plan (GNAP) submission for the mitigation against the EU price cuts. Funds received will be utilised for the construction of a new packaging plant at Enmore Estate called Enmore Project Gold and will result in the conversion of production into direct consumption sugars for the local and international markets.

Construction works commenced on the US$12M facility in 2009 and is expected to be completed in September 2010. Following completion, deferred income will be transferred to the Statement of Comprehensive Income on an annual basis over the plant's useful economic life.

## 13. BORROWINGS

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| **13.1 Current** | | | | |
| a) Government of Guyana Drainage and Irrigation financed by CDB | 141 | 50 | 141 | 50 |
| e) Consortium of local banks and ING | 1,190 | 1,275 | 1,190 | 1,275 |
| f) Government of Guyana Debenture | 144 | 144 | 144 | 144 |
| | **1,475** | **1,469** | **1,475** | **1,469** |
| **13.2 Non Current** | | | | |
| a) Government of Guyana Drainage and Irrigation financed by CDB | 790 | 890 | 790 | 890 |
| b) Government of Guyana SSMP | 12,856 | 12,071 | 12,856 | 12,071 |
| c) Government of Guyana SSMP financed by CDB | 4,262 | 3,871 | 4,262 | 3,871 |
| d) Government of Guyana SSMP financed by EXIM Bank | 6,201 | 5,330 | 6,201 | 5,330 |
| **Total loans** | **24,109** | **22,162** | **24,109** | **22,162** |
| | - | - | - | - |
| Repayments due in one year and included in current liabilities | 1,475 | 1,469 | 1,475 | 1,469 |
| Repayment due within 2-5 years | 546 | 636 | 546 | 636 |
| Repayment due after five years | 23,563 | 21,526 | 23,563 | 21,526 |
| | **24,109** | **22,162** | **24,109** | **22,162** |

**a) Government of Guyana Drainage and Irrigation financed by CDB**

The loan from the Government of Guyana represents an on-lending of a loan from the Caribbean Development Bank for US$5,050,000 to finance various drainage and irrigation projects. Total funds received at December 31, 2009 amounted to US$5,026,395 (2008 US$5,026,395). Interest is charged at the rate of 5% per annum on the principal and is paid quarterly.

The repayment of the loan starts 5 years after the date of the first disbursement and will be paid in 34 equal semi - annual installments. A further grace period of 3 years has been granted on the repayments by the Government of Guyana. The first disbursement was received in July 2002. The maturity date of th loan is June 2024.

**b) Government of Guyana SSMP**

This is an on - lending facility from the Government of Guyana for US$56M to finance the new Skeldon factory. The full amount was deposited in an Escrow account with ING Bank. Interest is charged at a rate of 5% per annum on the principal and is to be paid on a semi-annual basis.

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

**c) Government of Guyana SSMP financed by CDB**

This is an on - lending facility from the Government of Guyana for US$25M financed by CDB. These funds are to be used for the agricultural component of the new Skeldon factory. Drawdowns are made based on submission of contractors' certificates. To date a drawdown of US$20.775M was made.

The repayment of the loan starts 5 years after the date of the first disbursement and will be paid in 24 equal semi annual instalments. The first disbursement was received in May 2005. The maturity date of the loan is April 2022.

**d) Government of Guyana SSMP financed by EXIM Bank**

This is an on - lending facility from the Government of Guyana for US$35M financed by the Export and Import Bank of China (EXIM). These funds are to be used for the Co-generation Facility of the new Skeldon factory. Drawdowns are made based on submission of contractors' certificates. To date a drawdown of US$30.224M was made.

The repayment of the loan starts 5 years after the date of the first disbursement and will be paid in 24 equal instalments. A further grace period of 3 years has been granted on the repayments by the Government of Guyana. The first disbursement was received in March 2005. The maturity date of the loan is February 2022.

**e) Consortium of local banks**

This is a short term line of credit as part of a consortium lending arrangement by participating Licensed Financial Institutions of Guyana totaling G$1,190M.

**f) Government of Guyana debenture**

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

## 14. RELATED PARTIES

### 14.1 AMOUNTS DUE TO RELATED PARTIES

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009 $M | 2008 $M | 2009 $M | 2008 $M |
| Lochaber | (33) | (39) | - | - |
| Booker Tate | 167 | 364 | 167 | 360 |
| Government of Guyana - Lease rentals | 362 | 346 | 362 | 346 |
| Sugar Industry Labour Welfare Fund | 922 | 870 | 924 | 870 |
| | **1,418** | **1,541** | **1,453** | **1,576** |

Total rent payable for the lease lands to the Government of Guyana was $362.3M (2008 - $346M) whilst the amount paid was $87.3M (2008 - $127.5M).

Total levies payable to Sugar Industry Welfare Fund was $1,235M whilst claims made by Guysuco for work done on behalf of the welfare was $313M. Payment made during the year was $75M.

