The Guyana and Trinidad Mutual Fire Insurance Company Limited

135th ANNUAL REPORT 2014

Notice of Meeting

The **ORDINARY GENERAL MEETING OF MEMBERS** will be held at 17:00 hours on Thursday, 17th September, 2015 at the Georgetown Club, 208 Camp Street, Georgetown.

AGENDA

1. To receive and consider the Report of the Directors, the Accounts for the year ended 31st December 2014 and the Report of the Auditors thereon.

2. To sanction the declaration of a final dividend on Scrip Capital.

3. To elect Directors.

4. To fix remuneration of the Directors.

5. To elect Auditors and fix their remuneration.

By Order of the Board

K. Goberdhan
Company Secretary/
Finance Controller

GTM Buildings
27/29 Robb & Hincks Streets
Georgetown
11th August, 2015

N.B. The right to vote by proxy may only be exercised if the member resides outside of the City of Georgetown.

The appointed proxy must be a member of the Company.

The instrument appointing a proxy must be deposited at the Head Office of the Company not less than twenty-four hours before the time appointed for holding the meeting.

Chairman & Board of Directors

CHAIRMAN	R. L. SINGH, A.A., A.C.I.S.
DIRECTORS	L. W. VALIDUM, M.D.
	P. S. FRASER
	E. A. LUCKHOO, S.C, LL.B , (HONS) (LOND)
	B. J. HARPER (MS.), B.A.
	R. E. CHEONG, A.A., F.C.I.I, F.L.M.I., C.L.U.
MANAGING DIRECTOR	R. St. P. YEE, B. Sc. (HONS), E.M.B.A.

Management Team

MANAGING DIRECTOR	R. ST. P. YEE, B. Sc. (HONS), E.M.B.A
MANAGER	R. SINGH (MRS.), B.Sc, Dip. Mgt.
COMPANY SECRETARY /FINANCE CONTROLLER	K. GOBERDHAN, F.C.C.A.
ACCOUNTANT/ASSISTANT COMPANY SECRETARY	C. PETERS-GRANT (MRS.), A.C.C.A
GROUP SALES MANAGER	MAJOR I. ALLI
BRANCH MANAGER, ST. LUCIA	M. FONTENELLE, L.U.T.C.F, F.L.M.I., A.C.S., P.M.P
BRANCH MANAGER, ST. VINCENT	C. CAMBRIDGE, A.I.A.A., A.C.S (HONS), A.I.R.C, Dip.Mgt (UWI)
BRANCH MANAGER, GRENADA	J. MC CUTCHEON (MRS.), M.B.A

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their REPORT and the AUDITED FINANCIAL STATEMENTS for the year ended December 31, 2014.

FIRE BUSINESS

GUYANA & CARIBBEAN OFFICES

At the commencement of the year after adjustment for the change in currency rates the sum insured for business in force was $321,843,749,727 with annual premiums of $1,657,056,958.

New policies, increases and reinstatements totalled $50,145,403,094 in sums insured: yielding annual premiums of $220,972,155. The amount of insurance in force at 31 December, 2014 was $342,680,747,016 with annual premiums of $1,728,525,325.

SUMMARY OF POLICIES ISSUED AND EXPIRED

	SUM INSURED	ANNUAL PREMIUM
	G$	G$
Insurance in force at 31-12-2013	321,843,749,727	1,657,056,958
Issued during the year ended 31-12-2014	50,145,403,094	220,972,155
	371,989,152,821	1,878,029,113
Expired during the year ended 31-12-2014	29,308,405,805	149,503,788
Insurance in force at 31-12-2014	342,680,747,016	1,728,525,325

The total amount of claims paid and provided for during the year amounted to $216,482,813 net of reinsurance recoveries.

TRIENNIAL CASH PROFIT

The Directors have declared a return of 50% of the premiums received after deduction of the usual reserve for unexpired time, in respect of those fire insurance policies issued in Guyana entitled to earn profit for the period ended 31 December, 2014. This will result in a return to policyholders of $66,713,723 in cash.

REPORT OF THE DIRECTORS

INVESTMENTS

The ledger values of shares and treasury bills purchased during the year amounted to $189,323,155 while redemptions amounted to $106,847,000. At the end of the year the Directors revalued the Securities to reflect current Market Value. The net decrease arising out of revaluation was $112,474,658: This Fair Value adjustment is being held in the Investment Reserve.

Certificates for the securities have been examined by the Auditors.

Mortgage Loans outstanding at 31 December, 2014 were $28,045,657.

DIVIDEND

The Directors have declared a final dividend of 4.70% for the year for Preferent Scrip holders, First Preferred Stock holders and Ordinary Scrip holders.

DIRECTORATE

The following Directors retire from Office and are eligible for re-election — Mr. R. E. Cheong, Ms. B. J. Harper and Mr. E. A. Luckhoo.

CORPORATE GOVERNANCE

The Company shares a common Board of Directors with the Guyana and Trinidad Mutual Life Insurance Company Limited and regular meetings are held once per month for each Company.

The Board has established an Organisational and Compensation Committee which, on an ongoing basis, reviews the appropriateness of the establishment to the needs of the business.

Other major Committees on which members of the Board serve are the Audit and Risk Management, Budget, Information Systems and Investment.

AUDITORS

Messrs. TSD, Lal & Co. Chartered Accountants retire and are eligible for re-election.

INDEPENDENT AUDITORS' REPORT

To the Members of
The Guyana & Trinidad Mutual Fire Insurance Company Limited
on the Financial Statements for the Year Ended 31 December, 2014

Report on the Financial Statements

We have audited the accompanying financial statements of The Guyana and Trinidad Mutual Fire Insurance Company Limited, which comprise the statement of financial position as at 31 December, 2014 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 a summary of significant accounting policies and other explanatory notes as set out on pages 4 to 47.

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.

Auditors' 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.

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 controls 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 The Guyana and Trinidad Mutual Fire Insurance Company Limited as at 31 December, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991 and the Insurance Act 1998.

TSD, Lal & Co.
CHARTERED ACCOUNTANTS
77 Brickdam
Stabroek
Georgetown, Guyana
7th August, 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 December, 2014

	Notes	2014 G$	2013 G$
REVENUE			
Insurance premiums	(5)	2,562,641,930	**2,450,062,023**
Reinsurance premiums	(5)	(629,619,755)	**(593,748,736)**
		1,933,022,175	**1,856,313,287**
Income from investments			
"Held to maturity"	(6)	79,596,613	**55,684,063**
"Loans and receivables"	(6)	5,276,702	**5,825,266**
"Available for sale"	(6)	48,898,505	**47,176,753**
Other income	(7)	4,168,902	**3,996,715**
Currency translation adjustment	(8)	21,872,883	**4,908,675**
		2,092,835,780	**1,973,904,759**
Deduct:			
EXPENDITURE			
Claims	(9)	767,680,318	**889,078,331**
Commissions and sales expenses	(10)	313,161,560	**293,879,357**
Salaries and other staff costs	(11)	348,410,243	**335,196,981**
Management expenses	(11)	347,633,518	**330,852,622**
Taxation	(12)	58,027,880	**(11,942,978)**
Pension fund contribution		16,267,043	**8,988,420**
Dividends, biennial bonus and triennial profit	(13)	77,052,476	**77,860,271**
Transfer to investment reserve	(14)	4,590,286	**954,634**
		1,932,823,324	**1,924,867,638**
Profit after tax		160,012,456	**49,037,121**
OTHER COMPREHENSIVE INCOME			
Items that will not be classified to profit or loss			
Increase /(Decrease) in other reserves		26,722,089	**(18,692,801)**
Items that may be reclassified subsequently to profit or loss			
Remeasurement of defined benefit pension plans net of tax		(34,699,272)	**16,007,062**
Adjustment to fair value of investments and transfer		(107,884,372)	**328,100,760**
Other comprehensive income for the year net of tax		(115,861,555)	**325,415,021**
Total comprehensive income for the year net of tax		44,150,901	**374,452,142**

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

PROFIT AND LOSS (ANNUAL) ACCOUNT — FIRE INSURANCE

For the Year Ended 31 December, 2014

	Notes	2014 G$	2013 G$
Premiums on without profit policies and commissions		807,811,103	**757,538,659**
Income from investments		133,771,820	**108,686,082**
Other income		4,168,902	**3,996,715**
		945,751,825	**870,221,455**
Deduct:			
Claims		200,233,570	**311,929,620**
Commissions and sales expenses		167,143,738	**156,361,800**
Salaries and other staff costs		233,655,834	**266,435,652**
Management expenses		265,400,206	**217,079,136**
Taxation		(60,003,240)	**(39,062,296)**
Reinsurance		262,770,569	**227,527,607**
Pension fund contribution		8,091,379	**7,283,898**
Transfer to investment reserve	(14)	4,590,286	**954,634**
Interest	(15)	32,483,070	**32,658,125**
		1,114,365,412	**1,181,168,176**
Transfer from premiums on with profit policies	(16)	(168,613,587)	**(310,946,722)**

This account, made up in accordance with By-Law 17 of this Company's Ordinance of Incorporation Chapter 210, (together with the accompanying Profit and Loss (Triennial) Account) has been prepared to reflect the declaration of Triennial Cash Profit on Fire Policies entitled to profit in 2014.

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

PROFIT AND LOSS (TRIENNIAL) ACCOUNT — FIRE INSURANCE

For the Year Ended 31 December, 2014

	Notes	2014 G$	2013 G$
Balance of unexpired risks reserve at beginning		25,619,353	22,859,258
Premiums received		129,917,852	138,321,953
Premiums on policies surrendered for profit		2,582,791	1,735,388
		158,119,996	162,916,599
Deduct:			
Unexpired risks reserve at end		24,692,550	26,966,959
Transfer to Profit & Loss (Annual) Account	(17)	176,338,493	127,054,096
Triennial profit 50 % (2013 - 50%)		66,713,723	67,974,820
		267,744,766	221,995,875
Transfer from other reserve		(109,624,770)	(59,079,276)

This account, made up in accordance with By-Laws 12-14 of this Company's Ordinance of Incorporation Chapter 210, (together with the Profit and Loss (Annual) Account) has been prepared to reflect the declaration of Triennial Cash Profit on Fire Policies entitled to profit in 2014.

