

2018

ANNUAL REPORT



STERLING
PRODUCTS LIMITED



QUALITY = OUR CULTURE



Scenes from the refurbished Igloo Ice Cream Plant.



Some of the benefits the company have seen over the years since certification include:

1. There are greater operating efficiencies;
2. Improved workforce competencies;
3. Improved competitiveness and market access;
4. Greater customer satisfaction;
5. Better brand Image and reputation; and
6. Excellent work environment.

A new addition to the culture of quality is the concept of Food Safety. Sterling Products Limited has been making great strides towards creating the infrastructure of a robust Food Safety System with products such as Baker's Pride Liquid Shortening already being certified by Yum! Brands for excellence in Food Safety.

Sterling Products Limited will continue to strive for excellence in the areas of Quality and Food Safety in the coming years.



Throughout the 65 year existence of Sterling Products Limited, the word 'Quality' has always been synonymous with all of our endeavors. So, it was no great surprise in 2010 when Sterling Products Limited became an International Organization for Standardization (ISO 9001) registered company. This journey made the company one of the premier organization for Quality Management and Food Safety in Guyana.

Since the major undertaking in 2010, Sterling Products Limited has fostered an ever improving culture for quality products in Guyana and the wider Caribbean. This culture, being cemented through the quality policy which drives commitment towards meeting and where possible exceeding requirement related to our products, which include those specified by our customers and other interested parties. This commitment is also demonstrated by continual improvement of products and processes to maximized customer satisfaction.

Sterling Products Limited has been certified by Société Générale de Surveillance (SGS) to the ISO 9001 for nine (9) consecutive years, with the current certification being to the latest version of the ISO requirements for Quality Management Systems- ISO 9001:2015.

THE COVER: Our Ice Cream Specialist performing Quality & Control Checks in the Igloo Ice Cream Plant.

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NOTICE OF MEETING

The Sixty Fourth (64th) ANNUAL GENERAL MEETING of Sterling Products Limited will be held at The Guyana Marriott Hotel, Battery Road Kingston, Georgetown on Wednesday, 24 April 2019 at 17:00 hours.

AGENDA

1. To receive and consider the Company's Financial Statements for the year ended December 31st, 2018, the Reports of the Directors and Auditors thereon.
2. To declare a Final Dividend of G\$5.00 per share for financial year 2018.
3. To elect Directors.
4. To fix the remuneration of the Directors.
5. To appoint Auditors and to authorize the Directors to fix their remuneration.

Every member entitled to be present and vote at the Meeting may appoint a proxy to attend and vote in his/her stead and such proxy need not be a member of the Company.

BY ORDER OF THE BOARD
REGISTERED OFFICE:

Providence
East Bank Demerara



Company Secretary.
Deodat Indar
February 28, 2019

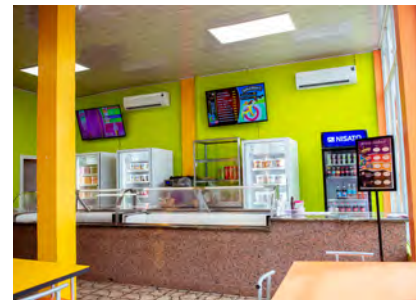
CLOSURE OF SHARE REGISTER

Please be advised that the Register of Members of Sterling Products Limited will be closed for the period 03 April 2019 to 24 April 2019 both days inclusive.



NEW:

Novelty Ice Plant,
Igloo Outlet at Enmore,
East Coast Demerara.



VISION:

Sterling Products Limited, a socially responsible and environmentally sustainable company, with the highest annual turnover in the Manufacturing and Distribution Sectors in Guyana by 2025.

MISSION STATEMENT:

To be the leading manufacturer and distributor of quality food and chemical products by utilizing skilled human resources and environmentally friendly technology whilst embarking on new opportunities through diversification and growing the existing revenue streams locally and internationally.

CORPORATE VALUES:

We will maintain excellent customer loyalty.

We will foster a collaborative relationship with our suppliers and distributors.

We will maintain high ethical standards of conduct and good corporate citizenship at all times.

We will continue to maintain and encourage team effort at all levels and at the same time foster a challenging, rewarding, caring and safe environment for our employees.

We will earn sufficient profit to provide and sustain shareholders with acceptable financial returns and allow for investment in the future.

We will endeavor to use environmentally friendly products and processes.



BOARD OF DIRECTORS

(from left) ▶ Mr. Suresh Edward Beharry

▶ Mr. Andrew M. F. Pollard S.C.