### 14.2 RELATED PARTIES TRANSACTIONS

#### 14.2.1 Booker Tate Limited

Booker Tate Limited, a company incorporated in the United Kingdom, managed the Corporation under an agreement dated March 26, 1996 up to March 31 2009. Under this agreement Booker Tate received a fixed fee, a production incentive fee and reimbursement of certain expenses.From April 01 2009 this agreement was replaced with a Technical Services Agreement. The amounts payable to Booker Tate under the agreements were as follows:

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009 $M | 2008 $M | 2009 $M | 2008 $M |
| Fixed fee (£350,000 per annum) | 54 | 105 | 54 | 105 |
| Technical Services(£85,000 per annum) | 29 | - | 29 | - |
| Production incentive fee | - | 40 | - | 40 |
| Salaries, benefits and other expenses | 88 | 232 | 88 | 232 |
| **Total** | **171** | **377** | **171** | **377** |

#### 14.2.2 Key Management Personnel (excluding Booker Tate)

The company's key management personnel comprise its Chief Executive Officer, Functional Directors and other Managers. The remuneration paid to key management

| | | | | |
|---|---|---|---|---|
| **Short term employee benefit** | 182 | 270 | 182 | 270 |

#### 14.2.3 Directors' fees and expenses

| | COMPANY | | | | GROUP | | | |
|---|---|---|---|---|---|---|---|---|
| | 2009 | | 2008 | | 2009 | | 2008 | |
| | Fees $000 | Expenses $000 | Fees $000 | Expenses $000 | Fees $000 | Expenses $000 | Fees $000 | Expenses $000 |
| **Directors** | | | | | | | | |
| Ronald Alli (Chairman)* | - | 58 | 90 | 3,387 | - | 58 | 90 | 3,387 |
| Dr Nanda K. Gopaul | - | - | - | - | - | - | - | - |
| Donald Ramotar | 70 | 1,881 | 70 | 414 | 70 | 1,881 | 70 | 414 |
| Dindyal Permaul | - | - | 70 | - | - | - | 70 | - |
| Rajendra Singh* | - | - | - | 52 | - | - | - | 52 |
| Mrs. Geeta Singh -Knight | 70 | - | - | - | 70 | - | - | - |
| Dr. Rajendra Singh | 70 | 2,038 | 70 | 2,020 | 70 | 2,038 | 70 | 2,020 |
| Keith Burrowes | 70 | - | 70 | - | 70 | - | 70 | - |
| Badrie Persaud* | - | - | 70 | - | - | - | 70 | - |
| Mr. J.B. Raghurai | 70 | - | - | - | 70 | - | - | - |
| Roger Speddy | - | 1,720 | - | 2,675 | - | 1,720 | - | 2,675 |
| Errol Hanoman | - | 2,016 | - | 13,335 | - | 2,016 | - | 13,335 |
| | **350** | **7,713** | **440** | **21,883** | **350** | **7,713** | **440** | **21,883** |

* Indicate Directors retiring during the year.

All directors' expenses have been incurred on corporate business. Directors' fees comprise those amounts paid to or on behalf of directors in respect of services as directors.

## 15. Defined Benefit asset/liability

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 December 2009 by Becon Woodrow & De Souza. The present valuation of the defined benefit obligation and the related current service cost were measured by the actuaries at 31 December 2009 using the Projected Unit Credit Method.

| | 2009 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Post Retirement Medical | STEPS Scheme | Ex Gratia Scheme | Total | Post Retirement Medical | STEPS Scheme | Ex Gratia Scheme | Total |
| | $M | $M | $M | $M | $M | $M | $M | $M |
| 15.1 **The amounts recognized in the Statement of Financial Position are as follows:** | | | | | | | | |
| Defined benefit obligation | 574 | 8,200 | 21,899 | 30,673 | 574 | 7,986 | 20,950 | 29,510 |
| Fair value of assets | - | (7,776) | - | (7,776) | - | (7,612) | - | (7,612) |
| **Present value of unfunded contributions** | **574** | **424** | **21,899** | **22,897** | **574** | **374** | **20,950** | **21,898** |
| Unrecognized gain/(loss) | - | (131) | 476 | 345 | - | (123) | (103) | (226) |
| **Defined benefit liability** | **574** | **293** | **22,375** | **23,242** | **574** | **251** | **20,847** | **21,672** |
| 15.2 **Reconciliation of opening and closing defined benefit liability** | | | | | | | | |
| Defined benefit liability at the beginning of the year | 573 | 252 | 20,845 | 21,672 | 573 | 222 | 19,407 | 20,202 |
| Add net pension cost | - | 285 | 2,051 | 2,336 | - | 270 | 1,947 | 2,217 |
| Less company contribution/benefits paid | - | (243) | (523) | (766) | - | (240) | (507) | (747) |
| **Net pension cost** | - | 42 | 1,528 | 1,570 | - | 30 | 1,439 | 1,469 |
| **Defined benefit liability at the end of the year** | **573** | **294** | **22,373** | **23,242** | **573** | **252** | **20,845** | **21,672** |
| 15.3 **The amounts recognized as staff costs in the Statement Of Income are as follows:** | | | | | | | | |
| Current service cost | - | 310 | 809 | 1,119 | - | 307 | 795 | 1,102 |
| Interest on defined benefit obligation | - | 466 | 1,242 | 1,708 | - | 439 | 1,152 | 1,591 |
| Expected return on Plan Assets | - | (492) | - | (492) | - | (477) | - | (477) |
| **Total included in staff costs** | **-** | **284** | **2,051** | **2,335** | **-** | **269** | **1,947** | **2,216** |
| 15.4 **Actual return on Plan Assets** | | | | | | | | |
| Expected return on Plan assets | - | 492 | - | 492 | - | 477 | - | 477 |
| Actuarial loss on Plan Assets | - | (227) | - | (227) | - | (156) | - | (156) |
| **Actual return on Plan Assets** | **-** | **265** | **-** | **265** | **-** | **321** | **-** | **321** |