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

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December, 2014

	Scrip & stock capital	Premium capital	Investment reserve	Other reserves	Dividends biennial bonus & triennial profit	Fixed assets revaluation reserve	Total
	G$	G$	G$	G$	G$	G$	G$
Balance at January 01, 2013	**1,000,000**	**166,128,514**	**1,478,019,446**	**2,499,187,452**	**82,591,861**	**318,192,310**	**4,545,119,583**
Changes in equity 2013							
Total Comprehensive Income for the year	—	39,896,955	328,100,760	14,834,237	(8,379,810)	—	374,452,142
Balance at December 31, 2013	**1,000,000**	**206,025,469**	**1,806,120,206**	**2,514,021,690**	**74,212,051**	**318,192,310**	**4,919,571,726**
Changes in equity 2014							
Total Comprehensive Income for the year	—	3,755,306	(107,884,372)	151,222,117	(2,942,150)	—	44,150,901
Balance at December 31, 2014	**1,000,000**	**209,780,775**	**1,698,235,834**	**2,665,243,807**	**71,269,901**	**318,192,310**	**4,963,722,627**

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

STATEMENT OF FINANCIAL POSITION

As at 31 December, 2014

Assets	Notes	2014 G$	2013 G$
Non-current assets			
Property and equipment	(18)	729,212,792	**714,763,486**
Deferred tax asset	(19)	248,080,542	**246,561,700**
Other assets			
Investments			
Held to maturity	20(a)	396,897,054	**432,238,054**
Loans and receivables	20(b)	28,045,657	**30,576,744**
Available for sale	20(c)	1,667,936,298	**1,780,410,956**
Statutory deposits	(22)	702,585,223	**613,025,509**
Retirement benefit assets	(23)	533,231,417	**526,621,945**
		4,305,988,985	**4,344,198,393**
Current assets			
Interest accrued	(24)	25,820,694	**27,166,218**
Debtors and prepayments	(25)	297,854,099	**216,861,298**
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	(26)	59,750,377	**91,525,207**
Unexpired reinsurance premiums	(27)	9,489,606	**11,370,088**
Taxes recoverable	(37)	37,532,547	**44,978,028**
Treasury bills	(28)	528,363,885	**365,853,230**
Cash on deposit	(29)	881,056,291	**828,173,734**
Cash at bank		365,469,771	**304,355,513**
Cash on hand and in transit		18,243,099	**17,069,844**
		2,223,580,369	**1,907,353,161**
Total assets		6,529,569,354	**6,251,551,554**
Equity and liabilities			
Capital and reserves			
Scrip and stock capital	(30)	1,000,000	**1,000,000**
Premium capital	(31)	209,780,775	**206,025,469**
Investment reserve	(32)	1,698,235,834	**1,806,120,206**
Other reserves	(33)	2,665,243,807	**2,514,021,690**
Dividends, biennial bonus and triennial profit	(34)	71,269,901	**74,212,051**
Revaluation reserve	(18)	318,192,310	**318,192,310**
		4,963,722,627	**4,919,571,726**
Non-current liabilities			
Pension reserve	(35)	172,219	**100,371**
Deferred tax liabilities	(19)	348,711,333	**345,763,379**
Retirement benefit obligations	(23)	461,734,438	**401,113,073**
		810,617,990	**746,976,823**
Current liabilities			
Unclaimed dividends and triennial profit	(36)	56,606,449	**63,191,788**
Provision for taxation	(37)	31,340,091	**38,021,233**
Provision for claims	(38)	480,191,074	**306,055,917**
Creditors and accruals	(39)	187,043,375	**175,995,489**
Bank overdraft (unsecured)	(40)	47,748	**1,738,577**
		755,228,737	**585,003,005**
Total equity and liabilities		6,529,569,354	**6,251,551,554**

The financial statements were approved by the Board of Directors on 16th July, 2015
On behalf of the Board
Director: **P. S. FRASER**
Director: **B. J. HARPER**
Company Secretary/ Finance Controller: **K. GOBERDHAN**

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

STATEMENT OF CASH FLOWS

For the Year Ended 31 December, 2014

	2014 G$	2013 G$
Operating activities		
Operating surplus before taxation	218,040,336	**37,094,143**
Adjustments for -		
Depreciation	19,515,859	**20,892,456**
Investment income	(133,771,820)	**(108,686,082)**
Loss on disposal of assets	252,932	**9,029,662**
Gain on exchange	(21,872,883)	**(4,908,675)**
Operating surplus/(deficit) before working capital changes	82,164,424	**(46,578,496)**
Increase / (decrease) in reserves	(49,268,515)	**13,226,369**
(Increase) / decrease in debtors	(45,991,965)	**279,979,565**
Increase / (decrease) in unclaimed dividends and triennial profit	(6,585,339)	**14,056,116**
Increase in provision for claims	174,135,157	**17,812,670**
Increase in creditors and accruals	11,047,886	**11,436,976**
Net cash provided by operations	165,501,647	**289,933,201**
Taxes paid	(32,701,583)	**(56,989,696)**
Net cash provided by operating activities	132,800,065	**232,943,505**
Investing activities		
Purchase of fixed assets	(34,218,097)	**(18,173,423)**
Proceeds on disposal of fixed assets	—	**1,106,000**
Purchase of securities	(26,812,500)	**(30,387,500)**
Net proceeds from redemption of securities	106,847,000	**3,799,992**
Mortgage repayments	2,531,088	**5,434,533**
Increase in retirement benefit assets	(6,609,473)	**(48,332,472)**
Increase in retirement benefit obligations	60,621,365	**13,255,876**
Net increase in treasury bills	(162,510,655)	**(81,911,785)**
Increase in cash on deposits	(52,882,557)	**(354,180,763)**
Increase in statutory deposits	(89,559,714)	**(89,474,188)**
Dividend and interest received	133,771,820	**108,686,082**
Net cash used in investing activities	(68,821,723)	**(490,177,647)**
Net increase / (decrease) in cash and cash equivalents	63,978,342	**(257,234,142)**
Cash and cash equivalents at beginning of period	319,686,780	**576,920,922**
Cash and cash equivalents at end of period	383,665,122	**319,686,780**
Cash and cash equivalents consist of:		
Cash on hand, at bank and in transit	383,712,870	**321,425,357**
Bank overdraft (unsecured)	(47,748)	**(1,738,577)**
	383,665,122	**319,686,780**

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

NOTES ON THE ACCOUNTS

(1) INCORPORATION AND ACTIVITIES

The Guyana and Trinidad Mutual Fire Insurance Company Limited was incorporated by Ordinance No. 31 of 15th December 1880. The objects of the Company are to carry on the business of Property, Motor, Accident and liability and any other class of insurance approved by the Regulators. The average number of employees at 31st December 2014 was 312 (31st December 2013 — 323).

(2) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Effective for the current period

New and Amended Standards

		Effective for Annual periods beginning on or after
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 32	Financial Instruments — Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36	Impairment of Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement	1 January 2014

New Interpretation

IFRIC 21	Levies	1 January 2014

The standards and amendments that are expected to have an impact on the Company's accounting policies are explained below:

Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities

Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas.
This amendment did not have a material impact on the entity as the Company does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36: Impairment of Assets

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units are required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment.
These amendments did not have a material impact on the disclosures or on amounts recognised in the Company's financial statements.

NOTES ON THE ACCOUNTS

(2) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS — cont'd

Available for early adoption for the current year end

	Effective for Annual periods beginning on or after
New and Amended Standards	
IAS 19 Employee Benefits	1 July 2014
Annual Improvements 2010 - 2012 Cycle	1 July 2014
Annual Improvements 2011 - 2013 Cycle	1 July 2014
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Joint Arrangements	1 January 2016
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 27 Separate Financial Statements	1 January 2016
IFRS 10 & IAS 28 Sale or Contribution of Assets Between Investor and Associate or Joint Venture	1 January 2016
Disclosure Initiative Amendments to IAS 1	1 January 2016
IFRS 10, IFRS 12 & IAS 28 Applying Consolidation Exceptions	1 January 2016
Annual Improvements 2012-2014 Cycle	1 July 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 7 Financial Instruments: Disclosures	1 January 2017
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 9 Additions for Financial Liability Accounting	1 January 2018

The Company has not opted for early adoption.

NOTES ON THE ACCOUNTS

(2) ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS — cont'd

The standards and amendments that are expected to have an impact on the Company's accounting policies when adopted are explained below:

Amendments to IAS 19: Defined Benefit Plans: Employees Contribution

Amends IAS 19 Employees Benefit to clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services.
The application of the amendments to IAS 19 may have impact on amounts reported in respect of the Company's defined benefit plans. The management is in discussion with the actuaries to determine any possible effect of the amendments.

Annual Improvements

The annual improvements programme of the International Accounting Standards Board deals with amendments and clarifications to IFRS.

IFRS 1	—	First-time Adoption of International Financial Reporting Standards
IFRS 2	—	Share-base Payment
IFRS 3	—	Business Combinations
IFRS 5	—	Non-Current Assets held for Sale and Discontinued Operations
IFRS 7	—	Financial Instruments Disclosure
IFRS 8	—	Operating Segments
IFRS 9	—	Financial Instruments
IFRS 13	—	Fair Value Measurement
IAS 16	—	Property, Plant and Equipment
IAS 24	—	Related Party Disclosures
IAS 34	—	Interim Financial Reporting
IAS 38	—	Intangible Assets
IAS 40	—	Investment Property

The directors do not anticipate that the application of the foregoing amendments will have a significant impact on the Company's financial statements.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, to clarify the appropriateness of the methods of depreciation used for property, plant and equipment.

The application of the amendments may have impact on amounts reported in respect of depreciation.
However, the directors do not anticipate a significant effect.

Disclosure Initiative (Amendments to IAS 1)

Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.

NOTES ON THE ACCOUNTS

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments, property and equipment, and conform to International Financial Reporting Standards.

The principal accounting policies are set out below.

