

GCIS INCORPORATED

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER, 2016
AN INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GCIS INCORPORATED.

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

ON THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Opinion

We have audited the accompanying financial statements of GCIS Inc., which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 2 to 37.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GCIS Inc. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

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

Going concern

The financial statements of the Company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the Company. Based on our audit of the financial statements of the company, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Company's ability to continue as a going concern.

Other Information in the annual report

Management is responsible for the other information. The other information comprises all the information included in the Company's 2016 annual report, but does not include the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Those Charged with Governance for the Financial Statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal controls,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls,
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Companies Act 1991 and the Insurance Act 2016

The engagement partner responsible for the audit resulting in this independent auditor's report is Mr. Mark Chu-A-Kong, FCCA.

TSD LAL & CO
TSD LAL & CO.
Chartered Accountants

Date: April 24, 2017

77 Brickdam,
Stabroek,
Georgetown.

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL AND LIFE ASSURANCE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016		2015	
		G\$	G\$	G\$	G\$
Revenue					
Premiums	5		205,472,455		230,811,870
Investment revenue	6		5,358,553		4,757,448
Other income	7		8,773,628		8,585,322
Gain on disposal of investments			344,409		3,326,526
			219,949,045		247,481,166
Expenditure					
Claims	8	86,783,396		104,864,309	
Commissions	9	10,252,427		11,921,367	
Surrenders	10	414,047		1,429,337	
Management expenses	11	107,408,441		104,320,349	
Property tax	12	3,073,790		3,017,953	
			207,932,101	225,553,315	
Profit before taxation			12,016,944		21,927,851
Taxation	27		(3,638,024)		(9,477,983)
Profit after taxation			8,378,920	12,449,868	
Actuarial adjustment to: Policyholders' liabilities			(16,221,952)	-	
Profit for the year			24,600,872	12,449,868	
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Fair value adjustment on investments			(9,277,500)		(12,892,490)
Other comprehensive income (net of tax)			(9,277,500)		(12,892,490)
Total comprehensive income/(loss) for the year			15,323,372	(442,622)	

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL AND LIFE ASSURANCE

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>Share capital</u> G\$	<u>Revaluation reserve</u> G\$	<u>General reserves</u> G\$	<u>Reserve for unexpired risks</u> G\$	<u>Investment reserve</u> G\$	<u>Total</u> G\$
Balance at 1 January 2015		<u>19,740,700</u>	<u>138,927,438</u>	<u>188,885,482</u>	<u>63,886,364</u>	<u>121,023,420</u>	<u>532,463,404</u>
Changes in equity for 2015							
Total comprehensive income/(loss) for the year		-	-	15,614,416	(3,164,548)	(12,892,490)	(442,622)
Dividends	31	<u>-</u>	<u>-</u>	<u>(3,553,326)</u>	<u>-</u>	<u>-</u>	<u>(3,553,326)</u>
Balance at 31 December 2015		<u>19,740,700</u>	<u>138,927,438</u>	<u>200,946,572</u>	<u>60,721,816</u>	<u>108,130,930</u>	<u>528,467,456</u>
Changes in equity for 2016							
Total comprehensive income/(loss) for the year		<u>-</u>	<u>-</u>	<u>26,396,980</u>	<u>(1,796,108)</u>	<u>(9,277,500)</u>	<u>15,323,372</u>
Balance at 31 December 2016		<u><u>19,740,700</u></u>	<u><u>138,927,438</u></u>	<u><u>227,343,552</u></u>	<u><u>58,925,708</u></u>	<u><u>98,853,430</u></u>	<u><u>543,790,828</u></u>

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL AND LIFE ASSURANCE

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
		G\$	G\$
ASSETS			
Non-current assets			
Fixed assets	13	202,846,860	205,092,260
Other assets			
Investments			
"Available for sale"	14	286,185,958	295,605,648
Statutory deposit	15	59,559,513	58,169,349
		<u>548,592,331</u>	<u>558,867,257</u>
Current assets			
Receivables and prepayments	16	21,283,928	19,507,692
Interest accrued	17	3,166,256	2,974,371
Stock of stationery		685,811	648,144
Taxation		11,620,281	8,343,014
Cash on deposits	18	112,931,239	115,974,070
Cash on hand and at bank	19	12,746,177	18,865,924
		<u>162,433,692</u>	<u>166,313,215</u>
TOTAL ASSETS		<u><u>711,026,023</u></u>	<u><u>725,180,472</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	19,740,700	19,740,700
Revaluation reserve	21	138,927,438	138,927,438
General reserve	21	227,343,552	200,946,572
Reserve for unexpired risks	23	58,925,708	60,721,816
Investment reserve	24	98,853,430	108,130,930
		<u>543,790,828</u>	<u>528,467,456</u>
Non-current liabilities			
Deferred tax	27	68,041,365	68,302,490
Policyholders' liabilities	22	9,640,000	25,861,952
		<u>77,681,365</u>	<u>94,164,442</u>
Current liabilities			
Claims admitted or intimated but not paid	25	32,625,963	48,484,042
Payables and accrued expenses	26	56,848,553	51,992,561
Taxation		79,314	2,071,971
		<u>89,553,830</u>	<u>102,548,574</u>
TOTAL EQUITY AND LIABILITIES		<u><u>711,026,023</u></u>	<u><u>725,180,472</u></u>

The financial statements were approved by the Board of Directors on April 24, 2017.

On behalf of the Board:


.....

Director


.....

Director


.....

Company Secretary

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL AND LIFE ASSURANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	<u>G\$</u>	<u>G\$</u>
Operating activities		
Profit before taxation	12,016,944	21,927,851
Adjustment for - depreciation	2,802,073	3,205,770
gain on sale of investments	(344,409)	(3,326,526)
loss on disposal of assets	2,556	941,206
Profit before working capital changes	14,477,164	22,748,301
Increase in receivables and prepayments, interest accrued & stationery	(2,005,788)	(2,024,918)
(Decrease)/increase in claims admitted or intimated but not paid	(15,858,079)	10,101,253
(Decrease)/increase in payables and accrued expenses	4,855,992	(6,577,646)
Net cash generated from operations	1,469,289	24,246,990
Taxes paid/adjusted	(9,169,073)	(8,246,652)
Net cash provided by/(used in) operating activities	(7,699,784)	16,000,338
Investing activities		
Increase in statutory deposit	(1,390,164)	(1,359,276)
Purchase of fixed assets	(559,229)	(1,793,811)
Purchase of investments	(48,307,725)	(34,809,094)
Proceeds from sale of investments	48,794,324	34,523,898
Net cash used in investing activities	(1,462,794)	(3,438,283)
Financing activities		
Dividends paid	-	(3,553,326)
Net cash used in financing activities	-	(3,553,326)
Net increase/(decrease) in cash and cash equivalents	(9,162,578)	9,008,729
Cash and cash equivalents at beginning of period	134,839,994	125,831,265
Cash and cash equivalents at end of period	125,677,416	134,839,994
Comprising:		
Short term investments (Note 18)	112,931,239	115,974,070
Cash on hand and at bank	12,746,177	18,865,924
	125,677,416	134,839,994