▶ Mr. Edward Anand Beharry

▶ Ms. Anna Lisa Fraser-Phang

▶ Mr. Paul Christopher Cheong

▶ Dr. Leslie Chin C.C.H - Chairman

▶ Mr. Raymond Ramsaroop

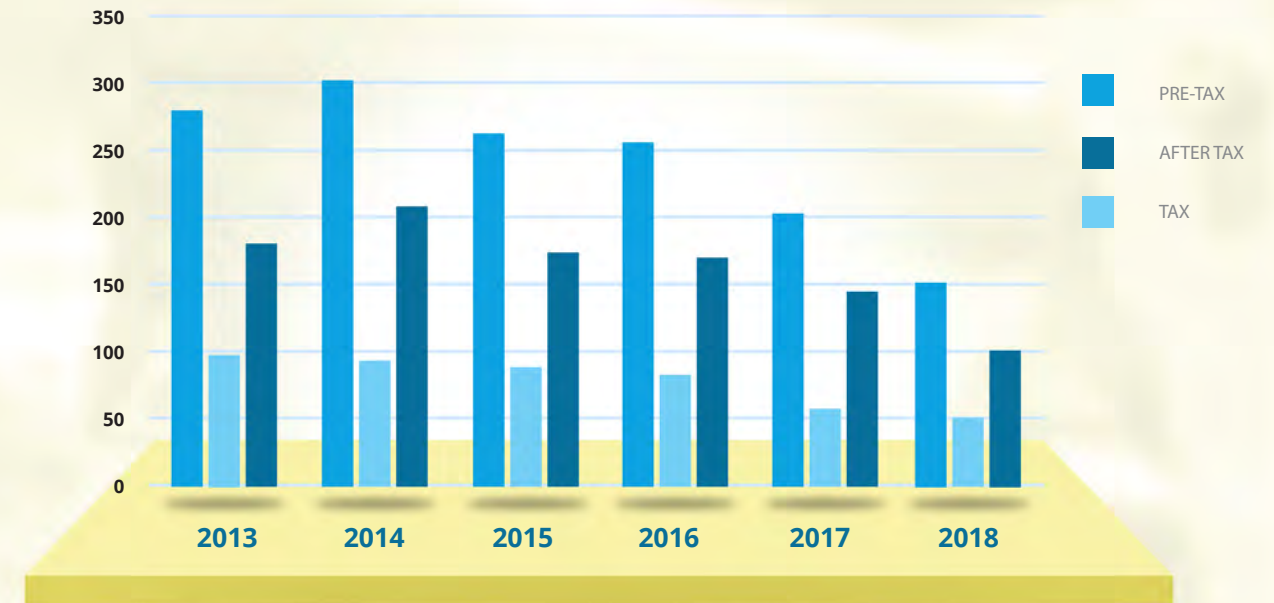
MANAGEMENT TEAM



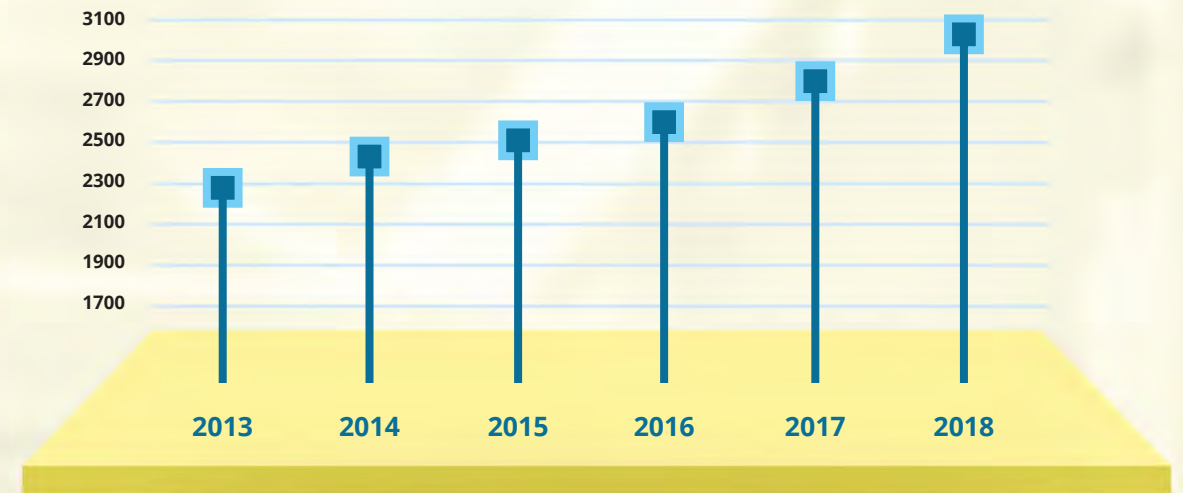
- (from top)
- Ramsay Ali** - Chief Executive Officer
 - Deodat Indar** - Finance Controller/ Company Secretary
 - Richard Leo** - Audit Manager
 - Ms. Yvette Fiedtkou** - Human Resources Manager
 - Earle Aaron** - Sales Manager
 - Devanand Lalgie** - Manufacturing Manager
 - Robert A. Ross** - Quality Assurance/Strategic Business Manager
 - Dwayne Yan** - Export Sales Manager
 - Chetram Persaud** - Engineering Services Manager