| 15.5 **Actuarial assumptions** | **2009** | **2008** |
|---|---|---|
| **(i) Funded Scheme** | | |
| Discount rate | 6% | 6% |
| Salary increases | 6% | 6% |
| Pension increases | 2% | 2% |
| Rate of return on Pension Plan assets | 6.5% | 6.5% |
| **(ii) Unfunded Scheme** | | |
| Discount rate | 6% | 6% |
| Salary increases | 6% | 6% |
| Pension increases | 5% | 5% |
| Rate of return on Pension Plan assets | N/A | N/A |

There is no Pension Scheme for the subsidiary company.

| | Ex Gratia Scheme | | | | | Steps Scheme | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | 2006 | 2005 | 2009 | 2008 | 2007 | 2006 | 2005 |
| | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 | G$ 000 |
| **Experience History** | | | | | | | | | | |
| Defined benefit obligation | 21,899.30 | 20,950.00 | 19,456.90 | 17,154.90 | 17,762.00 | 8,200.20 | 7,985.60 | 7,516.30 | 6,746.50 | 6,516.80 |
| Fair Value Plan Assets | - | - | - | - | | (7,776.4) | (7,611.5) | (7,373.3) | (6,964.6) | (6,544.80) |
| (Surplus)/Deficit | 21,899.30 | 20,950.00 | 19,456.9 | 17,154.9 | 17,762.0 | 423.8 | 374.1 | 143.0 | (218.1) | (28.00) |
| Experience Adjustment on Plan Liabilities | (578.60) | 52.90 | 948.80 | (2,003.20) | (115.10) | (219.7) | 45.7 | 307.6 | 153.8 | 283.6 |
| Experience Adjustment on Plan Assets | - | - | - | - | | (227.3) | (156.2) | (51.9) | 39.2 | 474.1 |
| Expected Company Contributions in 2010 | 549.3 | | | | | 239.2 | | | | |

Data given to the actuaries included the Corporation's best possible estimations of details where precision was not possible. This was required for them to calculate liabilities according to IAS 19. The actuaries have cautioned that the figures are subject to change after a more complete assessment is carried out of the scheme in 2010

**15 EMPLOYEES RETIREMENT BENEFITS (cont'd)**

**15.6** Asset Allocation

| | 2009 | 2008 |
|---|---|---|
| Equity Securities | 14.70% | 19.50% |
| Debt Securities | 41.20% | 30.30% |
| Property | 7.70% | 6.00% |
| Other | 36.40% | 44.20% |
| Total | 100.00% | 100.00% |

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

16. **REVENUE**

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009 $M | 2008 $M | 2009 $M | 2008 $M |
| **Revenue by products** | | | | |
| Sugar | 29,431 | 30,322 | 29,431 | 30,322 |
| Molasses | 2,433 | 1,519 | 2,433 | 1,519 |
| Co-generation Electricity | 198 | 307 | 198 | 307 |
| Total Sales | **32,062** | **32,148** | **32,062** | **32,148** |
| **Revenue by major markets** | | | | |
| Europe | 24,632 | 26,488 | 24,632 | 26,488 |
| North America | 1,529 | 23 | 1,529 | 23 |
| Caribbean | 2,152 | 2,007 | 2,152 | 2,007 |
| Guyana | 3,727 | 3,455 | 3,727 | 3,455 |
| Other Markets | 22 | 175 | 22 | 175 |
| | **32,062** | **32,148** | **32,062** | **32,148** |