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL INSURANCE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u>		<u>2015</u>	
		<u>G\$</u>	<u>G\$</u>	<u>G\$</u>	<u>G\$</u>
Income					
Premiums	5		204,409,352		230,253,259
Investment revenue	6		3,050,357		3,262,372
Other income	7		8,304,988		8,117,085
Gain on disposal of investments			<u>344,409</u>		<u>3,326,526</u>
			216,109,106		244,959,242
Expenditure					
Claims	8	86,667,517		103,019,968	
Commissions	9	10,252,427		11,921,367	
Management expenses	11	105,235,069		101,621,792	
Property tax	12	<u>3,073,790</u>		<u>3,017,953</u>	
			<u>205,228,803</u>		<u>219,581,080</u>
Profit before taxation			10,880,303		25,378,162
Taxation	27		<u>(3,546,015)</u>		<u>(9,385,974)</u>
Profit after taxation			<u>7,334,288</u>		<u>15,992,188</u>
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Fair value adjustment on investments			<u>(11,738,925)</u>		<u>(13,330,232)</u>
Other comprehensive loss net of tax			<u>(11,738,925)</u>		<u>(13,330,232)</u>
Total comprehensive income/(loss) for the year			<u><u>(4,404,637)</u></u>		<u><u>2,661,956</u></u>

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GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

GENERAL INSURANCE

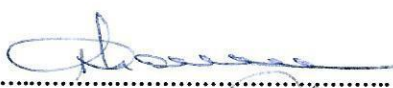


STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
		G\$	G\$
ASSETS			
Non-current assets			
Fixed assets	13	202,846,860	205,092,260
Other assets			
Investments			
"Available for sale"	14	212,623,876	224,504,991
Statutory deposits	15	53,031,852	51,781,849
		<u>468,502,588</u>	<u>481,379,100</u>
Current assets			
Receivables and prepayments		21,249,100	19,318,533
Interest accrued		2,719,843	2,524,898
Stock of stationery		685,811	648,144
Taxation		11,620,281	8,343,014
Cash on deposits	18	101,101,635	103,319,843
Cash on hand and at bank	19	11,370,422	17,932,085
		<u>148,747,092</u>	<u>152,086,517</u>
TOTAL ASSETS		<u><u>617,249,680</u></u>	<u><u>633,465,617</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	20	19,740,700	19,740,700
Revaluation reserves	21	138,927,438	138,927,438
General reserve		218,174,877	209,044,481
Reserve for unexpired risks	23	58,925,708	60,721,816
Investment reserve	24	41,009,464	52,748,389
		<u>476,778,187</u>	<u>481,182,824</u>
Non-current liabilities			
Deferred tax	27	68,041,365	68,302,490
Current liabilities			
Claims admitted or intimated but not paid	25	31,669,780	47,383,856
Payables and accrued expenses	26	40,691,466	34,534,908
Taxation		68,882	2,061,539
		<u>72,430,128</u>	<u>83,980,303</u>
TOTAL EQUITY AND LIABILITIES		<u><u>617,249,680</u></u>	<u><u>633,465,617</u></u>

The financial statements were approved by the Board of Directors on April 24, 2017.

On behalf of the Board:

	
.....	Director
	
.....	Director
	
.....	Company Secretary

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

LIFE ASSURANCE

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u>		<u>2015</u>	
		<u>G\$</u>	<u>G\$</u>	<u>G\$</u>	<u>G\$</u>
Income					
Premiums	5		1,063,103		558,611
Investment revenue	6		2,308,196		1,495,076
Other income	7		468,640		468,237
			<u>3,839,939</u>		<u>2,521,924</u>
Expenditure					
Claims	8	115,879		1,844,341	
Surrenders	10	414,047		1,429,337	
Management expenses	11	2,173,372		2,698,557	
			<u>2,703,298</u>		<u>5,972,235</u>
Profit/(loss) before taxation			1,136,641		(3,450,311)
Taxation	27		(92,009)		(92,009)
Profit/(loss) after taxation before actuarial adjustment			<u>1,044,632</u>		<u>(3,542,320)</u>
Actuarial adjustment to:					
Policyholders' liability			<u>(16,221,952)</u>		<u>-</u>
Profit/(loss) for the year			<u>17,266,584</u>		<u>(3,542,320)</u>
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Fair value adjustment on investments			<u>2,461,425</u>		<u>437,742</u>
Other comprehensive income (net of tax)			<u>2,461,425</u>		<u>437,742</u>
Total comprehensive income/(loss) for the year			<u><u>19,728,009</u></u>		<u><u>(3,104,578)</u></u>

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

LIFE ASSURANCE

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	<u>Notes</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
		G\$	G\$
ASSETS			
Non current assets			
Investments			
"Available for sale"	14	73,562,082	71,100,657
Statutory deposit	15	<u>6,527,661</u>	<u>6,387,500</u>
		80,089,743	77,488,157
Current assets			
Receivables and prepayments		34,828	189,159
Interest accrued		446,413	449,473
Cash on deposits	18	11,829,604	12,654,227
Cash on hand and at bank	19	<u>1,375,755</u>	<u>933,839</u>
		13,686,600	14,226,698
TOTAL ASSETS		<u><u>93,776,343</u></u>	<u><u>91,714,855</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
General reserve		9,168,675	(8,097,909)
Investment reserve	24	<u>57,843,966</u>	<u>55,382,541</u>
		67,012,641	47,284,632
Non-current liabilities			
Policyholders' liabilities	22	<u>9,640,000</u>	<u>25,861,952</u>
Current liabilities			
Claims admitted or intimated but not paid	25	956,183	1,100,186
Payables and accrued expenses	26	16,157,087	17,457,653
Taxation		<u>10,432</u>	<u>10,432</u>
		17,123,702	18,568,271
TOTAL EQUITY AND LIABILITIES		<u><u>93,776,343</u></u>	<u><u>91,714,855</u></u>

The financial statements were approved by the Board of Directors on April 24, 2017.

On behalf of the Board:

	Director
	Director
	Company Secretary

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

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

NOTES ON THE ACCOUNTS

1. Incorporation and activities

Guyana Cooperative Insurance Service was established in Guyana by virtue of Order No. 57 of 1976 made under the Co-operative Financial Institutions Act 1976 (No. 8 of 1976). Effective 26 October 1997 pursuant to Ministerial Order No. 32 of 1997 made under the Financial Institutions Act No. 20 of 1996, the GCIS was registered as a Public Company, limited by shares under the new name GCIS Incorporated. On the 18 November 1998, The Hand-in-Hand Mutual Fire Insurance Company Limited acquired 66.7% of shares in GCIS Inc.