FINANCIAL HIGHLIGHTS

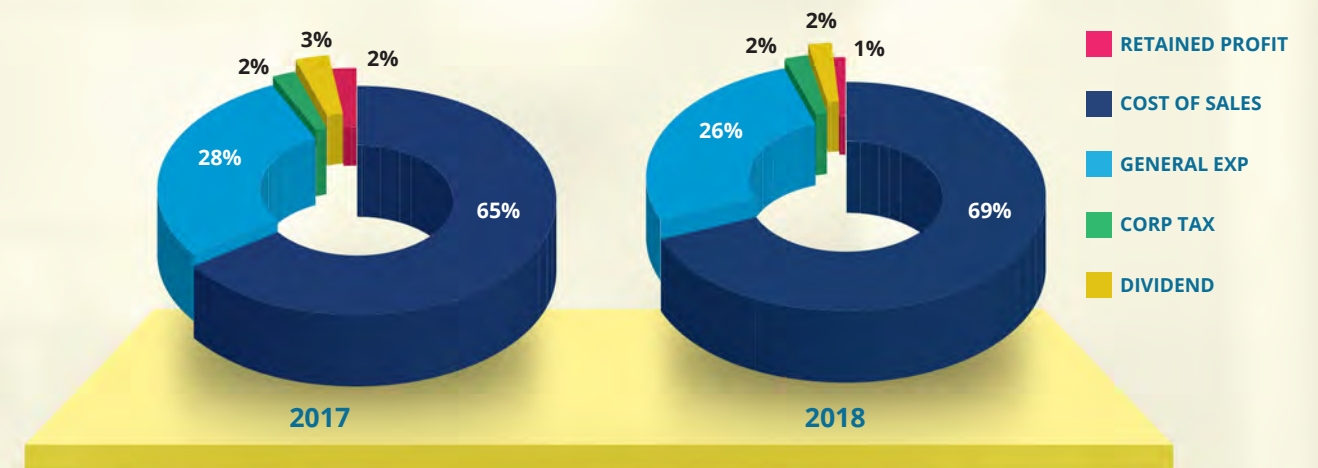
PROFITS & TAXATION



GROWTH IN SHAREHOLDERS' FUND (MILLIONS)



GROWTH IN SHAREHOLDERS' FUND (MILLIONS)



CORPORATE INFORMATION

DIRECTORS

Dr. Leslie Chin C.C.H.- Chairman
Mr. Raymond Ramsaroop
Mr. Paul Christopher Cheong
Mr. Andrew M. F. Pollard S.C.
Mr. Suresh Edward Beharry
Ms. Anna Lisa Fraser-Phang
Mr. Edward Anand Beharry

MANAGEMENT

Mr. Ramsay Ali A.A, B.Sc -
Chief Executive Officer

Mr. Deodat Indar B.Sc, MBA, FCCA,
CPA, CRMA, CIA, CGA. -
Finance Controller/
Company Secretary

Mr. Devanand Lalgie B.Sc, ACIS -
Manufacturing Manager

Mr. Dwayne Yan -
Export Sales Manager

Mr. Robert A. Ross B.Sc., MBA -
Quality Assurance/
Strategic Business Manager

Mr. Richard Leo ACCA Finalist -
Audit Manager

Mr. Earle Aaron B.Sc -
Sales Manager

Ms. Yvette Fiedtkou B.Sc, MBA -
Human Resources Manager

Mr. Chetram Persaud B.Sc -
Engineering Services Manager

AUDITORS

TSD Lal & Co.
Chartered Accountants
77 Brickdam, Stabroek,
Georgetown, Guyana

ATTORNEYS-AT-LAW

Messrs Cameron & Shepherd
2 Avenue of the Republic
Georgetown, Guyana

BANKERS

Morgan Stanley
399 Park AVE 12th FL
New York, NY 10022
USA

Guyana Bank for Trade & Industry Ltd.
47-48 Water Street, Georgetown,
Guyana

Republic Bank (Guyana) Limited
38-40 Water Street, Georgetown,
Guyana

Bank of Nova Scotia
104 Carmichael Street,
Georgetown, Guyana

Demerara Bank Limited
230 Camp & South Streets,
Georgetown, Guyana



OpenCountry

CHEDDAR CHEESE

PRODUCT OF NEW ZEALAND



DISTRIBUTED BY
STERLING
PRODUCTS LIMITED

PROVIDENCE, EAST BANK DEMERARA, GUYANA
www.sterlingguyana.com
sales@sterlingguyana.com
Tel: 592-265-7403

f @splguyana

REPORT FROM THE CHAIRMAN

Dear fellow Shareholders,

It is a pleasure to report to you on the performance of your company for the year ended 31 December 2018. On analyzing the company's performance, we have had a sizeable capital programme to refurbish items of Plant and Machinery. We also have experienced a challenging year for manufacturers and the broader business community.

Global Economic Analysis

The global economy was estimated to have grown by 3.7% in 2018. It must be noted that in 2019 and 2020, slower global growth at rates of 3.5% and 3.6% respectively are expected. This moderation in global growth rate can be attributed to escalating trade tensions between China and the US compounded by the rise of populism and greater protectionist policies observed world-wide. Other triggers beyond trade tensions which contribute to adverse growth implicates includes the "no-deal" withdrawal of the United Kingdom from the European Union along with a slowdown in China's growth.

Regionally, the Economic Commission for Latin America and the Caribbean (ECLAC) report estimates the Latin America and Caribbean region in 2018 would experience growth of 1.2%. Growth projection in 2019 for the region is 1.7%. The greatest risk for the region is the deterioration of financial conditions in the emerging economies. Closer to home in the Caribbean, Trinidad and Tobago, Jamaica and Suriname are projected to grow by 1%, 1.2% and 2% respectively.