(b) Revenue Recognition

i) Premiums

Premiums are recognised as revenue when received from policyholders. Premiums are recognised gross of commissions payable. Reserves for unexpired risks that relate to future periods are included in other reserves.

ii) Other Revenues

Interest income for all interest bearing financial instruments except for those classified as available for sale or designated at fair value is recognised in the statement of profit or loss and other comprehensive income on an accrual basis using the effective interest yield method.

The effective interest yield is the rate that exactly discounts estimated future cash receipts or payments throughout the expected life of the financial instrument or where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

iii) Other Income

Other income is recognised as it is earned. This is mainly due to fees charged for routine transactions and rental income earned.

(c) Financial Investments

Investments are recognised in the financial statements to comply with International Financial Reporting Standards.

The Company classifies its investment portfolio into the following categories: “held to maturity investments”, “loans and receivables” and “available for sale financial assets". Management determines the appropriate classification at the time of purchase based on the purpose for which the investment securities are acquired. The classification is reviewed annually.

Income on variable return securities is dealt with on a cash basis, while income on fixed return securities is recognised as it is earned.

i) Held to maturity

Investments “held to maturity” are carried at amortised cost. Any gain or loss on these investments is recognised in the statement of profit or loss and other comprehensive income when the assets are de-recognised or impaired.

ii) Loans and receivables

These comprise mortgages on property and loans and are stated at amortised cost.

iii) Available for sale

Investments are initially recognised at cost and adjusted to fair value at subsequent periods. Gains or losses on revaluations are recognised through the investment reserve account until the asset is sold or otherwise disposed, at which time previously recognised gains or losses are transferred to the statement of profit or loss and other comprehensive income for that period.

NOTES ON THE ACCOUNTS

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

(d) Foreign Currencies

Transactions in currencies other than Guyana dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At the date of the financial statements, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at 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 profit or loss and other comprehensive income for the period.

(e) Fixed Assets and Depreciation

Land and buildings held for use in the supply of services, or for administrative purposes are stated in the statement of financial position at cost or their revalued amounts. Revalued amounts are taken as the fair value at the date of revaluation determined from the market based evidence by appraisal undertaken by professional valuators.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve account. Depreciation on revalued assets is charged to the statement of profit or loss and other comprehensive income.

Equipment and fixtures are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and construction work-in-progress, over their estimated useful lives as follows:-

Furniture and fittings	—	10% (reducing balance)
Motor vehicles and machinery	—	20% (reducing balance)
Computer equipment	—	20% (straight line)
Other equipment	—	15% (reducing balance)

No depreciation is provided on land and buildings.

The estimated useful lives of the buildings and appreciating property values are such that any depreciation would be immaterial.

Assets are reviewed for impairment whenever there is objective evidence to indicate that the carrying amount of an asset is greater than its estimated recoverable amount, and are written down immediately to their recoverable amounts.

The gain or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit or loss and other comprehensive income.

(f) Operating Expenses

The Guyana and Trinidad Mutual Life Insurance Company Limited utilises the staff and facilities in Guyana of The Guyana and Trinidad Mutual Fire Insurance Company Limited. Relevant costs are charged to The Guyana and Trinidad Mutual Life Insurance Company Limited on a pre-determined and agreed basis to reflect the economic value of such services.

In the Caribbean territories, The Guyana and Trinidad Mutual Fire Insurance Company Limited utilises the staff and facilities of The Guyana and Trinidad Mutual Life Insurance Company Limited. Relevant costs are charged to The Guyana and Trinidad Mutual Fire Insurance Company Limited on a pre-determined and agreed basis to reflect the economic value of such services.

NOTES ON THE ACCOUNTS

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

(g) Employees Pension Scheme

The Company participates in a defined benefit pension scheme for its permanent employees. All employees in Guyana are contracted with The Guyana and Trinidad Mutual Fire Insurance Company Limited. They provide service to The Guyana and Trinidad Mutual Life Insurance Company Limited, for which the company is reimbursed on a monthly basis along with the corresponding portion of pension contribution to the pension scheme.

A defined benefit pension plan is also operated for the Sales Representatives of both The Guyana and Trinidad Mutual Fire Insurance Company Limited and The Guyana and Trinidad Mutual Life Insurance Company Limited. Contributions to the scheme are paid by The Guyana and Trinidad Mutual Fire Insurance Company Limited, and the relevant portion is then reimbursed by The Guyana and Trinidad Mutual Life Insurance Company Limited.

Contributions for the period were as follows:

	2014 G$	2013 G$
Pension scheme contribution (staff)	3,911,739	**3,217,270**
Pension scheme contribution (sales representatives)	12,355,303	**5,771,150**

The fair value of the plans' assets and the present value of the obligations are actuarially calculated at the end each year and disclosed on the statement of the financial position.

The movements in assets and liabilities of the pension schemes are recognised through the statement of profit or loss and other comprehensive income.

(h) Taxation

Income tax expense represents the sum of the tax assessed for the current period.

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 profit or loss and other comprehensive 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 in Guyana and the Caribbean territories at the reporting 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 recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is charged or credited to the statement of profit or loss and other comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Company intends to settle its current tax assets and liabilities on a net basis.

NOTES ON THE ACCOUNTS

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

(i) Claims

Claims are made against the Company in respect of the various classes of insurance policies. Claims are recognised when reported to the Company, whether or not settled at the reporting date.

Claims are shown in the statement of profit or loss and other comprehensive income net of reinsurance recoveries. The liability for claims reported and unpaid at the reporting date is disclosed net of amount recoverable from reinsurers.

(j) Reserve for Unexpired Risks

Reserve for unexpired risks represents the proportion of the premiums written in a year which relates to the period of insurance subsequent to the reporting date and has been computed on the basis of 50% of the gross premium income received in the financial year.

(k) Commissions and Allowances

This represents expenses incurred in the acquisition of insurance business contracted mainly through sales representatives and brokers. Various rates are used in the computation of commissions and allowances paid.

(l) Financial Instruments

Financial assets and liabilities are recognised on the 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, loans and overdrafts, receivables, payables, accruals, borrowings and cash resources. The recognition methods adopted for the instruments are disclosed in the individual policy statement.

i) ***Trade Receivables***

Trade receivables are recognised at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that they are not collectible

ii) ***Bank Borrowings***

Interest bearing bank loans and overdrafts are recognised at amortised cost.

iii) ***Trade Payables***

Trade payables are recognised at amortised cost.

iv) ***Cash and Cash Equivalents***

Cash and short-term funds are held for the purpose of meeting short-term cash commitments rather than investment or other purposes. These are readily convertible to a known amount of cash, with maturity dates of three (3) months or less.

v) ***Derecognition***

Financial assets are derecognised when the right to receive cash flows from the asset has expired.

Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is discharged, cancelled or expired.

(m) Reinsurance

The Guyana and Trinidad Mutual Fire Insurance Company Limited has both treaty and facultative reinsurance in place for the risks that the Company underwrites. Relevant amounts are reimbursed to the Company for claims paid, in accordance with the terms of the reinsurance agreements.

Reinsurance premiums paid are disclosed separately in the statement of profit or loss and other comprehensive income, and claims are disclosed net of reinsurance recoveries.

NOTES ON THE ACCOUNTS

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — cont'd

(n) Insurance Contracts

The Company issues contracts that transfer insurance risk or financial risk or both.

Accident and liability insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities and damages covered include both contractual and non-contractual events.

Property Insurance Contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost.

Motor insurance contracts provide financial protection to the Company's clients against physical damage and/or bodily injury resulting from motor vehicle accidents, and against liability that could arise from them.

<u>Liability adequacy test</u>
The Company, upon notification of the occurrence of an insured event, sets up a provision based on best estimates and/or reports received from loss adjusters. At regular intervals the amounts provided for all unpaid claims are reviewed to take into account any material changes advised of by the client and/or loss adjusters. At all times therefore, balances reflected as payable on individual claims represent the assessed liability of the Company having taken all the information relevant to the individual claims into consideration. Liabilities for all claims are kept until they are discharged or cancelled, or have expired.

(o) Premium Capital

The Premium capital is an accumulation of profit premiums net of any refunds, lapses, surrenders and unexpired time. This together with any gain or loss on the profit and loss account is used in the computation of triennial cash profit for distribution amongst members at the end of each triennial period.

(p) Investment Reserve

This comprises the movement in the fair value of securities traded. This also includes provision made in accordance with By-Law 19 of the Company's Ordinance.

(q) Revaluation Reserve

This comprises the revaluation surplus arising from the revaluation of land and buildings.

(r) Triennial Profit

This is a return of premium to profit policyholders in cash at the end of a triennial period pursuant to the By-Laws of the Company. A rate of return is decided by the Directors based on the performance of the Company.

(s) Biennial Bonus

This is a cash bonus payable at a fixed rate of 30% at the end of the biennial period in accordance with the conditions of the policy. These are non-participating policies with a special bonus condition attached and are currently only sold in the territory of St. Lucia.

(t) Impairment of tangible assets

At the end of the financial period, the Company 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 the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES ON THE ACCOUNTS

(4) CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's 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.

<u>Key sources of estimation uncertainty</u>

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) Available for sale financial assets

In classifying investment securities as "available for sale", management has determined that these securities do not meet the criteria for loans and receivables, held to maturity investments or financial assets at fair value through profit or loss and are valued at fair value.

ii) Held to maturity financial assets

The Directors have reviewed the Company's "held to maturity" assets in the light of its capital maintenance and liquidity requirements and have confirmed the Company's positive intention and ability to hold these assets to maturity.

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 these assets should remain the same.

iv) Other financial assets/liabilities

In determining the fair value of the investment in the absence of an active market, the Directors estimate the likelihood of impairment by using discounted cash flows. At December 31, 2014 provision for claims comprised claims notified but not settled. The provision for the cost of claims notified but not settled is arrived at after taking into account all known facts up to the reporting date.

While management believes that the liability carried at the reporting date is adequate, the application of statistical techniques requires significant judgement. Any deviation in the actual cost of the claims would result in the recognition of an additional surplus or deficit in subsequent financial years.

v) Valuation method of pension schemes

Certain assumptions were used in the disclosure information on the schemes based on information provided by the management of the Company.