The Company's activities include insurance covering fire, motor business and life assurance.

Employees

During the year the number of employees in the company was 21 (2015-24)

2. New and amended standards and interpretations

Amendments effective for the current year end

New and Amended Standards	Effective for annual periods beginning on or after
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
Annual Improvements 2012-2014 Cycle	1 July 2016

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

NOTES ON THE ACCOUNTS

2. New and amended standards and interpretations – cont'd

Pronouncements effective in future period for early adoption

	Effective for annual periods beginning on or after
New and Amended Standards	
IFRS 12 Income taxes	1 January 2017
IFRS 7 Financial Instruments Disclosure	1 January 2017
IFRS 2 Share based Payment: Classification and Measurement of share based transactions	1 January 2018
IFRS 4 Insurance contracts: Applying IFRS 9 “Financial Instrument” with IFRS 4 “Insurance Contracts”	1 January 2018
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 9 Additions for Financial Liability Accounting	1 January 2018
IFRS 15 Revenue from contracts with customers	1 January 2018
IFRS 16 Leases	1 January 2019

The Company has not opted for early adoption.

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

IAS 12: Income Taxes

The amendments to IAS 12: Income Tax are to be applied retrospectively and are effective from 1 January 2017 with earlier application permitted. The amendments were issued to clarify recognition of deferred tax assets for unrealized losses related to debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that:

- The carrying amount of an asset does not limit the estimation of probably future profits; and that;
- when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences;

The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

NOTES ON THE ACCOUNTS

2. New and amended standards and interpretations – cont'd

IFRS 4- Insurance contracts

The amendment to IFRS 4 provides two options for entities that issue insurance contracts within the scope of IFRS 4:

- (a) an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets;
- (b) an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4;

The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IFRS 9-Financial instrument

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. Early adoption must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and
2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

The standard contains specific transitional provisions for:

- i) classification and measurement of financial assets;
- ii) impairment of financial assets; and
- iii) hedge accounting.

The Directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

IFRS 15: Revenue from Contracts With Customers

This standard provides a single, principle based five-step model to be applied to all contracts with customers as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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NOTES ON THE ACCOUNTS

2. New and amended standards and interpretations – cont'd

New and revised interpretation

Available for early adoption

IFRIC 22 Foreign Currency Transactions
and Advance Consideration

**Effective for annual periods
beginning on or after**

1 January 2018

3. Summary of significant accounting policies

(a) Accounting convention

The accounts have been prepared under the historical cost convention, modified by the revaluation of land and buildings and “available for sale” investments and conform with International Financial Reporting Standards.

(b) Fixed assets and depreciation

Freehold land and buildings held for use in the supply of services or for administrative purposes are stated in the statement of financial position at their revalued amounts. Revalued amounts are taken as the fair value at the date of revaluation less any subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the statement of financial position.

Any revaluation increase arising on the revaluation of such land and buildings is credited to capital reserve.

Depreciation on revalued land and buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the capital reserve is transferred directly to retained earnings.

Furniture, equipment, machinery and motor vehicles are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of fixed assets is calculated using the reducing balance method at the rates specified below, which are estimated to write off the cost or valuation of these assets to their residual values over their estimated useful lives.

Office furniture and fixtures	-	10%
Motor vehicles	-	25%
Buildings	-	3%
Computers (Office Equipment)	-	50%

GCIS INCORPORATED

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – cont'd

(c) Foreign currencies

Transactions in currencies other than Guyana dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, 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 net surplus or deficit for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

(d) Reserve for unexpired risks

The computation of the reserve for unexpired risks is on the 60:40 method whereby 60% of the net premium written for the financial year is treated as earned and 40% as relating to the following year.

(e) Management expenses

These expenses are allocated based on the net premium written on each class of business for the year.

The Company utilizes the management and staff of The Hand in Hand Mutual Fire Insurance Company Limited, for which a management fee is paid.

(f) Commissions and allowances

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

(g) Claims

Claims are made against the Company for losses incurred by its various policy holders. Management minimizes this expense by prudent underwriting of policies and efficient handling and settlement of claims. Management also minimizes this expense by reinsurance.

Claims that are reported but not paid are provided for in the accounts. A claim must be made immediately and then put in writing within 14 days according to the insurance contract.

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – cont'd

(h) Investments

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

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

The Company's investments have been classified as "available for sale financial assets and loans and Receivable".

Available for Sale Investments

"Available for sale" investments are initially recognized at cost and adjusted to fair value at subsequent periods.

Gains or losses on "available for sale financial assets" are recognized through the statement of profit or loss and other comprehensive income until the asset is sold or otherwise disposed.

Loans and Receivables

Loans and receivables are stated net of unearned interest and provision for losses. Specific provisions are established on individual loans to recognize anticipated losses, and impairment is written off when the possibility of further recovery seems remote.

Loans and receivables are classified as non-accrual whenever there is reasonable doubt regarding the collectability of principal or interest and principal is ninety days past due.

(i) Cash and Cash Equivalents

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

(j) Investment Reserve

At each reporting date securities are valued using the current market rates prevailing on the Guyana Stock Exchange and at Directors' valuation. The surplus or deficit is transferred to the investment reserve account.

GCIS INCORPORATED

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – cont'd

(k) Reserves

General reserve

This represents the accumulated surplus or losses of the company.

Revaluation reserve

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

(l) Taxation

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

Income 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 expenses 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 at each reporting date.

Deferred Tax

Deferred tax is recognized on the differences between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor accounting profit.

The carrying amount of the deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable sufficient taxable profit will be available to allow all or part of the assets 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 realized 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 profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – Cont'd

(l) Taxation - cont'd

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.

(m) Revenue recognition

Revenue from commission is recognized on a fixed percentage as per treaty whilst revenue from premiums, investments (except equities) and other sources are recognized on an accrual basis.

(n) Dividends

Dividends that are proposed and declared are recorded as an appropriation of retained earnings in the statement of changes in equity in the period in which they have been approved. Dividends that are proposed and declared after the reporting date are disclosed as a note to the financial statements.

(o) Financial instruments

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

Cash and cash equivalent

See note 3(i)

Investments

See note 3(h)

Payables and accrued expenses

Payables and accrued expenses are measured at amortized cost.

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – cont'd

(o) Financial instruments - cont'd

Receivables and prepayments

Receivables and prepayments are measured at amortized cost. Appropriate allowances for estimated unrecoverable amounts are recognized in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired. The allowance recognized is based on management's evaluation of the collectability of the receivables.

De-recognition

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

(p) Segment Reporting

A business segment is a component of an entity that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Management identified segments along the main classes of insurance business and reports the revenue generation and expenses, and assets and liabilities within these segments.

(q) Reinsurance

The company transfers some of its insurance risk to other insurers through reinsurance both locally and overseas. The reinsurers assume part of the risk and part of the premium originally taken by the company. Reinsurer reimburses the company for claims paid to policyholders according to various standing agreements reached. The company has both treaty and facultative reinsurance.