Local Economic Analysis

In Guyana, by end of 2018 the economy was expected to have registered 3.4% growth compared 2.1% in 2017. However, a major pillar and foreign exchange earner sugar contracted by 25.2% in production. Albeit, the agriculture, fishery and forestry sector together is projected to grow by 1.1% in 2018. Fishing industry is expected to contract by 1.9% whilst forestry is expected to grow by 0.2%. Livestock grew by 21.1%.



The mining and quarrying sector is estimated to have contracted by 2.3% in 2018. This sector was affected by a decline in gold declarations by small and medium scale miners. On the other hand, bauxite industry was estimated to have grown by 26.3% in 2018.

Guyana's total manufacturing sector is expected to have grown by 0.9%. This was propelled by a 5.2% growth in other manufacturing activities.

The construction sector experienced a 12% growth which is expected due to increased activities associated with oil and gas development.

Services sector is estimated to have expanded by 4.1% this growth being driven by growth in wholesale and retail trade of 6.2%. Inflation rate in 2018 based on estimates is 2% and in 2019 is expected to increase to 2.5%.

Financial Performance

Revenue recorded was G\$ 3.283 Billion, an increase of G\$ 206M, or by 6.7% compared to year 2017 revenues. Increase in revenue arise mainly from the export market for Ice Cream Products in the Caribbean Regions.

Profit before taxation was G\$ 150.7M for the year, down from G\$ 202.5M in year 2017, a decrease of G\$ 51.8 M or 25.6%. After deducting income taxation charge for the year of G\$ 50.4M (2017: G\$ 57.9 M), Profit after tax for the year totaled G\$ 100.4 M, down from G\$ 144.6M. A decrease of G\$ 44.2 M or 30.6%. The decrease in profits stems mainly from increased energy costs which amounts to G\$58.5M when compared to previous year, due to constant price increases in the local market.

Expenses were G\$ 869.4M compared to G\$ 867.6M in year 2017, a decrease of G\$1.8M or 0.2 % over the previous year. Although there were increases in certain expenses such as salaries and wages that are tied to Collective Union Agreement and maintenance costs of our sales fleet, management has implemented firm measures to control and minimize expenses.

Liquidity

The current ratio is measured at 2.7 times; this means the Company has more than adequately current resources to meet its financial obligations. The company has invested G\$ 333.9M in Capital Expenditure during the year. This expenditure was related to investment in freezing facilities for trade, structural enhancement and Re-tooling to Ice Cream Plant, Introduction of a new Novelty Ice Plant, Igloo Outlet at Enmore, Capital items of Plant and Equipment for Production departments and Motor Vehicles for the operations.

Based on the performance of the Company we are recommending a dividend of G\$ 5.00 per share unit. This represents a decrease from last year of G\$ 1.00 per share unit.

Corporate Governance

All directors are non-executive members of the Board. The positions of Chairman and CEO are held by separate individuals. The Audit and Risk Committee is comprised of three independent non-executive directors and is chaired by Mr. Paul Cheong. The Audit Manager reports directly to the Chairman of the Audit and Risk Committee. This Committee meets quarterly or on a special basis to discuss matters under its purview.

The Remuneration Committee is appointed by the Board and is responsible for remuneration for Directors and all executive members of staff. This Committee comprises of three independent non-executive directors and is chaired by Ms. Anna Lisa Fraser-Phang. This Committee meets semi-annually.

Corporate Social Responsibility (CSR) activities

Our approach to Corporate Social Responsibility continues to be enshrined in our commitment to our Corporate Values. The Company partnered with the Ministry of the Presidency's Department for Social Cohesion, Culture, Youth and Sports in the "Youth Entrepreneurial Skills Training Programme" at the Kuru Kuru Training Centre. In the interest of youth development, the Company provided work study attachment for five (5) of these youths under the support and guidance of our CSR team members.

REPORT FROM THE CHAIRMAN (CONT'D)

Our support for the Cottage Industry continues through collaboration with the Women Agro-Processing Development Network (WADNET) by participating at the “Women in Business Expo”, and the “Agro-Processors Exhibition, Market & Food Festival 2018” held by the Guyana Manufacturing & Services Association in Region 3 and Region 4 respectively.

We take pride in fostering innovation in the Company and continue to support the United Nation Sustainable Development Goals (SDGs). Our approach remained steadfast in creating better opportunities for our stakeholders in general and our employees in particular, as we continue to stride in the areas of literacy, maternal care and employees development. With this we have recognized transformational growth within the communities that we have assisted and will continue to support their development well into the foreseeable future.

We take pride in fostering innovation in the Company and continue to support the United Nation Sustainable Development Goals (SDGs).

Strategy and Outlook

The economic indicators for the year 2018 were positive. The company expects to manage many challenges in 2019 including relatively high oil prices, foreign exchange fluctuations, slower economic growth and political tensions associated with an impending general elections and regional elections.