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

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009 $M | 2008 $M | 2009 $M | 2008 $M |
| **17. LOSS BEFORE TAXATION** | **(1,949)** | **(6,210)** | **(1,951)** | **(6,242)** |
| **After charging -** | | | | |
| Employment Costs | | | | |
| Wages and salaries | 15,443 | 15,260 | 15,443 | 15,260 |
| Social security contributions | 818 | 850 | 818 | 850 |
| Employees retirement benefits | 1,570 | 1,470 | 1,570 | 1,470 |
| Materials and services purchased | 8,320 | 9,574 | 8,320 | 9,574 |
| Research and development expense | 154 | 186 | 154 | 186 |
| Directors' fees & expenses | 8 | 22 | 8 | 22 |
| Provision for slow moving and obsolete items | 3 | 327 | 3 | 327 |
| Depreciation | 3,416 | 2,263 | 3,416 | 2,263 |
| Auditors' remuneration-audit services | 8 | 8 | 8 | 8 |
| Interest expense | 484 | 286 | 484 | 286 |
| Management fees and expenses | 171 | 377 | 171 | 377 |
| Loss on revaluation of non-current assets | 160 | - | 160 | - |
| **After crediting** | | | | |
| Net gain on exchange | 81 | 18 | 81 | 18 |
| Interest income | 10 | 284 | 10 | 284 |
| Loss relief set off | 190 | - | 190 | - |
| Available for sale income | 11 | 14 | 11 | 7.00 |

**18. TAXATION**

**Reconciliation of corporation tax expense and accounting loss:**

| | COMPANY 2009 $M | COMPANY 2008 $M | GROUP 2009 $M | GROUP 2008 $M |
|---|---|---|---|---|
| Accounting loss | (1,949) | (6,210) | (1,951) | (6,242) |
| Corporation tax @35% | (682) | (2,174) | (683) | (2,185) |
| **Add: Tax effect of expenses not deductible in determining taxable profits** | | | | |
| Depreciation for accounting purposes | 1,140 | 792 | 1,140 | 792 |
| Defined benefit pension cost | 550 | 515 | 550 | 515 |
| Others | 509 | 2,122 | 1,265 | 1,221 |
| | 1,517 | 1,255 | 2,272 | 343 |
| **Deduct:** | | | | |
| Depreciation for tax purposes | (886) | (886) | (1,679) | (874) |
| Standing Cane | (155) | (369) | (120) | (367) |
| Corporation Tax | 476 | - | 473 | (898) |
| Deferred Tax | 116 | 2,063 | 113 | 2,959 |
| | 592 | 2,063 | 586 | 2,061 |
| Property Tax | 34 | 58 | 42 | 58 |
| | 626 | 2,121 | 628 | 2,119 |
| Taxation - current | 510 | 58 | 515 | (840) |
| - deferred | 116 | 2,063 | 113 | 2,959 |
| | 626 | 2,121 | 628 | 2,119 |

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

**19.** Analysis of financial assets and liabilities by measurement basis

**Company**
**2009**

| ASSETS | Investment in subsidiary $M | Available for sale $M | Loans and Receivables $M | Financial Assets and Liabilities at Amortised cost $M | Total $M |
|---|---|---|---|---|---|
| Investments | 22 | 134 | - | - | 156 |
| Trade receivables | - | - | 1,324 | - | 1,324 |
| Other receivables and prepayments | - | - | 1,705 | - | 1,705 |
| Cash on hand and at bank | - | - | - | 3,277 | 3,277 |
| Total assets | 22 | 134 | 3,029 | 3,277 | 6,462 |
| LIABILITIES | | | | | |
| Employees retirement benefit | - | - | - | 23,242 | 23,242 |
| Trade payables | - | - | - | 2,174 | 2,174 |
| Other payables and accruals | - | - | - | 4,463 | 4,463 |
| Related parties | - | - | - | 1,418 | 1,418 |
| Borrowings | - | - | - | 25,584 | 25,584 |
| Taxation | - | - | - | 2,612 | 2,612 |
| Bank overdraft(secured) | - | - | - | 1,922 | 1,922 |
| Total liabilities | - | - | - | 61,415 | 61,415 |

**2008**

| ASSETS | Investment in subsidiary $M | Available for sale $M | Loans and Receivables $M | Financial Assets and Liabilities at Amortised cost $M | Total $M |
|---|---|---|---|---|---|
| Investments | 22 | 137 | - | - | 159 |
| Trade receivables | - | - | 572 | - | 572 |
| Other receivables and prepayments | - | - | 1,705 | - | 1,705 |
| Cash on hand and at bank | - | - | - | 2,855 | 2,855 |
| Total assets | 22 | 137 | 2,277 | 2,855 | 5,291 |
| LIABILITIES | | | | | |
| Employees retirement benefit | - | - | - | 21,672 | 21,672 |
| Trade payables | - | - | - | 2,239 | 2,239 |
| Other payables and accruals | - | - | - | 2,693 | 2,693 |
| Related parties | - | - | - | 1,541 | 1,541 |
| Borrowings | - | - | - | 23,631 | 23,631 |
| Taxation | - | - | - | 2,452 | 2,452 |
| Bank overdraft(secured) | - | - | - | 1,895 | 1,895 |
| Total liabilities | - | - | - | 56,123 | 56,123 |