Under a treaty each party automatically accepts specific percentage of the insurers' business. Facultative reinsurance covers specific individual risks that are unusual or so large that it cannot be covered in the company's reinsurance treaties. Reinsurance premium paid and reinsurance recoveries that are set-off against claims are accounted for in the statement of profit or loss and other comprehensive income.

Reinsurance recoveries on outstanding claims are shown as current assets in the statement of financial position.

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NOTES ON THE ACCOUNTS

3. Summary of significant accounting policies – cont'd

(r) Insurance contracts

The Company has traditional long-term insurance contracts that continue through the life of the insured individual and for specified periods as well.

Insurance premiums are recognized as they become payable by the contract holder. Premiums paid are recognized through the statement of profit or loss and other comprehensive income and are shown gross of commission.

There is a concentration of insurance risk in the age range of 30-40 years. This risk is factored into the insurance premium amount. A higher premium is charged for high risk insurance contracts. The company maintains a large portfolio of similar contracts resulting in less variability in the estimated risk.

Liability adequacy test

The Company, upon notification of the occurrence of an insured event, sets up a provision based on best estimates and /or reports received. 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.

(s) Provisions

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

(t) Policyholders' liabilities

Actuarial valuations for the Company are done every three (3) years. Movement in the policyholders' liabilities as actuarially valued are recognized through the statement of profit or loss and other comprehensive income for the period. In the valuation, the appointed actuary considers all of the policies on the Company's records at the end of the period and applies such actuarial assumptions as outlined in Note 36.

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NOTES ON THE ACCOUNTS

4. Critical accounting judgments 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 judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other 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) Receivables and other receivables

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

(ii) Useful lives of fixed assets

Management reviews the estimated useful lives of fixed assets at the end of each year to determine whether the useful lives should remain the same.

(iii) Other financial assets

In determining the fair value of investments in the absence of a market, the Directors estimate the likelihood of impairment by using discounted cash flows.

(iv) Transfer to policyholders' liabilities

The transfer to the policyholders' liabilities was computed by the actuaries based on data provided by management. The computation of the transfer assumes that the data is not materially misstated.

(v) Financial instruments

The estimated fair values of financial instruments have been determined using considerable judgment in interpreting market data and developing estimates. The estimates presented herein are not necessarily indicative of the amounts the company could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

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NOTES ON THE ACCOUNTS

	2016			2015		
	General	Life	Total	General	Life	Total
	Insurance	Assurance		Insurance	Assurance	
GS	GS	GS	GS	GS	GS	
5 Premiums						
Fire, motor and miscellaneous	229,961,157	-	229,961,157	262,614,286	-	262,614,286
Life Assurance	-	204,184	204,184	-	558,611	558,611
	229,961,157	204,184	230,165,341	262,614,286	558,611	263,172,897
Commission	4,571,030	-	4,571,030	6,020,887	-	6,020,887
Reinsurance	(30,122,835)	858,919	(29,263,916)	(38,381,914)	-	(38,381,914)
	<u>204,409,352</u>	<u>1,063,103</u>	<u>205,472,455</u>	<u>230,253,259</u>	<u>558,611</u>	<u>230,811,870</u>
6 Investment income						
"Available for sale"						
Shares and stocks	3,050,357	2,298,108	5,348,465	3,262,372	1,470,005	4,732,377
"Loans and receivables"						
Loans	-	10,088	10,088	-	25,071	25,071
	<u>3,050,357</u>	<u>2,308,196</u>	<u>5,358,553</u>	<u>3,262,372</u>	<u>1,495,076</u>	<u>4,757,448</u>
7 Other income						
Cash on deposit	4,270,504	468,640	4,739,144	3,967,555	468,237	4,435,792
Miscellaneous	4,034,484	-	4,034,484	4,034,484	-	4,034,484
Gain on exchange	-	-	-	115,046	-	115,046
	<u>8,304,988</u>	<u>468,640</u>	<u>8,773,628</u>	<u>8,117,085</u>	<u>468,237</u>	<u>8,585,322</u>
8 Claims						
Fire, motor and miscellaneous	86,667,517	-	86,667,517	103,019,968	-	103,019,968
Death	-	(44,032)	(44,032)	-	84,000	84,000
Maturities	-	159,911	159,911	-	1,760,341	1,760,341
	<u>86,667,517</u>	<u>115,879</u>	<u>86,783,396</u>	<u>103,019,968</u>	<u>1,844,341</u>	<u>104,864,309</u>
Claims paid in financial year						
Fire, motor and miscellaneous	107,350,318	-	107,350,318	105,405,860	-	105,405,860
Death	-	-	-	-	84,000	84,000
Maturities	-	326,581	326,581	-	1,746,668	1,746,668
Reinsurance	(4,968,725)	-	(4,968,725)	(12,473,472)	-	(12,473,472)
	<u>102,381,593</u>	<u>326,581</u>	<u>102,708,174</u>	<u>92,932,388</u>	<u>1,830,668</u>	<u>94,763,056</u>

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NOTES ON THE ACCOUNTS

	<u>2016</u>	<u>2015</u>
	GS	GS
9 Commissions (General)		
Fire	6,691,088	6,775,050
Motor	3,561,339	5,146,317
	<u>10,252,427</u>	<u>11,921,367</u>
10 Surrenders (Life)		
Surrenders	<u>414,047</u>	<u>1,429,337</u>

This is the cancellation of policy due to policyholder no longer interested in coverage.

	<u>2016</u>			<u>2015</u>		
	<u>General</u>	<u>Life</u>	<u>Total</u>	<u>General</u>	<u>Life</u>	<u>Total</u>
	<u>Insurance</u>	<u>Assurance</u>	<u>GS</u>	<u>Insurance</u>	<u>Assurance</u>	<u>GS</u>
	GS	GS	GS	GS	GS	GS
11 Management expenses						
Operating expenses	23,767,012	155,181	23,922,193	21,823,865	836,411	22,660,276
Employment cost	75,652,935	1,918,191	77,571,126	73,940,992	1,762,146	75,703,138
Depreciation	2,802,073	-	2,802,073	3,205,770	-	3,205,770
Directors' emoluments (a)	2,026,083	-	2,026,083	1,664,199	-	1,664,199
Auditor's remuneration	986,966	100,000	1,086,966	986,966	100,000	1,086,966
	<u>105,235,069</u>	<u>2,173,372</u>	<u>107,408,441</u>	<u>101,621,792</u>	<u>2,698,557</u>	<u>104,320,349</u>
(a) C.E. Quintin	501,899	-	501,899	449,699	-	449,699
P.A. Chan-A-Sue	381,046	-	381,046	338,930	-	338,930
J. G. Carpenter	381,046	-	381,046	338,930	-	338,930
T.A. Parris	381,046	-	381,046	338,930	-	338,930
K. Cholmondeley	381,046	-	381,046	-	-	-
O. Gossai (resigned July 31, 2015)	-	-	-	197,710	-	197,710
	<u>2,026,083</u>	<u>-</u>	<u>2,026,083</u>	<u>1,664,199</u>	<u>-</u>	<u>1,664,199</u>
12 Property tax						
General and Life				<u>3,073,790</u>		<u>3,017,953</u>