NOTES ON THE ACCOUNTS

	2014			2013		
	Gross G$	Reinsurance G$	Net G$	Gross G$	Reinsurance G$	Net G$
(5) PREMIUMS						
Property	1,437,039,998	(566,433,741)	870,606,257	**1,360,758,959**	**(533,640,374)**	**827,118,585**
Motor	1,043,413,731	(56,819,190)	986,594,541	**996,803,164**	**(57,048,904)**	**939,754,260**
Accident & liability	82,188,201	(6,366,824)	75,821,377	**92,499,900**	**(3,059,458)**	**89,440,443**
	2,562,641,930	(629,619,755)	1,933,022,175	**2,450,062,023**	**(593,748,736)**	**1,856,313,287**

	2014 G$	2013 G$
(6) INCOME FROM INVESTMENTS		
"Held to maturity"		
Stocks, bonds and debentures treasury bills and fixed deposits	79,596,613	55,684,063
"Loans and receivables"		
Mortgages	2,002,400	2,440,173
Sundry loans	3,274,302	3,385,093
	5,276,702	5,825,266
"Available for sale"		
Equities	48,898,505	47,176,753
TOTAL	133,771,820	108,686,082
(7) OTHER INCOME		
Miscellaneous income	4,168,902	3,996,715
(8) CURRENCY TRANSLATION ADJUSTMENT	21,872,883	4,908,675

These differences arose as a result of translation of monetary assets and liabilities denominated in foreign currencies at the reporting date and transaction differences for the year period.

NOTES ON THE ACCOUNTS

(9) CLAIMS

	2014 Gross G$	2014 Reinsurance G$	2014 Net G$	2013 Gross G$	2013 Reinsurance G$	2013 Net G$
Property	321,401,692	(104,918,879)	216,482,813	**795,505,373**	**(445,628,300)**	**349,877,073**
Motor	534,298,883	—	534,298,883	**556,113,411**	**(23,561,408)**	**532,552,003**
Accident and liability	16,898,622	—	16,898,622	**6,649,255**	**—**	**6,649,255**
	872,599,197	(104,918,879)	767,680,318	**1,358,268,039**	**(469,189,708)**	**889,078,331**

Claims paid in financial year

	2014 Gross G$	2014 Reinsurance G$	2014 Net G$	2013 Gross G$	2013 Reinsurance G$	2013 Net G$
Property	625,513,590	(535,372,555)	90,141,035	**361,531,944**	**(18,275,318)**	**343,256,626**
Motor	494,702,241	(1,066,200)	493,636,041	**570,215,214**	**(43,837,440)**	**526,377,774**
Accident and liability	9,768,085	—	9,768,085	**1,631,261**	**—**	**1,631,261**
	1,129,983,916	(536,438,755)	593,545,161	**933,378,419**	**(62,112,758)**	**871,265,661**

	2014 G$	2013 G$
(10) COMMISSIONS AND SALES EXPENSES		
Property	252,756,661	**232,286,417**
Motor	50,664,558	**51,708,270**
Accident and liability	9,740,341	**9,884,671**
	313,161,560	**293,879,357**
(11) MANAGEMENT EXPENSES		
Operating expenses	316,733,310	**298,692,326**
Depreciation	19,456,529	**20,892,456**
Directors' emoluments (a)	9,775,680	**9,679,840**
Auditors' remuneration	1,668,000	**1,588,000**
	347,633,519	**330,852,622**
Salaries and other Staff Costs	348,410,243	**335,196,981**

(a) Directors' Emoluments

		2014 G$	2013 G$
Chairman (retired w.e.f March 31, 2013)	— H. B. Davis (dec'd)	—	**575,040**
Chairman (w.e.f May 1, 2013)	— R. L. Singh	2,300,160	**1,916,800**
Directors	— P. S. Fraser	1,150,080	**1,150,080**
	— E. A. Luckhoo	1,150,080	**1,150,080**
	— B. J. Harper	1,150,080	**1,150,080**
	— L. W. Validum	1,150,080	**1,150,080**
	— R. E. Cheong	1,150,080	**1,150,080**
Resigned (w.e.f. June 30, 2014)	— R. L. Jordon	575,040	**1,150,080**
Managing Director (w.e.f October 1, 2013)	— R. St. P. Yee	1,150,080	**287,520**
		9,775,680	**9,679,840**

NOTES ON THE ACCOUNTS

	2014 G$	2013 G$
(12) TAXATION		
Reconciliation of tax expenses and accounting profit		
Accounting profit	218,040,336	**37,094,143**
Corporation tax (40%)	87,216,134	**14,837,657**
Add:		
Tax effect of expenses not deductible in determining taxable profits:		
Depreciation for accounting purposes	7,806,344	**8,356,982**
Property tax	6,882,780	**6,305,303**
	101,905,258	**29,499,942**
Deduct:		
Tax effect of depreciation for tax purposes	(8,099,267)	**(10,709,865)**
	93,805,991	**18,790,077**
Adjustment / set off / effects of varying tax rates	(65,658,867)	**(18,790,077)**
	28,237,124	—
Corporation tax (33.33% — 45%)	28,237,124	**—**
Premium tax	3,909,434	**3,623,403**
Withholding tax	1,319,364	**1,482,767**
Deferred tax (note 19)	24,561,958	**(17,049,148)**
	58,027,880	**(11,942,978)**
Current tax	33,465,922	**5,106,170**
Deferred tax	24,561,958	**(17,049,148)**
	58,027,880	**(11,942,978)**

Taxation provisions are made in accordance with the tax administration laws of the various countries in which the Company operates, namely - Guyana, St. Lucia, St. Vincent and Grenada.

(13) DIVIDENDS, BIENNIAL BONUS AND TRIENNIAL PROFIT

	2014 G$	2013 G$
Ordinary scrip dividend	27,600	**30,000**
Preferent scrip dividend	4,600	**5,000**
First preferred stock dividend	13,800	**15,000**
Triennial cash profit paid	67,974,820	**68,910,881**
Biennial bonus paid	9,031,656	**8,899,390**
	77,052,476	**77,860,271**

NOTES ON THE ACCOUNTS

	2014 G$	2013 G$
(14) TRANSFER TO INVESTMENT RESERVE		
By-Law 19 of the Company's Ordinance provides that in any year, the Directors may transfer from the Interest account to the Investment reserve account, an amount to provide for the past losses or future possible losses on investments or depreciation thereof.	4,590,286	954,634
(15) INTEREST		
Ordinary scrip	27,600	**30,000**
Preferent scrip	4,600	**5,000**
First preferred stock	13,800	**15,000**
Reserves	32,437,070	**32,608,125**
	32,483,070	**32,658,125**
(16) TRANSFER FROM PREMIUMS ON WITH PROFIT POLICIES		
Policies entitled to profit Dec 2013	—	(97,050,677)
Policies entitled to profit Dec 2014	(50,811,763)	(94,120,916)
Policies entitled to profit Dec 2015	(54,949,236)	(119,775,129)
Policies entitled to profit Dec 2016	(62,852,588)	—
	(168,613,587)	(310,946,722)
(17) TRANSFER TO PROFIT AND LOSS (ANNUAL) ACCOUNT on policies entitled to profit at December 2014		
As at 31 Dec 2011	—	2,864,577
As at 31 Dec 2012	50,811,763	27,138,841
As at 31 Dec 2013	94,120,916	97,050,677
As at 31 Dec 2014	31,405,814	—
	176,338,493	127,054,096

NOTES ON THE ACCOUNTS

(18) PROPERTY AND EQUIPMENT

	Land and buildings G$	Furniture, computer and other equipment G$	Motor vehicles G$	Total G$
Cost/valuation				
At 1 January, 2014	584,396,660	518,688,150	25,740,184	1,128,824,994
Additions	—	29,143,097	5,075,000	34,218,097
Disposals	—	(312,362)	—	(312,262)
At 31 December, 2014	584,396,660	547,518,985	30,815,184	1,162,730,829
Comprising:				
Cost	266,204,350	547,518,985	30,815,184	844,538,519
Valuation	318,192,310	—	—	318,192,310
	584,396,660	547,518,985	30,815,184	1,162,730,829
Depreciation:				
At 1 January, 2014	—	395,080,922	18,980,586	414,061,508
Charge for the year	—	18,163,939	1,351,920	19,515,859
Written back on disposals	—	(59,330)	—	(59,330)
At 31 December, 2014	—	413,185,531	20,332,506	433,518,037
Net book values:				
At 31 December, 2014	584,396,660	134,333,454	10,482,678	729,212,792
At 31 December, 2013	**584,396,660**	**123,607,228**	**6,759,598**	**714,763,486**

On 16th June, 1994 the Company's properties were revalued based on professional advice received from the firm of Rodrigues & Cox: Architects. The revaluation surplus was transferred to revaluation reserve and adjusted for subsequent disposals.

If no revaluation of land and buildings was done, the net book value of the fixed assets would have been approximately G$411,020,482: (Dec 2013 — G$396,571,176).