**19.** Analysis of financial assets and liabilities by measurement basis

**Group**
**2009**

| | Available for sale | Loans and Receivables | Financial Assets and Liabilities at Amortised cost | Total |
|---|---|---|---|---|
| ASSETS | **$M** | **$M** | **$M** | **$M** |
| Investments | 134 | - | - | 134 |
| Trade receivables | - | 1,324 | - | 1,324 |
| Other receivables and prepayments | - | 1,705 | - | 1,705 |
| Taxes recoverable | - | 34 | - | 34 |
| Cash on hand and at bank | - | - | 3,302 | 3,302 |
| Total assets | 134 | 3,063 | 3,302 | 6,499 |
| LIABILITIES | | | | |
| Employees retirement benefit | - | - | 23,242 | 23,242 |
| Trade payables | - | - | 2,186 | 2,186 |
| Other payables and accruals | - | - | 4,466 | 4,466 |
| Related parties | - | - | 1,453 | 1,453 |
| Borrowings | - | - | 25,584 | 25,584 |
| Taxation | - | - | 2,625 | 2,625 |
| Bank overdraft(secured) | - | - | 1,922 | 1,922 |
| Total liabilities | - | - | 61,478 | 61,478 |

**2008**

| | Available for sale | Loans and Receivables | Financial Assets and Liabilities at Amortised cost | Total |
|---|---|---|---|---|
| ASSETS | **$M** | **$M** | **$M** | **$M** |
| Investments | 137 | - | - | 137 |
| Trade receivables | - | 572 | - | 572 |
| Other receivables and prepayments | - | 2,218 | - | 2,218 |
| Taxes recoverable | - | 32 | - | 32 |
| Cash on hand and at bank | - | - | 2,889 | 2,889 |
| Total assets | 137 | 2,822 | 2,889 | 5,848 |
| LIABILITIES | | | | |
| Employees retirement benefit | - | - | 21,672 | 21,672 |
| Trade payables | - | - | 2,251 | 2,251 |
| Other payables and accruals | - | - | 2,696 | 2,696 |
| Related parties | - | - | 1,576 | 1,576 |
| Borrowings | - | - | 23,631 | 23,631 |
| Taxation | - | - | 2,464 | 2,464 |
| Bank overdraft(secured) | - | - | 1,895 | 1,895 |
| Total liabilities | - | - | 56,185 | 56,185 |

## 20. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

| | COMPANY | | GROUP | |
|---|---|---|---|---|
| | 2009<br>$M | 2008<br>$M | 2009<br>$M | 2008<br>$M |
| **Expenditure authorised by the Directors but not committed** | | | | |
| Routine expenditure | 5,820 | 1,494 | 5,820 | 1,494 |
| Skeldon Sugar Modernisation Project | 4,098 | 585 | 4,098 | 585 |
| Drainage & Irrigation project | 5 | - | 5 | - |

The capital expenditure for 2010 will be funded by a combination of facilities lent by Government of Guyana, provided by other suppliers of finance and from self generated funds.

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

## 21. PENDING LITIGATION

There are several actions for which the liability of the Corporation, if any, has not been determined. The maximum potential liability at the end of the year is estimated at $987M (2008 $133M).

## 22. FINANCIAL RISK MANAGEMENT

### Financial risk management objectives

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

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

### (a) Market Risk

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

The Group's exposure to market risk arises from its local and foreign securities.

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

### (i) Foreign currency risk

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

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

| | Group 2009 | | | |
|---|---|---|---|---|
| | US Dollar $M | GBP $M | Euro $M | Total $M |
| Assets | 3,688 | - | - | 3,688 |
| Liabilities | (132) | (4) | - | (137) |
| Net Asset/(liability) | **3,556** | **(4)** | - | **3,551** |
| | **Group 2008** | | | |
| Assets | 5,708 | - | - | 5,708 |
| Liabilities | (4,907) | (1,231) | - | (6,138) |
| Net Asset/(liability) | **801** | **(1,231)** | - | **(430)** |

As at the Reporting date, the Corporation had entered into forward contracts to sell 19.20M Euros relating to 2010 at an average rate of US$/Euro =1.4003625. This represents 26% of sales to Europe.