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NOTES ON THE ACCOUNTS

	General Insurance				Life Assurance	Total GS	2015 GS
	Furniture, fixtures & equipment GS	Motor Vehicle GS	Land and buildings GS	Sub-total GS	Furniture, fixtures & equipment GS		
13 Fixed assets							
(a) Cost/valuation							
At 1 January	23,378,440	4,425,000	225,041,311	252,844,751	313,621	253,158,372	253,786,881
Additions	559,229	-	-	559,229	-	559,229	1,793,811
Disposals	(641,639)	-	-	(641,639)	-	(641,639)	(2,422,320)
At 31 December	<u>23,296,030</u>	<u>4,425,000</u>	<u>225,041,311</u>	<u>252,762,341</u>	<u>313,621</u>	<u>253,075,962</u>	<u>253,158,372</u>
Comprising:							
Cost	23,296,030	4,425,000	24,728,576	52,449,606	313,621	52,763,227	52,845,637
Valuation	-	-	200,312,735	200,312,735	-	200,312,735	200,312,735
	<u>23,296,030</u>	<u>4,425,000</u>	<u>225,041,311</u>	<u>252,762,341</u>	<u>313,621</u>	<u>253,075,962</u>	<u>253,158,372</u>
Accumulated depreciation							
At 1 January	17,410,060	1,679,075	28,663,356	47,752,491	313,621	48,066,112	46,341,456
Charge for the year	826,253	686,481	1,289,339	2,802,073	-	2,802,073	3,205,770
Written back on disposals	(639,083)	-	-	(639,083)	-	(639,083)	(1,481,114)
At 31 December	<u>17,597,230</u>	<u>2,365,556</u>	<u>29,952,695</u>	<u>49,915,481</u>	<u>313,621</u>	<u>50,229,102</u>	<u>48,066,112</u>
Net book values:							
At 31 December 2016	<u>5,698,800</u>	<u>2,059,444</u>	<u>195,088,616</u>	<u>202,846,860</u>	<u>-</u>	<u>202,846,860</u>	
At 31 December 2015	<u>5,968,380</u>	<u>2,745,925</u>	<u>196,377,955</u>	<u>205,092,260</u>	<u>-</u>		<u>205,092,260</u>

Refer to note 34 for fair value disclosures.

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NOTES ON THE ACCOUNTS

14 Investments

	31 December 2016		31 December 2015	
	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>
	<u>G\$</u>	<u>G\$</u>	<u>G\$</u>	<u>G\$</u>
"Available for sale"				
Government bonds				
United Kingdom	1,155,302	1,402,847	6,385,943	6,540,814
Shares, other stocks and bonds				
Guyana	225,682,045	123,398,937	231,593,832	123,398,937
United Kingdom	59,348,611	62,530,744	57,625,873	57,534,967
Total investments	<u>286,185,958</u>	<u>187,332,528</u>	<u>295,605,648</u>	<u>187,474,718</u>
Comprising:				
General insurance	212,623,876	178,006,650	224,504,991	178,148,840
Life insurance	73,562,082	9,325,878	71,100,657	9,325,878
	<u>286,185,958</u>	<u>187,332,528</u>	<u>295,605,648</u>	<u>187,474,718</u>

(a) Available for sale investments

Investment in Government of United Kingdom are valued using Lloyds TSB Private Banking, an independent valuator incorporated in the United Kingdom.
 Shares and other stocks are valued by using market prices from the Guyana Association of Securities Companies and Intermediaries Inc. and Directors' assessment.

15 Statutory deposit

	<u>31 December 2016</u>	<u>31 December 2015</u>
	<u>G\$</u>	<u>G\$</u>
Citizen Bank Inc.	<u>59,559,513</u>	<u>58,169,349</u>
Comprising:		
General insurance	53,031,852	51,781,849
Life insurance	6,527,661	6,387,500
	<u>59,559,513</u>	<u>58,169,349</u>

(a) These are cash deposits with Insurance Regulators and financial institutions held to the direct order of the relevant Insurance Regulators.

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NOTES ON THE ACCOUNTS

	<u>31 December 2016</u>	<u>31 December 2015</u>
	G\$	G\$
16 Receivables and prepayments		
Other receivables	<u>21,283,928</u>	<u>19,507,692</u>
17 Interest accrued		
Loans on policies	13,348	25,000
Deposits at banks	<u>3,152,908</u>	<u>2,949,371</u>
	<u>3,166,256</u>	<u>2,974,371</u>
18 Cash on Deposits		
Non statutory deposits:		
Other deposits	<u>112,931,239</u>	<u>115,974,070</u>
Comprising:		
General insurance	101,101,635	103,319,843
Life insurance	<u>11,829,604</u>	<u>12,654,227</u>
	<u>112,931,239</u>	<u>115,974,070</u>
19 Cash on hand and at bank		
Cash at banks	12,696,177	18,815,924
Cash on hand	<u>50,000</u>	<u>50,000</u>
	<u>12,746,177</u>	<u>18,865,924</u>
Comprising:		
General insurance	11,370,422	17,932,085
Life insurance	<u>1,375,755</u>	<u>933,839</u>
	<u>12,746,177</u>	<u>18,865,924</u>
20 Share capital		
Authorised		
Number of shares	<u>250,000</u>	<u>250,000</u>
	G\$	G\$
Issued and fully paid		
197,407 shares	<u>19,740,700</u>	<u>19,740,700</u>

These ordinary shares carry equal voting rights and par value of \$1 with rights to dividends.

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>General</u>	<u>Revaluation</u>	<u>General</u>	<u>Revaluation</u>
	G\$	G\$	G\$	G\$
21 Reserves				
At beginning	200,946,572	138,927,438	188,885,482	138,927,438
Dividends paid	-	-	(3,553,326)	-
Profit for the year	<u>26,396,980</u>	-	<u>15,614,416</u>	-
At end	<u>227,343,552</u>	<u>138,927,438</u>	<u>200,946,572</u>	<u>138,927,438</u>