NOTES ON THE ACCOUNTS

(19) DEFERRED TAX

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

	2014 G$	2013 G$
Deferred tax liabilities		
Property and equipment	135,418,766	**135,114,601**
Retirement benefit assets	213,292,567	**210,648,778**
	348,711,333	**345,763,379**
Deferred tax assets		
Retirement benefit obligations	184,693,774	**160,445,229**
Accumulated tax losses	63,386,770	**86,116,471**
	248,080,544	**246,561,700**

Movement in temporary differences

Deferred tax liabilities	**Property and Equipment G$**	**Retirement Benefit Assets G$**	**Total G$**
At January 1, 2013	**136,815,982**	**191,315,790**	**328,131,772**
Movement during the year:-			
Statement of profit or loss and other comprehensive income	(1,701,381)	19,332,988	17,631,607
At January 1, 2014	**135,114,601**	**210,648,778**	**345,763,379**
Movement during the year:-			
Statement of profit or loss and other comprehensive income	304,165	2,643,789	2,947,954
At December 31, 2014	**135,418,766**	**213,292,567**	**348,711,333**

Deferred tax assets	**Accumulated Tax Losses G$**	**Retirement Benefit Obligations G$**	**Total G$**
At January 1, 2013	**67,409,443**	**155,142,879**	**222,552,322**
Movement during the year:-			
Statement of profit or loss and other comprehensive income	18,707,028	5,302,350	24,009,378
At January 1, 2014	**86,116,471**	**160,445,229**	**246,561,700**
Movement during the year:-			
Statement of profit or loss and other comprehensive income	(22,729,701)	24,248,545	1,518,844
At December 31, 2014	**63,386,770**	**184,693,774**	**248,080,544**

Net Movements for the year	**2014 G$**	**2013 G$**
Movements in deferred tax liabilities	2,947,954	**17,631,607**
Movements in deferred tax assets	(1,518,844)	**(24,009,378)**
Net movement for the year	1,429,110	**(6,377,771)**
Movements through the profit or loss account	24,561,958	**(17,049,148)**
Movement through statement of other comprehensive income	(23,132,848)	**10,671,377**
	1,429,110	**(6,377,771)**

NOTES ON THE ACCOUNTS

(20) INVESTMENTS

	2014 G$	2013 G$
(a) **"Held to Maturity"**		
COMMONWEALTH CARIBBEAN GOVERNMENTS		
Held in trust to the order of Insurance Regulators		
Grenada	26,557,134	**26,557,134**
Others — Eastern Caribbean	267,967,920	**303,002,920**
Bonds and Debentures	98,400,000	**98,712,000**
British Government Securities	3,972,000	**3,966,000**
	396,897,054	**432,238,054**
(b) **"Loans and receivables"**		
Mortgages	28,045,657	**30,576,744**
(c) **"Available for sale"**		
Guyana	1,657,181,107	**1,769,636,603**
Eastern Caribbean	10,755,191	**10,774,353**
	1,667,936,298	**1,780,410,956**
Total	2,064,833,352	**2,212,649,010**

NOTES ON THE ACCOUNTS

(20) INVESTMENTS — cont'd

(d) Details of Securities

	Year of Maturity	Rate of Interest %	2014 G$	2013 G$
Equities				
Guyana			1,657,181,107	**1,769,636,603**
Grenada			10,755,191	**10,774,353**
			1,667,936,298	**1,780,410,956**
Eastern Caribbean				
Grenada	2014	6.00	—	**67,210,000**
Grenada	2014	7.00	—	**35,750,000**
Grenada	2016	8.00	26,557,134	**26,557,134**
Grenada	2016	7.25	41,505,750	**41,505,750**
Grenada	2019	6.00	35,750,000	**—**
Grenada	2022	6.00	26,812,500	**30,387,500**
St. Lucia	2015	6.00	99,549,670	**99,549,670**
St. Lucia	2018	7.50	98,400,000	**98,712,000**
St. Lucia	2019	6.00	35,750,000	**—**
St. Vincent	2018	6.50	28,600,000	**28,600,000**
Others				
British Government	2015	3.50	3,972,000	**3,966,000**
			396,897,054	**432,238,054**

NOTES ON THE ACCOUNTS

(21) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2014		2013	
	Carrying Value G$	Fair Value G$	Carrying Value G$	Fair Value G$
Financial assets				
Investments				
Held to maturity	396,897,054	396,897,054	**432,238,054**	**432,238,054**
Loans and receivables	28,045,657	28,045,657	**30,576,744**	**30,576,744**
Available for sale	1,667,936,298	1,667,936,298	**1,780,410,956**	**1,780,410,956**
Statutory deposits	702,585,223	702,585,223	**613,025,509**	**613,025,509**
Interest accrued	25,820,694	25,820,694	**27,166,218**	**27,166,218**
Debtors and prepayments	297,854,099	297,854,099	**216,861,298**	**216,861,298**
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	59,750,377	59,750,377	**91,525,207**	**91,525,207**
Unexpired reinsurance premiums	9,489,606	9,489,606	**11,370,088**	**11,370,088**
Taxes recoverable	37,532,547	37,532,547	**44,978,028**	**44,978,028**
Treasury bills	528,363,885	528,363,885	**365,853,230**	**365,853,230**
Cash on deposit	881,056,291	881,056,291	**828,173,734**	**828,173,734**
Cash at bank	365,469,771	365,469,771	**304,355,513**	**304,355,513**
Cash on hand and in transit	18,243,099	18,243,099	**17,069,844**	**17,069,844**
	5,019,044,601	5,019,044,601	**4,763,604,423**	**4,763,604,423**
Financial liabilities				
Pension reserve	172,219	172,219	**100,371**	**100,371**
Provision for claims	480,191,074	480,191,074	**306,055,917**	**306,055,917**
Creditors and accruals	187,043,375	187,043,375	**175,995,489**	**175,995,489**
Bank overdraft	47,748	47,748	**1,738,577**	**1,738,577**
Unclaimed dividends and triennial profit	56,606,449	56,606,449	**63,191,788**	**63,191,788**
Provision for taxation	31,340,091	31,340,091	**38,021,233**	**38,021,233**
	755,400,956	755,400,956	**585,103,375**	**585,103,375**

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:

"Held to maturity"

The carrying value of these investments were determined using the level 2 fair value measurement with the exception of the British Government and Eastern Caribbean Securities which were valued using level 1 fair value measurement.

"Loans and receivables"

These investments are carried net of specific and other provisions for impairment. The fair value is based on the expected realisation of outstanding balances. Mortgages are secured against the borrowers' properties.

NOTES ON THE ACCOUNTS

(21) FAIR VALUE OF FINANCIAL INSTRUMENTS — cont'd

"Available for sale"
The carrying value of these investments were valued using quoted market prices. Quoted market prices are obtained from independent market valuators using level 1 fair value measurements as follows:

Eastern Caribbean	Eastern Caribbean Stock Exchange
United Kingdom	London Stock Exchange

For unquoted available for sale investments and for investments quoted on an inactive market, level 2 fair value measurement was used to determine carrying value. In Guyana, prices quoted by Guyana Association of Securities Companies and Intermediaries Inc. are classified under level 2.

"Financial instruments where the carrying amounts are equal to fair values"

The carrying amounts of certain financial instruments are assumed to approximate their fair values due to their short-term nature. These include cash on deposit, cash at bank, cash on hand and in transit, treasury bills and other financial assets and liabilities.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 2 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	2014		
	Level 1 G$	Level 2 G$	Total G$
Held to maturity	3,972,000	392,925,054	396,987,054
Available for sale	1,724,580	1,666,211,718	1,667,936,298
	5,696,580	2,059,136,772	2,064,833,352

	2013		
	Level 1 G$	Level 2 G$	Total G$
Held to maturity	**3,966,000**	**428,272,054**	**432,238,054**
Available for sale	**1,743,742**	**1,778,667,214**	**1,780,410,956**
	5,709,742	**2,206,939,268**	**2,212,649,010**

	2014 G$	2013 G$
(22) STATUTORY DEPOSITS	702,585,223	**613,025,509**

These are deposits with Insurance Regulators and with financial institutions held to the order of the relevant Insurance Regulators.

NOTES ON THE ACCOUNTS

(23) DEFINED BENEFIT ASSET/LIABILITY

The last actuarial valuations of the plans' assets and the present value of the defined benefit obligations for the Sales Representatives and Administrative Staff were carried out as at December 31, 2013 by the Actuaries. The present value of the defined benefit obligation and the related current service cost to comply with IAS 19 were measured by the Actuaries as at December 31, 2014. The projected unit method was used as required by IAS 19.

	Sales Reps. Plan		Staff Plan	
	2014 G$	2013 G$	2014 G$	2013 G$
Amount recognised in the statement of financial position				
Fair value of plan assets	124,596,503	**115,399,604**	408,634,914	**411,222,341**
Present value of obligations	151,491,779	**100,405,561**	310,242,659	**300,707,512**
Net defined benefit asset/(liability)	(26,895,276)	**14,994,043**	98,392,255	**110,514,828**
Reconciliation of amounts recognised in the statement of financial position				
Opening benefit asset/(liability)	14,994,043	**20,621,335**	110,514,828	**69,810,939**
Net pension cost	(9,591,152)	**(3,474,134)**	(1,490,807)	**(2,227,842)**
Contributions paid	7,311,791	**7,168,241**	7,590,396	**6,931,893**
Re-measurements recognised in other comprehensive income	(39,609,958)	**(9,321,399)**	(18,222,162)	**35,999,838**
Closing defined benefit asset/(liability)	(26,895,276)	**14,994,043**	98,392,255	**110,514,828**
Plan assets at fair value				
At beginning of year	115,399,604	**92,546,143**	411,222,341	**385,743,330**
Actual return on plan assets	1,566,759	**6,899,734**	2,595,921	**32,905,384**
Employer contributions	7,311,791	**7,168,241**	7,590,396	**6,931,893**
Employee contributions	4,819,815	**5,123,418**	3,119,488	**2,551,572**
Assets transferred in		**16,309,925**	—	**—**
Benefit payments	(4,501,466)	**(12,647,857)**	(15,893,232)	**(16,909,838)**
	124,596,503	**115,399,604**	408,634,914	**411,222,341**
Benefit obligations				
At beginning of year	100,405,561	**71,924,806**	300,707,512	**315,932,391**
Current service cost	10,398,202	**4,782,972**	7,521,329	**6,431,510**
Interest cost	6,345,830	**4,233,244**	17,884,878	**18,718,141**
Employee contributions	4,819,815	**5,123,418**	3,119,488	**2,551,572**
Actuarial (gain)/loss	34,023,837	**10,679,051**	(3,699,757)	**(26,016,263)**
Benefit payments	(4,501,466)	**(12,647,857)**	(15,893,232)	**(16,909,838)**
Past service cost	—	**16,309,925**	602,441	—
	151,491,779	**100,405,561**	310,242,659	**300,707,512**

NOTES ON THE ACCOUNTS

(23) DEFINED BENEFIT ASSET/LIABILITY — cont'd

The net assets of the plans comprise:

	2014 G$	2013 G$
Fair value of plan assets:		
— Sales Representatives Plan	124,596,503	**115,399,604**
— Staff Plan	408,634,914	**411,222,341**
As per statement of financial position	533,231,417	**526,621,945**
Present value of obligations:		
— Sales Representatives Plan	151,491,779	**100,405,561**
— Staff Plan	310,242,659	**300,707,512**
As per statement of financial position	461,734,438	**401,113,073**

These have been disclosed separately as assets and liabilities in the statement of financial position.