## 22. FINANCIAL RISK MANAGEMENT (cont'd)

### (a) Market Risk (cont'd)

#### (i) Foreign currency risk (cont'd)

**Foreign currency sensitivity analysis**

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

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

| | US$ Impact | | Sterling Impact | | Euro Impact | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| | $M | $M | $M | $M | $M | $M |
| **Profit/(loss)** | 177.78 | 530.76 | (0.21) | 61.56 | - | 0.02 |

**22. FINANCIAL RISK MANAGEMENT (cont'd)**

(a) **Market Risk (cont'd)**

(ii) **Interest rate risk**

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

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

| Company | effective average interest rate | Maturing 2009 | | | | |
|---|---|---|---|---|---|---|
| | | Within 1Year | 1 to 5 years | Over 5 years | Non - interest bearing | Total |
| **Assets** | | $M | $M | $M | $M | $M |
| Investments | | - | - | - | 156 | 156 |
| Trade receivable and prepayment | | - | - | - | 3,029 | 3,029 |
| Cash and cash equivalents | 3.75 | 3,277 | - | - | - | 3,277 |
| | | 3,277 | - | - | 3,185 | 6,462 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | | - | - | - | 23,242 | 23,242 |
| Trade & other payable | | - | - | - | 6,637 | 6,637 |
| Related parties | | - | - | - | 1,418 | 1,418 |
| Borrowings | 6.77 | 1475 | 546 | 23,563 | - | 25,584 |
| Taxation | | - | - | - | 2,612 | 2,612 |
| Bank overdraft(secured) | 7.25 | 1,922 | - | - | - | 1,922 |
| | | 3,397 | 546 | 23,563 | 33,909 | 61,415 |
| Interest sensitivity gap | | (120) | (546) | (23,563) | | |

| | | Maturing 2008 | | | | |
|---|---|---|---|---|---|---|
| | | Within 1 Year | 1 to 5 years | Over 5 years | Non-interest bearing | Total |
| **Assets** | | $M | $M | $M | $M | $M |
| Investments | | - | - | - | 159 | 159 |
| Trade receivable & prepayments | | - | - | - | 2,790 | 2,790 |
| Cash and cash equivalents | 3.75 | 2,855 | - | - | - | 2,855 |
| | | 2,855 | - | - | 2,949 | 5,804 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | | - | - | - | 21,672 | 21,672 |
| Trade & other payable | | - | - | - | 4,932 | 4,932 |
| Related parties | | - | - | - | 1,541 | 1,541 |
| Borrowings | 6.77 | 1469 | 636 | 21,526 | - | 23,631 |
| Taxation | | - | - | - | 2,452 | 2,452 |
| Bank overdraft(secured) | 7.25 | 1,895 | - | - | - | 1,895 |
| | | 3,364 | 636 | 21,526 | 30,597 | 56,123 |
| Interest sensitivity gap | | (509) | (636) | (21,526) | | |

## 22. FINANCIAL RISK MANAGEMENT (cont'd)

### (a) Market Risk (cont'd)

#### (ii) Interest rate risk

**Group**

| | effective average interest rate | Maturing 2009 Within 1Year $M | 1 to 5 years $M | Over 5 years $M | Non - interest bearing $M | Total $M |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Investments | | - | - | - | 134 | 134 |
| Trade receivable & prepayments | | - | - | - | 3,029 | 3,029 |
| Tax recoverable | | - | - | - | 34 | 34 |
| Cash and cash equivalents | 3.75 | 3,302 | - | - | - | 3,302 |
| | | 3,302 | - | - | 3,197 | 6,499 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | | - | - | - | 23,242 | 23,242 |
| Trade & other payable | | - | - | - | 6,652 | 6,652 |
| Related parties | | - | - | - | 1,453 | 1,453 |
| Borrowings | 6.77 | 1,334 | 546 | 23,704 | - | 25,584 |
| Taxation | | - | - | - | 2,625 | 2,625 |
| Bank overdraft(secured) | 7.25 | 1,922 | - | - | - | 1,922 |
| | | 3,256 | 546 | 23,704 | 33,972 | 61,478 |
| Interest sensitivity gap | | 46 | (546) | (23,704) | | |

| | | Maturing 2008 Within 1 Year $M | 1 to 5 years $M | Over 5 years $M | Non-interest bearing $M | Total $M |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Investments | | - | - | - | 137 | 137 |
| Trade receivable & prepayments | | - | - | - | 2,790 | 2,790 |
| Tax recoverable | | - | - | - | 32 | 32 |
| Cash and cash equivalents | 3.75 | 2,889 | - | - | - | 2,889 |
| | | 2,889 | - | - | 2,959 | 5,848 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | | - | - | - | 21,672 | 21,672 |
| Trade & other payable | | - | - | - | 4,947 | 4,947 |
| Related parties | | - | - | - | 1,576 | 1,576 |
| Borrowings | 6.77 | 1469 | 636 | 21,526 | - | 23,631 |
| Taxation | | - | - | - | 2,464 | 2,464 |
| Bank overdraft(secured) | 7.25 | 1,895 | - | - | - | 1,895 |
| | | 3,364 | 636 | 21,526 | 30,659 | 56,185 |
| Interest sensitivity gap | | (475) | (636) | (21,526) | | |

## 22. FINANCIAL RISK MANAGEMENT (cont'd)

### (a) Market Risk (cont'd)

#### (ii) Interest rate risk cont'd

(ii) Interest rate sensitivity analysis

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

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

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

This impact is illustrated on the following table:

| | | Impact on loss for the year | | | |
|---|---|---|---|---|---|
| | | Company 2009 | Group 2008 | Company 2008 | Group 2008 |
| | Increase/ decrease in basis point | Increase in basis point G$M | Increase in basis point G$M | Increase in basis point G$M | Increase in basis point G$M |
| Cash & cash equivelent | + /-50 | 75 | 48 | 76 | 50 |
| Borrowings | + /-50 | 1,279 | 1,182 | 1,279 | 1,182 |

#### (iii) Price risk

Price risk is the risk that the value of the financial instruments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Management continually identifies, underwrites and diversifies risk in order to minimize the total cost of carrying such risk.