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NOTES ON THE ACCOUNTS

	<u>31 December 2016</u>	<u>31 December 2015</u>
	G\$	G\$
22 Policyholders' liabilities		
At 1 January 2015	25,861,952	25,861,952
Actuarial decrease	(16,221,952)	-
At 31 December 2016	<u>9,640,000</u>	<u>25,861,952</u>
<p>Policyholders' liabilities are Actuarially valued every three (3) years. Increases in the actuarial liabilities are recognised through the statement of profit or loss and other comprehensive income. The valuation done as at 31 December 2016 showed that the aggregate amount of the life insurance policy liabilities in relation to its long term insurance business was G\$ 9,640,000.</p>		
23 Reserve for unexpired risks		
	<u>31 December 2016</u>	<u>31 December 2015</u>
	G\$	G\$
Fire	4,742,443	4,483,652
Motor	54,183,265	56,238,164
	<u>58,925,708</u>	<u>60,721,816</u>
24 Investment reserve		
At beginning	108,130,930	121,023,420
Movement in fair value of investments	(9,277,500)	(12,892,490)
At end - (a)	<u>98,853,430</u>	<u>108,130,930</u>
<p>This amount represents fair value adjustments of investments held and is not distributable.</p>		
<p>(a) This amount comprises of :</p>		
General	41,009,464	52,748,389
Life	57,843,966	55,382,541
	<u>98,853,430</u>	<u>108,130,930</u>
25 Claims admitted or intimated but not paid		
Fire	4,600,000	1,307,856
Motor	27,069,780	46,076,000
	<u>31,669,780</u>	<u>47,383,856</u>
Life	956,183	1,100,186
	<u>32,625,963</u>	<u>48,484,042</u>
26 Payables and accrued expenses		
<u>Life Business</u>		
Other payables	16,157,087	16,357,653
Accruals	-	1,100,000
	<u>16,157,087</u>	<u>17,457,653</u>
<u>General Business</u>		
Other payables	35,696,876	29,186,693
Accruals	4,994,590	5,348,215
	<u>40,691,466</u>	<u>34,534,908</u>
Other payables	51,853,963	45,544,346
Accruals	4,994,590	6,448,215
	<u>56,848,553</u>	<u>51,992,561</u>

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	<u>31 December 2016</u>	<u>31 December 2015</u>
	G\$	G\$
27 Taxation		
Reconciliation of tax expenses and accounting profit		
<u>General Insurance Business</u>		
Accounting profit	10,880,303	25,378,162
Corporation tax at 40%	4,352,121	10,151,265
Add:		
Tax effect of expenses not deductible in determining taxable profits:		
Depreciation for accounting purpose	1,120,829	1,282,308
	5,472,950	11,433,573
Deduct:		
Tax effect of depreciation for tax purposes	(605,094)	(750,622)
Tax effect of income not deductible in determining taxable profits	(2,638,277)	(3,649,352)
Tax effect of unexpired risks for tax purposes	718,443	1,265,818
Corporation tax	2,948,022	8,299,417
Deferred tax	(261,125)	(315,723)
Capital gains tax at 20%	68,882	665,305
Taxes deducted at source from income on deposits	790,236	736,975
	3,546,015	9,385,974
<u>Life Insurance Business</u>		
Corporation tax-Note (a)	92,009	92,009
	<u>3,638,024</u>	<u>9,477,983</u>
Taxation - current	3,899,149	9,793,706
- deferred	(261,125)	(315,723)
	<u>3,638,024</u>	<u>9,477,983</u>
Note:		
(a) Life Insurance business is taxed at 30% on the income from the statutory fund less 12% allowance for expenses		
Components of deferred tax		
<u>Deferred Tax Liability</u>		
Fixed assets, timing difference	6,656,068	6,917,193
Fixed assets, revaluation	61,385,297	61,385,297
	<u>68,041,365</u>	<u>68,302,490</u>
Movement in temporary difference		
	<u>Fixed assets</u>	
	<u>G\$</u>	
At 31 December 2014	68,618,213	
Movement during the year	(315,723)	
At 31 December 2015	68,302,490	
Movement during the year	(261,125)	
At 31 December 2016	<u>68,041,365</u>	

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28 Related party transactions

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.

GCIS Incorporated is a subsidiary of Hand In Hand Mutual Fire Insurance Company Limited which is also the parent company of Hand in Hand Trust Corporation Inc.

Listed below are transactions with related parties:-

	<u>31 December 2016</u>	<u>31 December 2015</u>
	GS	GS
Group companies		
(i) Management fees paid to Hand-in-Hand Mutual Fire Insurance Company Limited	<u>12,000,000</u>	<u>12,000,000</u>
(ii) 750,000 shares (10% of issued shares) in fellow subsidiary - Hand in Hand Trust Corporation Inc.	<u>104,436,667</u>	<u>104,436,667</u>
(iii) 300 shares (3% of issued shares) in Hand in Hand Investment Inc.	<u>30,000</u>	<u>30,000</u>
(iv) Premiums paid to Hand-in-Hand Mutual Fire Insurance Company Limited	<u>18,070,978</u>	<u>23,870,396</u>
(v) Claims recovered from Hand-in -Hand Mutal Fire Insurance Company Limited	<u>2,352,966</u>	<u>7,767,254</u>
(vi) Fixed deposit held with Hand-in -Hand Trust Corp Inc	<u>87,260,374</u>	<u>85,656,442</u>
Key management personnel		
(i) Compensation		
The Company's key management personnel comprises it Directors and Executive Managers. The remuneration paid during the year was:		
Short term employee benefit - Managers - 2 (2015 - 2)	<u>8,918,663</u>	<u>8,918,663</u>
Directors' emoluments - 5 (2014 - 5) (Refer to note 11)	<u>2,026,083</u>	<u>1,664,199</u>

GCIS INCORPORATED
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29 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 credit risk, liquidity risk and market risk (currency risk, price risk and interest rate risk).

The Company seeks to minimize the effects of these risks by the use of techniques that are governed by management's policies on foreign exchange risks, interest rate risk and credit risk which are governed by the Board of Directors.

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

(a) Credit risk

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:

	Maximum Exposure	
	2016	2015
	G\$	G\$
Investments (i)	286,185,958	295,605,648
Statutory deposits (ii)	59,559,513	58,169,349
Receivables and prepayments (iii)	21,283,928	19,507,692
Interest accrued (iv)	3,166,256	2,974,371
Taxation	11,620,281	8,343,014
Cash and cash equivalent (v)	125,677,416	134,839,994
Total credit risk exposure	507,493,352	519,440,068
The above balances are classified as follows:-		
Current	507,493,352	519,440,068

(i) Investments are assets for which the likelihood of default is considered minimal by the Directors.

(ii) Statutory deposits represent deposits with Insurance Regulators and financial institutions held to the order of the Insurance Regulators. The likelihood of default is considered very low by the Directors.

(iii) Receivables comprise a number of loans to policyholders on which interest is earned.

(iv) Interest accrued represents amounts due or accrued on the various investments of the company. These amounts would either be received in the next financial year or would materialise on the maturity of the investment(s) in accordance with their terms and conditions.

(v) Cash and cash equivalents are held by commercial banks. These banks have been assessed by the Directors as being credit worthy, with very strong capacity to meet their obligations as they fall due. The related risk is therefore considered very low.

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NOTES ON THE ACCOUNTS

29 Financial risk management - cont'd

(a) Credit risk cont'd

The table below shows the credit limit and balance of two major counterparties at the end of the reporting period.