The major categories of plan assets are as follows:

	2014 G$	2013 G$
Investments	404,992,525	**406,028,987**
Current liabilities	(1,712,135)	**(2,162,644)**
Cash	5,354,524	**7,355,998**

Principal actuarial assumptions at the statement of financial position date

	2014	2013
Assumed discount rate	5.00%	**6.00%**
Future promotional salary increases	2.00%	**2.00%**
Future inflationary salary increases	3.00%	**4.00%**
Expected rate of future pension increases	2.00%	**2.00%**

NOTES ON THE ACCOUNTS

		2014 G$	2013 G$
(24)	**INTEREST ACCRUED**		
	Fixed deposits	12,759,648	**14,256,023**
	Stocks, bonds and debentures	6,251,318	**8,681,804**
	Treasury bills	6,809,728	**4,228,391**
		25,820,694	**27,166,218**
(25)	**DEBTORS AND PREPAYMENTS**		
	Prepayments	52,528,024	**55,373,952**
	Other debtors	262,922,036	**179,083,307**
	Provision for impairment (specific)	(17,595,961)	**(17,595,961)**
		297,854,099	**216,861,298**

These comprise reinsurance premiums paid in advance, amount due from brokers, sales representatives and staff loans and other sundry debtors.

		2014 G$	2013 G$
(26)	**AMOUNT DUE FROM THE GUYANA AND TRINIDAD MUTUAL LIFE INSURANCE COMPANY LIMITED**		
	Balance at December 31, for management expenses	59,750,377	**91,525,207**
(27)	**UNEXPIRED REINSURANCE PREMIUMS**		
	Property	11,042,347	**10,412,952**
	Motor	—	**1,407,185**
	Accident and liability	394,460	**318,782**
		11,436,807	**12,138,919**
	Unexpired reinsurance commissions	(1,947,201)	**(768,831)**
		9,489,606	**11,370,088**

This is an estimate of the amount of reinsurance cost incurred net of commission that relates to the future accounting period.

NOTES ON THE ACCOUNTS

(28) TREASURY BILLS

	Average interest rates %	2014 G$	2013 G$
Guyana	5.00	80,274,425	—
Grenada	5.26	216,131,199	**170,609,010**
St. Lucia	5.36	192,089,391	**157,699,173**
St. Vincent	5.00	39,868,870	**37,545,047**
		528,363,885	**365,853,230**

(29) CASH ON DEPOSIT

	Average interest rates %	2014 G$	2013 G$
Short term deposit accounts	1.10	175,827,405	**67,754,563**
Fixed deposits	2.68	705,228,886	**760,419,171**
		881,056,291	**828,173,734**

(30) SCRIP AND STOCK CAPITAL

	2014 G$	2013 G$
Ordinary scrip	600,000	**600,000**
Preferent scrip	100,000	**100,000**
First preferred stock	300,000	**300,000**
	1,000,000	**1,000,000**

These represent the Stock Capital of the Company. These are not available for payment of any expenses or claims incurred by the Company until all other funds are exhausted. Stockholders are entitled to be paid interest in accordance with the Company's Ordinance. Stock and Scrip do not carry voting rights and dividends are paid at the average rate of interest that is declared by the Company each year.

(31) PREMIUM CAPITAL

	2014 G$	2013 G$
Policies entitled to profit Dec 2014	—	**119,229,144**
Policies entitled to profit Dec 2015	124,140,925	**66,158,889**
Policies entitled to profit Dec 2016	68,609,256	**—**
Sub total (i)	194,750,181	**185,388,033**
St. Lucia Bonus Policies (A)	15,030,594	**—**
St. Lucia Bonus Policies (B)	—	**20,637,436**
Sub total (ii)	15,030,594	**20,637,436**
Total	209,780,775	**206,025,469**

(i) This represents premiums on with-profit policies entitled to cash profit payment in the future years.

(ii) This policy was introduced in St. Lucia in 2007, and entitles the policyholders to a rebate of a percentage of premiums paid on a biennial basis.

NOTES ON THE ACCOUNTS

	2014 G$	2013 G$
(32) INVESTMENT RESERVE		
At beginning	1,806,120,206	**1,478,019,446**
Movements due to fair value revaluations	(112,474,658)	**327,146,126**
Transfer to investment reserve	4,590,286	**954,634**
	1,698,235,834	**1,806,120,206**

This represents fair value adjustment on the revaluation of investments and transfers in accordance with By-Law 19 of the Company's Ordinance as per note 14.

	2014 G$	2013 G$
(33) OTHER RESERVES		
Sundry Reserves (a)	1,393,169,223	**1,275,293,931**
Reserve for unexpired risks	1,272,074,584	**1,238,727,759**
	2,665,243,807	**2,514,021,690**

(a) This represents retained earnings.

	2014 G$	2013 G$
(34) DIVIDENDS, BIENNIAL BONUS AND TRIENNIAL PROFIT		
Ordinary scrip dividend	28,200	**27,600**
Preferent scrip dividend	4,700	**4,600**
First preferred stock dividend	14,100	**13,800**
Triennial cash profit	66,913,723	**67,974,820**
Biennial bonus	4,509,178	**6,191,231**
	71,269,901	**74,212,051**
(35) PENSION RESERVES		
Balance at beginning	100,371	**722,909**
Provision	1,000,000	**—**
Payments	(928,152)	**(622,538)**
Balance at end	172,219	**100,371**

This is a reserve created to provide for directors' pensions.

	2014 G$	2013 G$
(36) UNCLAIMED DIVIDENDS AND TRIENNIAL PROFIT		
Ordinary scrip dividend	492,298	**253,414**
Preferent scrip dividend	63,544	**31,013**
First preferred stock dividend	180,061	**108,993**
Triennial cash profit	55,870,546	**62,798,368**
	56,606,449	**63,191,788**

NOTES ON THE ACCOUNTS

	2014 G$	2013 G$
(37) TAXATION PAYABLE/(RECOVERABLE)		
Taxation payable	31,340,091	**38,021,233**
Taxation recoverable	(37,532,547)	**(44,978,028)**

Taxes recoverable arise when advance payments on corporation taxes exceed the tax assessed for the year. Taxes payable and recoverable are disclosed separately, as the Company does not have a legally enforceable right to offset them.

(38) PROVISION FOR CLAIMS

	2014 G$	2013 G$
Property	346,762,031	**642,865,526**
Motor	342,953,992	**324,164,711**
Accident and liability	43,018,014	**35,887,476**
	732,734,037	**1,002,917,713**
Provisions for recoveries	(252,542,963)	**(696,861,796)**
	480,191,074	**306,055,917**

(39) CREDITORS AND ACCRUALS

	2014 G$	2013 G$
Sundry creditors	145,726,884	**137,263,947**
Accruals	41,316,491	**38,731,542**
	187,043,375	**175,995,489**

(40) BANK OVERDRAFT (UNSECURED)

	Interest (p.a)	2014 G$	2013 G$
Republic Bank (Guyana) Ltd. Current Account	17.0%	47,748	**123,372**
Republic Bank (Guyana) Ltd. First Preferred Stock	17.0%	—	**10,843**
Demerara Bank Ltd. Current Account	16.5%	—	**929,766**
Guyana Bank for Trade & Industry Ltd. Current account	17.0%	—	**674,596**
		47,748	**1,738,577**

(41) CONTINGENT LIABILITIES

There are several pending litigation matters as at the date of the financial statements. The outcome of these matters cannot be determined at this stage.

NOTES ON THE ACCOUNTS

(42) RELATED PARTY TRANSACTIONS

(a) Transactions with related Parties

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

The Company shares a common Chairman and Board of Directors with The Guyana and Trinidad Mutual Life Insurance Company Limited. Some of the Company's staff and facilities were utilised by The Guyana and Trinidad Mutual Life Insurance Company Limited during the year for which charges were made. In the Caribbean offices the Company utilises some of the staff and facilities of the Guyana and Trinidad Mutual Life Insurance Company Limited, for which the Company was charged.

Listed below are transactions with related parties.

	2014 G$	2013 G$
Management expenses charged by The Guyana and Trinidad Mutual Life Insurance Company Limited for the year	168,422,988	**142,085,275**
Management expenses charged to The Guyana and Trinidad Mutual Life Insurance Company Limited for the year	170,941,016	**263,263,189**
Amount due from The Guyana and Trinidad Mutual Life Insurance Company Limited for charges.	59,750,377	**91,525,207**
Long Term Loan by The Guyana and Trinidad Mutual Life Insurance Company Limited. Rate of interest 7% per annum. Repayable in the year 2019.	93,244,008	**93,244,008**
The fixed assets of The Guyana and Trinidad Mutual Life Insurance Company Limited are insured with the Company		
Insurance Coverage	494,750,558	**494,750,558**
Premiums for the year	2,801,755	**2,801,755**
Fees paid for services rendered by entities controlled by related parties	376,048	**465,000**

(b) Key management personnel

		2014 G$	2013 G$
(i)	Compensation The Company's 10 (2013 - 10) key management personnel comprises its Managing Director and senior managers. The remuneration paid during the year to senior managers is included in Management fees charged to The Guyana and Trinidad Mutual Life Insurance Company Limited.		
	Short Term Benefits	30,260,240	**35,682,586**
(ii)	Directors' Emoluments — 8 Directors (Dec 2013— 8)	9,775,680	**9,679,840**
(iii)	Mortgage loans to directors. The rate of interest is 6% per annum These loans are repayable over 10 - 15 years. No provision for doubtful debts has been made for loans to directors.	1,190,873	**2,392,532**