Nevertheless, the Company remains committed towards long term sustainable development through adding value from innovation, market extension and export market growth. In particular we will further explore and develop the Ice Cream markets in the Caribbean. As Guyana prepares for oil and gas on the horizon, it is against this backdrop the company has undertaken significant capital investment and will continue to invest in opportunities which we believe will propel the company in the near future. As the sectors regain momentum we expect better returns on the investments made in 2018.

Acknowledgements

I would like to extend my appreciation to my fellow members of the Board of Directors for the valuable inputs during the year. I thank the Management and staff for their continued commitment to success of the organization. We thank our customers and look forward to their continued patronage.

Sincerely,
Dr. Leslie Chin C.C.H
Chairman, Board of Directors



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REPORT OF THE DIRECTORS

The Directors have the pleasure in submitting to the shareholders their Report and Audited Financial Statements for the year ended 31 December 2018.

ACTIVITIES

The principal activities of the Company are the Manufacturing and Marketing of Edible Fats, Detergents, Laundry Soap, Yogurt and Ice Cream as well as the distribution of Ice Cream Novelty products.

GEOGRAPHICAL ANALYSIS

The company has no subsidiary operations; therefore segment reporting is prepared in accordance with the accounting standards.

| | Segment Revenue | | Segment Profit | |
|---------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Year Ended 2018 G\$ | Year Ended 2017 G\$ | Year Ended 2018 G\$ | Year Ended 2017 G\$ |
| Foods and branded food products | 2,730,951,462 | 2,494,645,633 | 883,073,437 | 868,468,655 |
| Cleaning Agents | 545,288,760 | 559,577,901 | 112,130,374 | 158,175,703 |
| Other | 6,971,286 | 22,957,197 | 1,727,789 | 4,857,612 |
| | <u>3,283,211,508</u> | <u>3,077,180,731</u> | <u>996,931,600</u> | <u>1,031,501,970</u> |

SUMMARY FINANCIAL RESULTS

In accordance with Regulation No. 8 of 2002, subsection 6 (n), made under the Securities Industry Act 1998, the following are disclosures of comparative financial results and of the assets and liabilities of the Company along with any changes to capital.

| | 2018 G\$ | 2017 G\$ |
|---|---------------|---------------|
| Turnover | 3,283,211,508 | 3,077,180,731 |
| Expenses | 869,406,906 | 867,573,654 |
| Profit before taxation | 150,745,063 | 202,497,495 |
| Taxation | 50,388,250 | 57,914,817 |
| Profit for the year after taxation | 100,356,813 | 144,582,678 |
| Other Comprehensive Income net of taxes | 158,780,371 | 86,063,632 |
| Total Comprehensive Income | 259,137,184 | 230,646,310 |
| Assets | 3,764,357,316 | 3,300,636,539 |
| Liabilities-Current | 521,129,809 | 225,154,185 |
| Liabilities –Non-Current | 248,812,859 | 248,576,969 |

SHAREHOLDERS' EQUITY

| | G\$ |
|---|---------------|
| Balance as at 31.12.2017 | 2,826,905,384 |
| Total Comprehensive income for the year | 259,137,184 |
| Payment of dividends | (91,627,920) |
| Retained earnings carried forward | 2,994,414,648 |

DIVIDENDS

The directors recommend a final dividend of G\$ 5.00 per share (2017 -G\$ 6.00 per share). Dividends are recognized in the Statement of Changes on Equity when actually paid to shareholders. The proposed final dividend is subject to approval by the shareholders at the Annual General Meeting (AGM) and has not been included as a liability in these financial statements for the year.

INTEREST CAPITALIZED

In accordance with Regulation No. 8 of 2002, subsection 6 (i), made under the Securities Industry Act 1998. The Company did not have any interest that was capital in nature. The financial statements presented do not include any capitalized interest cost.

BANK LOANS AND OVERDRAFTS

In accordance with Regulation No. 8 of 2002, subsection 6 (h), made under the Securities Industry Act 1998. The company did not enter into any loan arrangement nor had any at the beginning of the year. The overdraft facilities the company had undertaken are current totaling G\$212.4M. (2017- G\$ 13.0M). These facilities are secured.

CAPITAL EXPENDITURES

Total Capital expenditure for the year amounted to G\$ 333.9M (2017 – G\$ 175.4M). This amount was financed from funds generated internally. The expenditure was related to investment in freezing facilities for the trade, structural enhancement and Re-tooling to Ice Cream Plant, Igloo Outlets at Enmore and Stabroek, capital items of Plant and Equipment for the production departments and Motor vehicles for the operations.

ASSET REVALUATION

The Company had revalued its assets in year 2016, this was done to keep in compliance with International Accounting Standards –IAS 16 Property, Plant and Equipment, a gain of G\$ 427.7 M, net of deferred tax was recorded in the statement of Comprehensive Income and Statement of Changes in Equity. The Directors perform impairment tests on an annual basis.