## 22. FINANCIAL RISK MANAGEMENT (cont'd)

### (b) Liquidity risk

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

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

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

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Maturing 2009 | | | | | |
| | Within 1 year | | | | | |
| | on demand | due in 3 months | due 3 - 12 months | 2 to 5 years | Over 5 years | Total |
| **Assets** | $M | $M | $M | $M | $M | $M |
| Investments | - | - | - | - | 134 | 134 |
| Trade receivables | 416 | 908 | - | - | - | 1,324 |
| Other receivables | 887 | - | - | - | - | 887 |
| Prepayments | 818 | - | - | - | - | 818 |
| Taxes recoverable | - | - | 34 | - | - | 34 |
| Cash on hand and at bank | 3,302 | - | - | - | - | 3,302 |
| Total assets | 5,423 | 908 | 34 | - | 134 | 6,499 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | - | - | - | - | 23,242 | 23,242 |
| Trade payables | 2,186 | - | - | - | - | 2,186 |
| Other payables | 4,466 | - | - | - | - | 4,466 |
| Related parties | - | - | 1,453 | - | - | 1,453 |
| Borrowings | - | - | 1,334 | 546 | 23,704 | 25,584 |
| Taxation | - | - | 2,625 | - | - | 2,625 |
| Bank overdraft(secured) | 1,922 | - | - | - | - | 1,922 |
| Total liabilities | 8,574 | - | 5,412 | 546 | 46,946 | 61,478 |
| Net asset/(liabilities) | **(3,151)** | **908** | **(5,378)** | **(546)** | **(46,812)** | **(54,979)** |

## 22. FINANCIAL RISK MANAGEMENT (cont'd)

### (b) Liquidity risk (cont'd)

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Maturing 2008 | | | | | |
| | Within 1 year | | | | | |
| **Assets** | on demand $M | due in 3 months $M | due 3 - 12 months $M | 2 to 5 years $M | Over 5 years $M | Total $M |
| Investments | - | - | - | - | 137 | 137 |
| Trade receivables | 472 | 77 | 23 | - | - | 572 |
| Other receivables | 375 | 48 | 116 | 88 | - | 627 |
| Prepayments | 1,529 | - | 62 | - | - | 1,591 |
| Taxes recoverable | - | - | 32 | - | - | 32 |
| Cash on hand and at bank | 2,889 | - | - | - | - | 2,889 |
| Total assets | 5,265 | 125 | 233 | 88 | 137 | 5,848 |
| **Liabilities** | | | | | | |
| Employees retirement benefits | - | - | - | - | 21,672 | 21,672 |
| Trade payables | 1,089 | 1,162 | - | - | - | 2,251 |
| Other payables | - | 2,696 | - | - | - | 2,696 |
| Related parties | - | - | 1,576 | | - | 1,576 |
| Borrowings | - | - | 1,469 | 636 | 21,526 | 23,631 |
| Taxation | - | - | 2,464 | - | - | 2,464 |
| Bank overdraft(secured) | 1,895 | - | - | - | - | 1,895 |
| Total liabilities | 2,984 | 3,858 | 5,509 | 636 | 43,198 | 56,185 |
| Net asset/(liabilities) | **2,281** | **(3,733)** | **(5,276)** | **(548)** | **(43,061)** | **(50,337)** |

22. **FINANCIAL RISK MANAGEMENT (cont'd)**

(c) **Credit risk**

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

| | Company | | Group | |
|---|---|---|---|---|
| | Maximum exposure | | Maximum exposure | |
| | 2009 | 2008 | 2009 | 2008 |
| | $M | $M | $M | $M |
| Cash on hand and at bank | 3,277 | 2,855 | 3,302 | 2,889 |
| Investments | 134 | 137 | 134 | 137 |
| Investment in subsidiary | 22 | 22 | - | - |
| Trade,other receivables and prepayments | 3,029 | 2,790 | 3,029 | 2,790 |
| Tax recoverable | - | - | 34 | 27 |

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

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

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

The related risks is therefore considered very low.

Investment reflected in the Company and Group are assets for which the likihood of default are considered minimal by the Directors.