NOTES ON THE ACCOUNTS

(43) ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

2014	Held to maturity	Loans and receivables	Available for sale	Financial assets and liabilities at amortised cost	TOTAL
	G$	G$	G$	G$	G$
Assets					
Investments	396,897,054	—	1,667,936,298	—	2,064,833,352
Mortgages	—	28,045,657	—	—	28,045,657
Statutory deposits	—	—	—	702,585,223	702,585,223
Accrued interest	—	25,820,694	—	—	25,820,694
Debtors and prepayments	—	297,854,099	—	—	297,854,099
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	—	—	—	59,750,377	59,750,377
Unexpired reinsurance premiums	—	—	—	9,489,606	9,489,606
Taxes recoverable	—	—	—	37,532,547	37,532,547
Treasury bills	—	—	—	528,363,885	528,363,885
Cash on deposit	—	—	—	881,056,291	881,056,291
Cash at bank	—	—	—	365,469,771	365,469,771
Cash on hand and in transit	—	—	—	18,243,099	18,243,099
	396,897,054	351,720,450	1,667,936,298	2,602,490,799	5,019,044,601
Liabilities					
Pension reserves	—	—	—	172,219	172,219
Unclaimed dividends and triennial profits	—	—	—	56,606,449	56,606,449
Taxation	—	—	—	31,340,091	31,340,091
Claims	—	—	—	480,191,074	480,191,074
Creditors	—	—	—	187,043,375	187,043,375
Bank overdraft	—	—	—	47,748	47,748
	—	—	—	755,400,956	755,400,956

2013	Held to maturity	Loans and receivables	Available for sale	Financial assets and liabilities at amortised cost	TOTAL
	G$	G$	G$	G$	G$
Assets					
Investments	432,238,054	—	1,780,410,956	—	2,212,649,010
Mortgages	—	30,576,744	—	—	30,576,744
Statutory deposits	—	—	—	613,025,509	613,025,509
Accrued interest	—	27,166,218	—	—	27,166,218
Debtors and prepayments	—	216,861,298	—	—	216,861,298
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	—	—	—	91,525,207	91,525,207
Unexpired reinsurance premiums	—	—	—	11,370,088	11,370,088
Taxes recoverable	—	—	—	44,978,028	44,978,028
Treasury bills	—	—	—	365,853,230	365,853,230
Cash on deposit	—	—	—	828,173,734	828,173,734
Cash at bank	—	—	—	304,355,413	304,355,513
Cash on hand and in transit	—	—	—	17,069,844	17,069,844
	432,238,054	274,604,260	1,780,410,956	2,276,351,153	4,763,604,423
Liabilities					
Pension reserves	—	—	—	100,371	100,371
Unclaimed dividends and triennial profits	—	—	—	63,191,788	63,191,788
Taxation	—	—	—	38,021,233	38,021,233
Claims	—	—	—	306,055,917	306,055,917
Creditors	—	—	—	175,995,489	175,995,489
Bank overdraft	—	—	—	1,738,577	1,738,577
	—	—	—	585,103,375	585,103,375

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

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

The Company 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.

(a) Market risk

The Company's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses gap analysis, interest rate sensitivity and exposure limits to financial instruments to manage its exposure to interest rate and foreign currency risk.
There has been no change in the Company's exposure to market risks or the manner in which it manages these risks.

(i) Price risk

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

(ii) Interest sensitivity analysis

The table overleaf analyses the sensitivity of interest rates exposure for both financial assets and financial liabilities at the end of the reporting period. The sensitivity analysis includes only outstanding balances at the end of the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

A positive number indicates an increase in surplus where the interest rate appreciates by 50 basis points. For a decrease of 50 basis points in the interest rate, there would be an equal and opposite impact on surplus and the balances would be negative.

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(a) Market risk - cont'd

(ii) Interest rate sensitivity analysis - cont'd

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the Company's surplus would have been as illustrated on the following table:

	Increase/ decrease in basis points	**Impact on surplus for the period**	
		2014	**2013**
Cash and cash equivalents		**G$M**	**G$M**
Local Currency	+/-50	4.39	3.46
Foreign Currencies	+/-50	7.13	7.64

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 surplus or equity as other factors such as credit risks, market risks, political and disaster risks can affect the value of the assets and liabilities.

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(a) Market risk - cont'd

(iii) Interest rate risk

The Company's exposure to interest rate risk is minimal but the Company's management continuously monitors and manages these risks through the use of appropriate tools, and implements strategies to hedge against any adverse effects.

The Company's exposures to interest rate risk on financial assets and financial liabilities are listed below:

2014			**Maturing**			
	Average interest rate	**Within 1 year**	**1 to 5 years**	**Over 5 years**	**Non interest bearing**	**Total**
	%	**G$**	**G$**	**G$**	**G$**	**G$**
Assets						
Investments	4.00	99,549,670	266,562,884	30,784,500	1,667,936,298	2,064,833,352
Mortgages	6.00	2,539,029	6,244,510	19,262,118	—	28,045,657
Statutory deposits	1.20	—	702,585,223	—	—	702,585,223
Accrued interest		—	—	—	25,820,694	25,820,694
Debtors and prepayments	12.00	297,854,099	—	—	—	297,854,099
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited		—	—	—	59,750,377	59,750,377
Unexpired reinsurance premiums		—	—	—	9,489,606	9,489,606
Taxes recoverable		—	—	—	37,532,547	37,532,547
Treasury bills	5.20	528,363,885	—	—	—	528,363,885
Cash on deposit	2.79	881,056,291	—	—	—	881,056,291
Cash at bank		—	—	—	365,469,771	365,469,771
Cash on hand and in transit		—	—	—	18,243,099	18,243,099
		1,809,362,974	975,392,617	50,046,618	2,184,242,392	5,019,044,601
Liabilities						
Pension reserves		—	—	—	172,219	172,219
Unclaimed dividends and triennial profit		—	—	—	56,606,449	56,606,449
Taxation		—	—	—	31,340,091	31,340,091
Claims		—	—	—	480,191,074	480,191,074
Creditors		—	—	—	187,043,375	187,043,375
Bank overdraft		47,748	—	—	—	47,748
		47,748	—	—	755,353,208	755,400,956
Interest sensitivity gap		1,809,315,226	975,392,617	50,046,618		

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(a) Market risk - cont'd

(iii) Interest rate risk - cont'd

2013

	Average interest rate	Maturing: Within 1 year	Maturing: 1 to 5 years	Maturing: Over 5 years	Maturing: Non interest bearing	Total
	%	G$	G$	G$	G$	G$
Assets						
Investments	4.00	62,307,134	306,977,420	62,953,500	1,780,410,956	2,212,649,010
Mortgages	6.00	2,600,551	6,576,984	21,399,209	—	30,576,744
Statutory deposits	1.40	—	613,025,509	—	—	613,025,509
Accrued interest		—	—	—	27,166,218	27,166,218
Debtors and prepayments	12.00	216,861,298	—	—	—	216,861,298
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited		—	—	—	91,525,207	91,525,207
Unexpired reinsurance premiums		—	—	—	11,370,088	11,370,088
Taxes recoverable		—	—	—	44,978,028	44,978,028
Treasury bills	5.20	365,853,230	—	—	—	365,853,230
Cash on deposit	3.00	828,173,734	—	—	—	828,173,734
Cash at bank		—	—	—	304,355,513	304,355,513
Cash on hand and in transit		—	—	—	17,069,844	17,069,844
		1,475,795,947	926,579,913	84,352,709	2,276,875,855	4,763,604,423
Liabilities						
Pension reserves		—	—	—	100,371	100,371
Unclaimed dividends and triennial profit		—	—	—	63,191,788	63,191,788
Taxation		—	—	—	38,021,233	38,021,233
Claims		—	—	—	306,055,917	306,055,917
Creditors		—	—	—	175,995,489	175,995,489
Bank overdraft		1,738,577	—	—	—	1,738,577
		1,738,577	—	—	583,364,798	585,103,375
Interest sensitivity gap		1,474,057,370	926,579,913	84,352,709		

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(a) Market Risk - cont'd

(iv) Foreign currency risk

The Company's exposure to the effects of fluctuations in foreign currency exchange rates arises mainly from investments and foreign bank balances. The currencies which the Company is mainly exposed to are Pounds Sterling, United States, Eastern Caribbean and Trinidad & Tobago dollars.

The aggregate amounts of assets and liabilities denominated in currencies other than Guyana dollars are as shown:-

31.12.2014

	£ Sterling	US$	EC$	TT$	Total G$ equivalent
Assets	1,375,894	489,190	22,637,526	660,231	2,193,434,614
Liabilities	—	—	2,012,875	—	143,920,527

31.12.2013

	£ Sterling	US$	EC$	TT$	Total G$ equivalent
Assets	**1,372,159**	**487,385**	**21,663,680**	**2,573,173**	**2,177,304,342**
Liabilities	**—**	**—**	**1,823,356**	**—**	**130,369,958**

Foreign Currency Sensitivity Analysis

The following table details the Company's sensitivity to a 3% increase or decrease in the Guyana Dollar against the relevant currencies. Although a rate is not formally adopted and used as a measure, 3% gives a prudent possibility of a change in rate.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 3% change in foreign currency rate. A positive number below indicates an increase in reserves if the currency were to strengthen 3% against the Guyana dollar. If the currencies were to weaken 3% against the Guyana dollar, there would be an equal and opposite impact on the reserves and the balances would be negative.