Details	Location	31 December 2016		31 December 2015	
		Credit Limit	Carrying Amount	Credit Limit	Carrying Amount
		G\$	G\$	G\$	G\$
P & P Insurance Broker	Guyana	1,768,451	1,768,451	-	-
Apex Insurance Brokers Guyana Ltd.	Guyana	1,781,105	1,781,105	-	-
		<u>3,549,556</u>	<u>3,549,556</u>	<u>-</u>	<u>-</u>

There was two customer who represented more than 5% of the total balance of trade receivables (2015 - Nil).

The average receivable is 120 days (2015- 120 days).

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

	Maturing 2016		
	Within 1 to 12 mths	Over 12 mths	Total
	G\$	G\$	G\$
At 31 December 2016			
Assets			
Investments	-	286,185,958	286,185,958
Receivables and prepayments	21,283,928	-	21,283,928
Interest accrued	3,166,256	-	3,166,256
Taxation	11,620,281	-	11,620,281
Statutory deposit	-	59,559,513	59,559,513
Cash on deposits	112,931,239	-	112,931,239
Cash on hand and at bank	12,746,177	-	12,746,177
	<u>161,747,881</u>	<u>345,745,471</u>	<u>507,493,352</u>
Liabilities			
Policyholders' liabilities	9,640,000	-	9,640,000
Claims admitted or intimated but not paid	32,625,963	-	32,625,963
Payables and accrued expenses	56,848,553	-	56,848,553
Taxation	79,314	-	79,314
	<u>99,193,830</u>	<u>-</u>	<u>99,193,830</u>
Net current assets	<u>62,554,051</u>	<u>345,745,471</u>	<u>408,299,522</u>
	Maturing 2015		
	Within 1 to 12 mths	Over 12 mths	Total
	G\$	G\$	G\$
At 31 December 2015			
Assets			
Investments	-	295,605,648	295,605,648
Receivables and prepayments	19,507,692	-	19,507,692
Interest accrued	2,974,371	-	2,974,371
Taxation	8,343,014	-	8,343,014
Statutory deposit	-	58,169,349	58,169,349
Cash on deposits	115,974,070	-	115,974,070
Cash on hand and at bank	18,865,924	-	18,865,924
	<u>165,665,071</u>	<u>353,774,997</u>	<u>519,440,068</u>
Liabilities			
Policyholders' liabilities	-	25,861,952	25,861,952
Claims admitted or intimated but not paid	48,484,042	-	48,484,042
Payables and accrued expenses	51,992,561	-	51,992,561
Taxation	2,071,971	-	2,071,971
	<u>102,548,574</u>	<u>25,861,952</u>	<u>128,410,526</u>
Net current assets	<u>63,116,497</u>	<u>327,913,045</u>	<u>391,029,542</u>

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29. Financial risk Management – cont'd

- (c) Market risk
 - (i) Foreign currency risk

The Company is exposed to foreign currency risk due to fluctuations in exchange rates on balances that are denominated in foreign currencies.

The equivalent Guyana dollar value of assets in Pounds Sterling is shown below:

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	£	G\$	£	G\$
Assets	262,540	61,696,964	223,974	64,952,393
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 2.5 % increase or decrease in the Guyana dollar against balances denominated in foreign currencies.

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
	G\$	G\$
Profit	1,542,424	1,623,810
	<u> </u>	<u> </u>

- (ii) 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 or its issuer or factors affecting all securities traded in the market.

Management continually identifies, evaluate, underwrite and diversify risk in order to minimize the total cost of carrying such risk.

The Company does not actively trade in equity investments. The Company's exposure to equity price risks arising from equity investments is not material to the financial statements.

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NOTES ON THE ACCOUNTS

29 Financial risk management - cont'd

(c) Market risk - cont'd

(iii) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's exposure to interest rate risk on financial assets and financial liabilities are listed below:

	Average Interest rate %	Maturing 31 December 2016				Non-interest bearing G\$	Total G\$
		Within 1 year G\$	Within 2 to 5 years G\$	Over 5 years G\$			
Assets							
Investments	2.20	-	-	286,185,958	-	286,185,958	
Receivables and prepayments	-	-	-	-	21,283,928	21,283,928	
Interest accrued	-	-	-	-	3,166,256	3,166,256	
Taxation	-	-	-	-	11,620,281	11,620,281	
Statutory deposit	3.00	-	59,559,513	-	-	59,559,513	
Cash on deposits	3.00	112,931,239	-	-	-	112,931,239	
Cash on hand and at bank	-	-	-	-	12,746,177	12,746,177	
		<u>112,931,239</u>	<u>59,559,513</u>	<u>286,185,958</u>	<u>48,816,642</u>	<u>507,493,352</u>	
Liabilities							
Policyholders' liabilities					9,640,000	9,640,000	
Claims admitted or intimated but not p	-	-	-	-	32,625,963	32,625,963	
Payables and accrued expenses	-	-	-	-	56,848,553	56,848,553	
Taxation	-	-	-	-	79,314	79,314	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>99,193,830</u>	<u>99,193,830</u>	
Interest sensitivity gap		<u>112,931,239</u>	<u>59,559,513</u>	<u>286,185,958</u>			

	Average Interest rate %	Maturing 31 December 2015				Non-interest bearing G\$	Total G\$
		Within 1 year G\$	Within 2 to 5 years G\$	Over 5 years G\$			
Assets							
Investments	2.20	-	-	295,605,648	-	295,605,648	
Receivables and prepayments	-	-	-	-	19,507,692	19,507,692	
Interest accrued	-	-	-	-	2,974,371	2,974,371	
Taxation	-	-	-	-	8,343,014	8,343,014	
Statutory deposit	2.50	-	58,169,349	-	-	58,169,349	
Cash on deposits	2.50	115,974,070	-	-	-	115,974,070	
Cash on hand and at bank	-	-	-	-	18,865,924	18,865,924	
		<u>115,974,070</u>	<u>58,169,349</u>	<u>295,605,648</u>	<u>49,691,001</u>	<u>519,440,068</u>	
Liabilities							
Policyholders' liabilities					25,861,952	25,861,952	
Claims admitted or intimated but not p	-	-	-	-	48,484,042	48,484,042	
Payables and accrued expenses	-	-	-	-	51,992,561	51,992,561	
Taxation	-	-	-	-	2,071,971	2,071,971	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>128,410,526</u>	<u>128,410,526</u>	
Interest sensitivity gap		<u>115,974,070</u>	<u>58,169,349</u>	<u>295,605,648</u>			

(iv) Interest rate sensitivity analysis

The interest rate sensitivity analysis is performed to determine the impact on net profit and equity of a reasonable possible change in the interest rates prevailing at 31 December, with all other variables held constant. The impact on net profit is the effect of changes in interest rates on the floating interest rates of financial assets and liabilities.

The sensitivity analysis below has been determined based on exposure to interest rates 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 internally to key management personnel and represents management's assessments of the reasonable possible change in interest rates.