EMPLOYEE BENEFITS

The Actuarial valuation of the Company's defined benefit Pension Plan is completed as of Year-end 31 December 2017 in accordance with Section 111, (1), (2) and (3) of the Insurance Act of 1998. The status of the plan revealed that the valuation of the Scheme's assets exceeded the value of its liabilities with respect to service by G\$ 193.4 M. The next Actuarial valuation is due for year ending 31 December 2020. The Company adopted the revised International Accounting Standards IAS 19-Employee Benefits resulting in modified treatment of actuarial gains and losses arising from post-retirement benefit arrangements. The IAS 19 disclosures for year ended 2018 were completed as outlined in Note 11 of this report.

DIRECTORS

In accordance with Article 97, Ms. Anna Lisa Fraser-Phang and Mr. Raymond Ramsaroop retired from the Board and being eligible offer themselves for re-election.

BENEFICIAL INTEREST OF DIRECTORS, CHIEF EXECUTIVE AND THEIR ASSOCIATES

| | Shares Held 31/12/2018 | Shares Held 31/12/2017 |
|--|---------------------------|---------------------------|
| Dr. Leslie Chin C.C.H (held jointly with associates) | 9,130 | 5,130 |
| Mr. Edward Anand Beharry | 1 | 1 |
| Mr. Paul Christopher Cheong | 1 | 1 |
| Mr. Suresh Edward Beharry | 1 | 1 |
| Mr. Raymond Ramsaroop | 1 | 1 |
| Mr. Andrew Pollard | 1 | 1 |
| Ms. Anna Lisa Fraser-Phang | 5,625 | 5,625 |
| Ramsay Ali A.A (2,000 shares are held jointly with associates) | 3,500 | 3,500 |

REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS CONTRACT

There are no service contracts for the Directors proposed for re-election.

At no time during the current financial year has any Director been a party to a material contract with the Company or was materially interested in any contract which was significant in relation to the Company's business.

| DIRECTOR'S FEES PER ANNUM | 2018 | 2017 |
|-----------------------------|-----------|-----------|
| Dr. Leslie Chin C.C.H | 1,800,000 | 1,800,000 |
| Mr. Edward Anand Beharry | 950,000 | 950,000 |
| Mr. Paul Christopher Cheong | 950,000 | 950,000 |
| Mr. Suresh Edward Beharry | 950,000 | 950,000 |
| Mr. Raymond Ramsaroop | 950,000 | 950,000 |
| Mr. Andrew.M.F. Pollard | 950,000 | 950,000 |
| Ms. Anna Lisa Fraser-Phang | 950,000 | 950,000 |

SUBSTANTIAL SHAREHOLDINGS

The following held substantial interest in the Share Capital as at December 31st, 2018.

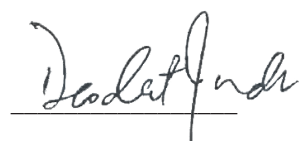
| | No. of Shares | % Shareholding |
|--|---------------|----------------|
| Secure International Finance Co. Inc. | | |
| 2018 | 8,868,780 | 58.1 |
| 2017 | 8,868,780 | 58.1 |
| Demerara Fire and General Insurance Company Ltd | | |
| 2018 | 1,098,345 | 7.1 |
| 2017 | 1,098,345 | 7.1 |

A substantial Shareholder is defined as a person entitled to exercise, or control the exercise of 5% or more of voting power of any general meeting of the issuer.

AUDITORS

The Auditors Messrs. TSD Lal & Co. retired and being eligible, offer themselves for re-appointment.

By Order of the Board,



DEODAT INDAR
Company Secretary
March 6 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
STERLING PRODUCTS LIMITED
(SUBSIDIARY OF SECURE INTERNATIONAL FINANCE COMPANY INCORPORATED)
ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 23 to 59.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Sterling Products Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Valuation of Defined benefit Assets and Liabilities (Refer to note 11 in the financial statements)

The Company has recognized a net defined benefit asset of G\$358,732,783 as at 31 December, 2018. Defined benefit pension assets are considered a key audit matter as the assumptions that underpin the valuation of the defined benefit pension assets involve subjective judgments as the surplus balance is volatile and affect the Company's reserves. Management has obtained advice from an actuarial specialist in order to calculate this surplus, and uncertainty arises as a result of estimates made based on the Company's expectations about long-term trends and market conditions. As a result, the actual surplus realized by the Company may be significantly different to that recognized on the statement of financial position since small changes to the assumptions used in the calculation materially affect the valuation.

Our audit procedures in relation to valuation of defined benefit assets included, among others:

- Assessing the professional competence, including the qualifications, experience and reputation of the actuary as well as reviewing the independence and objectivity of the management's expert.
- Obtaining an understanding of the methodology and assumptions used by the actuary and assessing whether these were consistent with generally acceptable assumptions and prior years.
- Reviewing the source data used by the Company's actuary and performed tests to ascertain its completeness and accuracy.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|--|--|
| <p><i>Valuation, impairment and depreciation of property, plant and equipment</i></p> <p>(Refer to note 10 (a) in the financial statements)</p> <p>Property, plant and equipment has a net book value of G\$1,834,360,399 as at 31 December, 2018. Property, plant and equipment is considered a key audit matter as significant management judgment was used to determine the useful life of property, plant and equipment. In addition, an annual impairment review of all property, plant and equipment was done which involved significant management judgment.</p> <p><i>Valuation and impairment of investments.</i></p> <p>(Refer to note 12 in the financial statements)</p> <p>At 31 December 2018, investments in the Company amounted to G\$172,431,907 consisting of equity investments (G\$144,810,000) and bonds (G\$27,621,907).</p> <p>Investments are considered a key audit matter because the valuation was done by management based on broker developed methods and the local stock exchange which is not considered active.</p> <p>Therefore there is significant measurement uncertainty involved in the valuation.</p> <p>As a result, the valuation of these instruments was significant to our audit.</p> | <p><i>Our audit procedures in relation to management's valuation and impairment of property, plant and equipment included:</i></p> <ul style="list-style-type: none"> - Assessing the appropriateness of the useful economic lives, methods and expected residual values used in depreciating assets; - Testing depreciation rates to determine whether these were consistently applied and in line with accounting and industry standards; - Assessing the methodology used to carry out the impairment review; <p><i>Our audit procedures in relation to valuation and impairment of investments included, among others;</i></p> <ul style="list-style-type: none"> - Obtaining an understanding of the valuation methods used by management and the brokers to assess whether they were consistent with prior years, our understanding of the client and considered reasonable - Reviewing of the company's policy on accounting for the various categories of investments and ensuring compliance with relevant IFRS/IAS; - Reviewing interim and audited financial statements of companies in which equity investments are held to ensure going concern, no impairment of investment and fair valuation; - Reviewing the performance of bonds to ensure no impairment of investment. |
| <p>OTHER INFORMATION IN THE ANNUAL REPORT</p> <p>Management is responsible for the other information. The other information comprises all the information included in the Company's 2018 annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.</p> | |

INDEPENDENT AUDITOR'S REPORT (CONT'D)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

RESPONSIBILITIES OF THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, the Directors/Management is responsible for assessing the Company's ability to continue as going concern, disclosing, as applicable, matters related to going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:-

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

INDEPENDENT AUDITOR'S REPORT (CONT'D)

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS (CONT'D)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with management, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our audit report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner responsible for the audit resulting in this Independent Auditor's Report is Mr. Saeed Rahaman, FCCA.

TSD LAL & CO.

Chartered Accountants

February 28, 2019

77 Brickdam,
Stabroek,
Georgetown.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | 2018 G\$ | 2017 G\$ |
|---------------------------------------|-------|--------------------|--------------------|
| Revenue from contracts with customers | 23 | 3,283,211,508 | 3,077,180,731 |
| Cost of sales | | 2,286,279,908 | 2,045,678,761 |
| Gross profit | | 996,931,600 | 1,031,501,970 |
| Other income | 5 | 23,220,369 | 38,569,179 |
| | | 1,020,151,969 | 1,070,071,149 |
| Administrative expenses | | 332,316,167 | 337,272,325 |
| Distribution and marketing expenses | | 512,933,786 | 517,630,307 |
| Finance costs | 6 (b) | 24,156,953 | 12,671,022 |
| Profit for the year before taxation | 6 | 150,745,063 | 202,497,495 |
| Taxation | 7 (a) | 50,388,250 | 57,914,817 |
| Profit for the year | | 100,356,813 | 144,582,678 |
| Basic earnings per share in dollars | 9 | 6.57 | 9.47 |

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018 G\$ | 2017 G\$ |
|---|-------|-------------|-------------|
| Profit for the year | | 100,356,813 | 144,582,678 |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Deferred tax rate adjustment for revaluation reserves | 7 (b) | 14,052,760 | 14,052,760 |
| Remeasurements of defined benefit pension plan | 7 (b) | 75,343,425 | 42,533,722 |
| | | 89,396,185 | 56,586,482 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Gain arising on revaluation of FVTOCI/Available-for-Sale financial assets | 7 (b) | 69,384,186 | 29,477,150 |
| Other comprehensive income for the year, net of tax | | 158,780,371 | 86,063,632 |
| Total Comprehensive Income for the year | | 259,137,184 | 230,646,310 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

| | Notes | Share capital G\$ | Retained earnings G\$ | Capital reserve G\$ | Other reserve G\$ | Total G\$ |
|---|-------|-------------------------|-----------------------------|---------------------------|-------------------------|---------------|
| Balance at 31 December 2016 | | 702,480,720 | 1,542,917,522 | 413,653,789 | 28,834,963 | 2,687,886,994 |
| Changes in equity 2017 | | | | | | |
| Total comprehensive income for the year | | - | 187,116,400 | 14,052,760 | 29,477,150 | 230,646,310 |
| Dividends paid | 8 | - | (91,627,920) | - | - | (91,627,920) |
| Balance at 31 December 2017 | | 702,480,720 | 1,638,406,002 | 427,706,549 | 58,312,113 | 2,826,905,384 |
| Changes in equity 2018 | | | | | | |
| Total comprehensive income for the year | | - | 175,700,238 | 14,052,760 | 69,384,186 | 259,137,184 |
| Dividends paid | 8 | - | (91,627,920) | - | - | (91,627,920) |
| Balance at 31 December 2018 | | 702,480,720 | 1,722,478,320 | 441,759,309 | 127,696,299 | 2,994,414,648 |