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

| | Group | |
|---|---|---|
| | 2009 | 2008 |
| | $M | $M |
| Trade and other receivables (excluding prepayments) | 2,211 | 1,199 |

The above balances are classified as follows:

| | | |
|---|---|---|
| Current | 909 | 847 |
| Past due but not impaired | 1,302 | 352 |
| | 2,211 | 1,199 |

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

| | 2009 | 2008 |
|---|---|---|
| | $M | $M |
| Past Due up to 29 days | 1,126 | 174 |
| Past Due 30 - 59 days | 89 | 89 |
| Past Due 60 - 89 days | 13 | 15 |
| Past Due 90 - 179 days | 26 | 26 |
| Past Due over 180 days but less than 1 year | 9 | 9 |
| Past Due more than 1 year | 39 | 39 |
| Total | **1,302** | **352** |
| Collectively assessed provision for bad debts | 8 | 8 |

## 23. CAPITAL RISK MANAGEMENT

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The corporation's overall strategy remains unchanged from 2008.

The capital structure of the corporation consists of cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

### Gearing ratio

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

The gearing ratio at the year end was as follows:

| | Company | | Group | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $M | $M | $M | $M |
| Debt (i) | 27,506 | 25,526 | 27,506 | 25,526 |
| Cash in hand and at bank | (3,277) | (2,855) | (3,302) | (2,889) |
| Net debt | 24,229 | 22,671 | 24,204 | 22,637 |
| Equity (ii) | 54,724 | 56,229 | 54,740 | 56,249 |
| Net debt to equity ratio | 0.44:1 | 0.40:1 | 0.44:1 | 0.40:1 |

(i) Debt is defined as long- and short-term borrowings and bank overdraft.
(ii) Equity includes all capital and reserves of the Group.

**24. Basic loss per share**

| | COMPANY | |
|---|---|---|
| | 2009 | 2008 |
| Loss for the year | (1,505,000,000) | (4,105,000,000) |
| Ordinary share issued and fully paid | 10,799,571,775 | 10,799,571,775 |
| Basic loss per share | (0.14) | (0.38) |

| | GROUP | |
|---|---|---|
| | 2009 | 2008 |
| Loss attributable to equity holders of the parent | (1,503,000,000) | (4,101,000,000) |
| Ordinary share issued and fully paid | 10,799,571,775 | 10,799,571,775 |
| Basic loss per share | (0.14) | (0.38) |

**25. European Union Sugar Protocol**

The European Union has renounced the Sugar Protocol in its market access offer and has implemented the Economic Partnership Agreement (EPA) effective from October 1 2008.

The result is that what was once a straight forward all ACP Agreement for the sale of raw sugar has now been fragmented to bilateral commercial contracts.

The Corporation is therefore assessing all the options going forward in what appears to be an open market for sugar trade in the European Union after 2015.

## 26. Fair value of financial instruments

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

| | GROUP 2009 | | GROUP 2008 | |
|---|---|---|---|---|
| | Carrying Value G$M | Fair Value G$M | Carrying Value G$M | Fair Value G$M |
| **Financial assets** | | | | |
| Cash and cash equivalent | 3,302 | 3,302 | 2,889 | 2,889 |
| Available for sale investments | 134 | 134 | 137 | 137 |
| Trade, other receivables & prepayments | 3,029 | 3,029 | 2,790 | 2,790 |
| **Financial liabilities** | | | | |
| Borrowings | 25,584 | 25,584 | 23,631 | 23,631 |
| Trade and other payables | 6,657 | 6,657 | 4,947 | 4,947 |
| Employee retirement benefits | 23,242 | 23,242 | 21,672 | 21,672 |
| Bank overdraft(secured) | 1,922 | 1,922 | 1,895 | 1,895 |

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

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

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

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

**27. Prior period adjustment in 2008**

Adjustments were made to the group's prior period comparatives to correct differences between the amounts reported as taxes payable and recoverable in the financial statements of the subsidary and that confirmed by the Guyana Revenue Authority. The effect on net assets of the subsidary was as follows:

| | 2008 $M |
|---|---|
| Net assets as previously reported | **96** |
| Understatement of taxes recoverable | **21** |
| Understatement of taxes payable | **(7)** |
| Net assets as restated | **110** |

| **Effects on restatement of group accumulated deficit** | **2008 G$M** |
|---|---|
| Group accumulated deficit as previously reported | (5,301) |
| Net asset as restated | (110) |
| Understatement of taxes recoverable | 21 |
| Understatement of taxes payable | (7) |
| Understatement of profit attributable to non controlling interest based on restated profits of subsidiary | (7) |
| Overstatement of profits attributable to parent in previous year | (24) |
| Losses on sugar stocks written off | (351) |
| Restatement of standing cane of subsidiary due to change in valuation method. | (33) |
| Restated group accumulated deficit as at 31 December | (5,812) |

**28. Reclassification**

Certain amounts were reclassified to confirm with 2009 presentations arising principally from the effects of changes in accounting standards IAS 1 and IFRS 7.