	£ Sterling Impact G$M	US Dollar Impact G$M	EC Dollars Impact G$M	TT Dollars Impact G$M	Total G$M Equivalent
2014 Profit	13.7	3.0	52.9	1.4	71.0
2013 Profit	**13.6**	**3.0**	**50.4**	**5.5**	**72.5**

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(b) Liquidity risk

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

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

The following table details the Company's remaining contractual maturity:

	On Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
	G$	G$	G$	G$	G$	G$
2014						
Assets						
Securities	—	—	99,549,670	266,562,884	1,698,720,798	2,064,833,352
Mortgages	—	641,838	1,897,191	6,244,510	19,262,118	28,045,657
Statutory deposits	—	—	—	702,585,223	—	702,585,223
Accrued interest	25,820,694	—	—	—	—	25,820,694
Debtors and prepayments	110,045,069	123,672,044	38,413,238	25,723,748	—	297,854,099
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	59,750,377	—	—	—	—	59,750,377
Unexpired reinsurance premiums	—	9,489,606	—	—	—	9,489,606
Taxes recoverable	—	—	37,532,547	—	—	37,532,547
Treasury bills	—	528,363,885	—	—	—	528,363,885
Cash on deposit	881,056,291	—	—	—	—	881,056,291
Cash at bank	365,469,771	—				365,469,771
Cash on hand and in transit	18,243,099	—	—	—	—	18,243,099
	1,460,385,301	662,167,373	177,392,646	1,001,116,365	1,717,982,916	5,019,044,601
Liabilities						
Pension reserves	—	—	—	—	172,219	172,219
Unclaimed dividends and triennial profit	56,606,449	—	—	—	—	56,606,449
Taxation	—	31,340,091	—	—	—	31,340,091
Claims	480,191,074	—	—	—	—	480,191,074
Creditors	—	187,043,375	—	—	—	187,043,375
Bank overdraft	47,748	—	—	—	—	47,748
	536,845,271	218,383,466	—	—	172,219	755,400,956
Net Assets	923,540,031	443,783,907	177,392,646	1,001,116,365	1,717,810,697	4,263,643,645

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(b) Liquidity Risk - cont'd

	On Demand	1 to 3 months	4 to 12 months	1 to 5 years	Over 5 years	Total
	G$	G$	G$	G$	G$	G$
2013						
Assets						
Securities	—	—	62,307,134	337,364,920	1,812,976,956	2,212,649,010
Mortgages	98,293	633,886	1,868,372	6,576,984	21,399,209	30,576,744
Statutory deposits	—	—	—	613,025,509	—	613,025,509
Accrued interest	27,166,218	—	—	—	—	27,166,218
Debtors and prepayments	37,781,298	106,725,730	40,101,278	32,252,991	—	216,861,298
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited	91,525,207	—	—	—	—	91,525,207
Unexpired reinsurance premiums	—	11,370,088	—	—	—	11,370,088
Taxes recoverable	—	—	44,978,028	—	—	44,978,028
Treasury bills	—	365,853,230	—	—	—	365,853,230
Cash on deposit	828,173,734	—	—	—	—	828,173,734
Cash at bank	304,355,513	—				304,355,513
Cash on hand and in transit	17,069,844	—	—	—	—	17,069,844
	1,306,170,108	484,582,934	149,254,812	989,220,404	1,834,376,165	4,763,604,423
Liabilities						
Pension reserves	—	—	—	—	100,371	100,371
Unclaimed dividends and triennial profit	63,191,788	—	—	—	—	63,191,788
Taxation	—	38,021,233	—	—	—	38,021,233
Claims	306,055,917	—	—	—	—	306,055,917
Creditors	—	175,995,489	—	—	—	175,995,489
Bank overdraft	1,738,577	—	—	—	—	1,738,577
	370,986,283	214,016,722	—	—	100,371	585,103,375
Net Assets	935,183,826	270,566,212	149,254,812	989,220,404	1,834,275,794	4,178,501,048

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(c) Credit risk

Concentration of assets and liabilities

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company.

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

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

	2014 G$ Maximum exposure	2013 G$ Maximum exposure
Investments(i)	2,064,833,352	**2,212,649,010**
Loans and recievables (ii)	28,045,657	**30,576,744**
Interest Accrued (iii)	25,820,694	**27,166,218**
Debtors and prepayments (iv)	297,854,099	**216,861,298**
Due from The Guyana and Trinidad Mutual Life Insurance Company Limited (v)	59,750,377	**91,525,207**
Unexpired reinsurance premiums(vi)	9,489,606	**11,370,088**
Statutory deposits (vii)	702,585,223	**613,025,509**
Treasury bills (viii)	528,363,885	**365,853,230**
Cash and cash equivalents (ix)	1,264,769,161	**1,149,599,092**
Taxes recoverable	37,532,547	**44,978,028**
Total credit risk exposure	5,019,044,601	**4,763,604,423**

Receivables' balances are classified as follows:

	2014	2013
Current	408,635,376	**359,805,301**
Past due but not impaired	—	**98,293**
Impaired	17,595,961	**17,595,961**
	420,960,433	**377,499,555**

(i) Investments in Government Bonds and Equities are assets for which the likelihood of default are considered low by the Company.

(ii) Loans and receivables include the sum of G$30,576,744 for Mortgages. These are fully secured against the borrowers' properties as such the likelihood of loss is considered extremely low by the Company.

(iii) As detailed in note 24, accrued interest represents amounts due or accrued on the various investments of the Company. These amounts would either be received in the new financial year, or would materialise on the maturity of the investment(s) in accordance with their terms and conditions.

(iv) Debtors comprise a number of advances and loans to staff and sales representatives on which interest is earned. They also include amounts for securities pending redemption and amounts owing to the Company by other organisations. A provision for irrecoverable debts of $17,595,961 was reflected as at December 31, 2014.

NOTES ON THE ACCOUNTS

(44) FINANCIAL RISK MANAGEMENT — cont'd

(c) Credit risk - cont'd

(v) Amount due from the Guyana and Trinidad Mutual Life Insurance Company Limited represents the net balance due on management expense charges. The Company has a sound capital base and management continuously monitors this account. It is therefore considered virtually risk-free by the Company.

(vi) Unexpired reinsurance premiums is the estimated portion of the reinsurance cost that relates to the future accounting period. This amount would be recovered through the reversing of this provision in the next financial year.

(vii) Statutory deposits represent deposits with Insurance Regulators and commercial banks held to the order of the Insurance Regulators. The likelihood of default is considered very low by the Company.

(viii) Treasury bills are investments in Eastern Caribbean Governments and are such that the likelihood of default is extremely low and have therefore been considered virtually risk-free by the Company.

(ix) Cash and cash equivalents include balances held with commercial banks. These banks have been assessed by the Company as being creditworthy, with very strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

Ageing of trade and other receivables which were past due but not impaired

Mortgages and other receivables which were past due but not impaired

	2014 G$	2013 G$
Past due 30 — 59 days	—	**98,293**
Past due 60 — 89 days	—	**—**
	—	**98,293**

Ageing of trade and other receivables which were impaired

	2014	2013
120 + days	17,595,961	**17,595,961**
Provision for impairment - individually assessed	17,595,961	**17,595,961**

NOTES ON THE ACCOUNTS

(45) INSURANCE RISK

The principal risks that the Company faces under its insurance contracts are that actual claims are greater than estimates, actual claims are not adequately mitigated by re-insurance, and that total claims from the portfolio of contracts exceed the estimate used in pricing those contracts. The risks and mitigating factors are discussed below.

Risk management objectives and policies

The Company mitigates its risks by engaging in both facultative reinsurance and excess of loss reinsurance treaties. Reinsurance coverage for perils and other risks excluded from the excess of loss treaty are facultatively reinsured on a yearly renewable basis. The Company also engages in redlining where it reserves the right to offer no coverage in specified geographic areas. The Company declines, rates up, applies excesses, accepts small participation or a combination of more than one of the preceding as part of its overall prudent underwriting principles.

Terms and conditions of insurance contracts

All insurance contracts issued by the Company include conditions aimed at protecting it. Some of these include stating assumed risks clearly (aimed at removing any ambiguity), inclusion of excess clauses, reserving the right to terminate the policy with notice, and clearly stating the maximum limit of any liability. The Company promises to settle claims as soon as possible, all consideration given to proper investigations to establish that the insured event and losses have occurred.

Sensitivity analysis

The Company's profitability is sensitive to the flow of monies (1) inwards from policyholders; and (2) outwards to policyholders. If policyholders are unable to pay their premiums, the inflow of cash will be constrained. If claims are above anticipated averages, there will be strain on the Company's finances and it would have to seek alternative financing solutions. Its cash flow would therefore be affected negatively.

Concentrations of insurance risk

Insurance risks are spread in a number of geographical areas across the four territories in which the Company operates.

Claims development

Claims are provided for and kept as a liability until they are settled or have expired. At the time of loss, a provision is made based on best estimates. There is some amount of uncertainty surrounding the timing of payments and the exact amount to be paid for most claims. There are occasions where the provision is in excess of the incurred loss. This is adjusted at the time of claim settlement or at the point of the revision of provisions, whichever is earlier. Similarly, there are times when the provision is insufficient to cover the losses estimated. These too are adjusted at the earlier of claims payment or overall claims revision.

NOTES ON THE ACCOUNTS

(46) REPORTING BY CLASS OF INSURANCE

	2014				2013
	Property G$	Motor G$	Accident & liability G$	Total G$	Total G$
Revenue					
Gross premiums	1,437,039,998	1,043,413,731	82,188,201	2,562,641,930	**2,450,062,023**
Less Reinsurance premiums	(566,433,741)	(56,819,190)	(6,366,824)	(629,619,755)	**(593,748,736)**
Net premiums	870,606,257	986,94,541	75,831,377	1,933,022,175	**1,856,313,287**
Income from investment	75,014,560	54,466,974	4,290,285	133,771,820	**108,686,082**
Other income	2,337,774	1,697,424	133,704	4,168,902	**3,996,715**
Currency translation adjustment	12,265,548	8,905,835	701,500	21,872,883	**4,908,675**
	960,224,139	1,051,664,774	80,946,866	2,092,835,780	**1,973,904,759**
Deduct:					
Expenditure					
Claims	216,482,813	534,298,883	16,898,622	767,680,318	**889,078,331**
Commission & sales expenses	252,756,661	50,664,558	9,740,341	313,161,560	**293,879,357**
Management expenses	379,406,465	275,481,486	21,699,291	676,587,232	**644,449,602**
Depreciation	19,456,529	—	—	19,456,529	**21,600,001**
Pension fund contribution	16,267,043	—	—	16,267,043	**8,988,420**
Dividends & triennial profit	77,052,476	—	—	77,052,476	**77,860,271**
Transfer to investment reserve	4,590,286	—	—	4,590,286	**954,634**
	966,012,273	860,444,927	48,338,244	1,874,795,444	**1,936,810,616**
Profit before tax	(5,788,134)	191,219,847	32,608,623	218,040,336	**37,094,143**
Taxation				58,027,880	**(11,942,978)**
Profit after tax				160,012,456	**49,037,121**

	2014				2013
	Property G$	Motor G$	Accident & liability G$	Total G$	Total G$
Assets	3,917,741,612	2,415,940,661	195,887,081	6,529,569,354	**6,251,551,554**
Liabilities	997,429,313	460,351,991	76,725,332	1,534,506,636	**1,293,958,595**
Unallocated liabilities	—	—	—	31,340,091	**38,021,233**