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

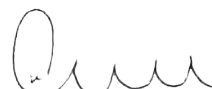
| | Notes | 2018 G\$ | 2017 G\$ |
|--|--------|----------------------|----------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 10 (a) | 1,834,360,399 | 1,680,259,689 |
| Defined benefit asset | 11 | 358,732,783 | 253,451,075 |
| Investments | 12 | 172,431,907 | 104,352,320 |
| | | <u>2,365,525,089</u> | <u>2,038,063,084</u> |
| Current assets | | | |
| Inventory, stores and work-in-progress | 13 | 842,747,227 | 686,792,776 |
| Trade receivables | 14 (a) | 433,399,281 | 371,647,500 |
| Other receivables and prepayments | 14 (b) | 53,835,429 | 79,685,425 |
| Fixed deposits | 15 | 42,749,325 | 78,562,231 |
| Cash on hand and at bank | | 26,100,965 | 45,885,523 |
| | | <u>1,398,832,227</u> | <u>1,262,573,455</u> |
| | | <u>3,764,357,316</u> | <u>3,300,636,539</u> |
| TOTAL ASSETS | | | |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | 17 (a) | 702,480,720 | 702,480,720 |
| Retained earnings | | 1,722,478,320 | 1,638,406,002 |
| Capital reserve | 17 (b) | 441,759,309 | 427,706,549 |
| Other reserve | 17 (c) | 127,696,299 | 58,312,113 |
| Shareholders' funds | | <u>2,994,414,648</u> | <u>2,826,905,384</u> |
| Non-current liabilities | | | |
| Deferred tax | 7 (a) | 248,812,859 | 248,576,969 |
| Current liabilities | | | |
| Trade payables | 18 (a) | 174,335,561 | 98,415,063 |
| Other payables and accruals | 18 (b) | 100,093,804 | 108,290,564 |
| Tax liability | | 34,280,931 | 5,416,890 |
| Bank overdraft (secured) | 16 | 212,419,513 | 13,031,669 |
| | | <u>521,129,809</u> | <u>225,154,186</u> |
| | | <u>3,764,357,316</u> | <u>3,300,636,539</u> |
| TOTAL EQUITY AND LIABILITIES | | | |

These financial statements were approved by the Board of Directors on 28 February, 2019.

On behalf of the Board:



Mr. Edward Anand Beharry



Mr. Paul Christopher Cheong - Director

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 G\$ | 2017 G\$ |
|---|----------------------|----------------------|
| Operating activities: | | |
| Profit for the year before taxation | 150,745,063 | 202,497,495 |
| Adjustment for - | | |
| Interest received | (821,262) | (815,897) |
| Interest expense | 24,156,953 | 12,671,022 |
| Investment income | (2,150,037) | (14,422,432) |
| Foreign exchange gain | (4,932,695) | (8,696,068) |
| Depreciation | 179,822,466 | 192,792,316 |
| Gain on disposal of property, plant and equipment | (460,000) | (1,486,075) |
| Defined benefit expense | (1,482,845) | 951,509 |
| | <u>344,877,643</u> | <u>383,491,870</u> |
| Operating profit before changes in working capital | | |
| Changes in working capital: | | |
| Increase in inventory, stores and work-in-progress | (155,954,451) | (92,249,645) |
| (Increase)/Decrease in trade receivables, other receivables and prepayments | (35,901,785) | 18,565,606 |
| Increase / (decrease) in trade payables, other payables and accruals | 67,723,738 | (10,503,162) |
| | <u>220,745,145</u> | <u>299,304,669</u> |
| Cash generated from operations | | |
| Taxes paid/adjustment | (35,623,979) | (80,524,596) |
| | <u>185,121,166</u> | <u>218,780,073</u> |
| Net cash provided by operating activities | | |
| Investing activities: | | |
| Interest received | 821,262 | 815,897 |
| Interest expense | (24,156,953) | (12,671,022) |
| Investment income | 2,150,037 | 14,422,432 |
| Foreign exchange gain | 4,932,695 | 8,696,068 |
| Payments to acquire property, plant and equipment | (333,990,191) | (175,352,753) |
| Proceeds from disposal of investment | 1,304,596 | 57,750,000 |
| Proceeds from disposal of property, plant and equipment | 460,000 | 1,575,000 |
| | <u>(348,478,554)</u> | <u>(104,764,378)</u> |
| Net cash used in investing activities | | |
| Financing activities: | | |
| Dividends paid | (91,627,920) | (91,627,920) |
| | <u>(91,627,920)</u> | <u>(91,627,920)</u> |
| Net cash used in financing activities | | |
| Net increase in cash and cash equivalents | (254,985,308) | 22,387,775 |
| Cash and cash equivalents at beginning of period | 111,416,085 | 89,028,310 |
| Cash and cash equivalents at end of period | <u>(143,569,223)</u> | <u>111,416,085</u> |
| Cash and cash equivalents comprised of: | | |
| Fixed deposits | 42,749,325 | 78,562,231 |
| Cash on hand and at bank | 26,100,965 | 45,885,523 |
| Bank overdraft (secured) | (212,419,513) | (13,031,669) |
| | <u>(143,569,223)</u> | <u>111,416,085</u> |

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