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29 Financial risk management - cont'd

(c) Market risk-cont'd

(iv) Interest rate sensitivity analysis - cont'd

A positive number indicates an increase in profits where the interest rate appreciates by 50 basis points. For a decrease of 50 basis points in the interest rate, this would have an equal and opposite impact on profit and the balances below would be negative. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the impact on the company's profit would have been :

	Increase/Decrease in Basis Point	Impact on profit for the year	
		<u>2016</u> G\$	<u>2015</u> G\$
<u>Cash and cash equivalent</u>			
Local currency	+/-50	558,691	575,167
Foreign currency	+/-50	5,965	4,703

30 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2015.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to the members of the company, comprising issued share capital, reserves and accumulated surplus.

The company has no borrowing so there is no gearing.

31 Dividends

	<u>31 December 2016</u> G\$	<u>31 December 2015</u> G\$
Amounts recognized as distribution to shareholders in the year		
Final dividend for year ended 31 December 2015		
\$Nil per share (2014-G\$18.00)	-	3,553,326

No dividend has been proposed for the financial year ended 31 December 2016.

32 Pending litigations

At the end of the year, there were certain pending litigations against the Company, the outcome of which cannot be quantified at this stage.

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33 Analysis of financial assets and liabilities by measurement basis

	<u>Available for sale</u> G\$	<u>Loans and Receivables</u> G\$	<u>Financial Assets and Liabilities at Amortised Cost</u> G\$	<u>Total</u> G\$
At 31 December 2016				
Assets				
Investments	286,185,958	-	-	286,185,958
Receivables and prepayments	-	21,283,928	-	21,283,928
Interest accrued	-	3,166,256	-	3,166,256
Taxation	-	11,620,281	-	11,620,281
Statutory deposit	-	-	59,559,513	59,559,513
Cash on deposits	-	-	112,931,239	112,931,239
Cash on hand and at bank	-	-	12,746,177	12,746,177
TOTAL ASSETS	<u>286,185,958</u>	<u>36,070,465</u>	<u>185,236,929</u>	<u>507,493,352</u>
Liabilities				
Policyholders' liabilities	-	-	9,640,000	9,640,000
Claims admitted or intimated but not paid	-	-	32,625,963	32,625,963
Payables and accrued expenses	-	-	56,848,553	56,848,553
Taxation	-	-	79,314	79,314
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>99,193,830</u>	<u>99,193,830</u>
At 31 December 2015				
Assets				
Investments	295,605,648	-	-	295,605,648
Receivables and prepayments	-	19,507,692	-	19,507,692
Interest accrued	-	2,974,371	-	2,974,371
Taxation	-	8,343,014	-	8,343,014
Statutory deposit	-	-	58,169,349	58,169,349
Cash on deposits	-	-	115,974,070	115,974,070
Cash on hand and at bank	-	-	18,865,924	18,865,924
TOTAL ASSETS	<u>295,605,648</u>	<u>30,825,077</u>	<u>193,009,343</u>	<u>519,440,068</u>
Liabilities				
Policyholders' liabilities	-	-	25,861,952	25,861,952
Claims admitted or intimated but not paid	-	-	48,484,042	48,484,042
Payables and accrued expenses	-	-	51,992,561	51,992,561
Taxation	-	-	2,071,971	2,071,971
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>128,410,526</u>	<u>128,410,526</u>

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34 Fair value estimation

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1, Level 2 and 3 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).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following assets and liabilities are carried at amortised cost. However, fair values have been stated for disclosure purposes.

	31 December 2016			31 December 2015		
	IFRS 13	Carrying value	Fair value	IFRS 13	Carrying value	Fair value
	Level	GS	GS	Level	GS	GS
Financial assets						
Fixed asset	2	202,846,860	202,846,860		205,092,260	205,092,260
Investments	1,2&3	286,185,958	286,185,958	1,2&3	295,605,648	295,605,648
Receivables and prepayments	2	21,283,928	21,283,928	2	19,507,692	19,507,692
Interest accrued	2	3,166,256	3,166,256	2	2,974,371	2,974,371
Taxation	2	11,620,281	11,620,281	2	8,343,014	8,343,014
Statutory deposit	1	59,559,513	59,559,513	1	58,169,349	58,169,349
Cash on deposits	1	112,931,239	112,931,239	1	115,974,070	115,974,070
Cash on hand and at banks	1	12,746,177	12,746,177	1	18,865,924	18,865,924
		<u>710,340,212</u>	<u>710,340,212</u>		<u>724,532,328</u>	<u>724,532,328</u>
Financial liabilities						
Policyholders' liabilities	2	9,640,000	9,640,000	2	25,861,952	25,861,952
Taxation	2	79,314	79,314	2	2,071,971	2,071,971
Claims admitted or intimated but not paid	2	32,625,963	32,625,963	2	48,484,042	48,484,042
Payables and accrued expenses	2	56,848,553	56,848,553	2	51,992,561	51,992,561
		<u>99,193,830</u>	<u>99,193,830</u>		<u>128,410,526</u>	<u>128,410,526</u>

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:

- The fair values of the company's investments were arrived at using market rates provided by Guyana Association of Securities Companies and Intermediaries Inc. and Directors assessment.
- Financial instruments where the carrying amounts are equal to fair value:-Due to their short-term maturity, the carrying amounts of certain financial instruments are assumed to approximate their fair values. These includes receivables and prepayments, cash deposits, statutory deposits, interest accrued, and claims admitted or intimated but not paid, payables and accrued expenses and taxation.

Investments

Available for sale financial assets

	31 December 2016			
	Level 1 GS	Level 2 GS	Level 3 GS	Total GS
Stocks and Shares in Guyana	-	121,215,378	104,466,667	225,682,045
United Kingdom	59,348,611	1,155,302	-	60,503,913
	<u>59,348,611</u>	<u>122,370,680</u>	<u>104,466,667</u>	<u>286,185,958</u>

Available for sale financial assets

	31 December 2015			
	Level 1 GS	Level 2 GS	Level 3 GS	Total GS
Stocks and Shares in Guyana	-	127,127,165	104,466,667	231,593,832
United Kingdom	57,625,873	6,385,943	-	64,011,816
	<u>57,625,873</u>	<u>133,513,108</u>	<u>104,466,667</u>	<u>295,605,648</u>

Fixed asset

Lands and buildings were revalued on 7 March 1994 by Mr. Mooneer Khan, Valuer, but the revalued figures were not brought into the accounts until 31 December 1994 when a 5% upward adjustment was made to those figures by the Valuation Division of the Ministry of Finance. The surplus arising on revaluation was credited to revaluation reserve. A further revaluation was again done on 12 November 2008 by Mr. Pavel Benn, Valuer. A surplus on revaluation of \$168,688,283: was credited to revaluation reserve.

The valuation of property has been derived to the current market value in the case of land, and the replacement cost in the case of building. The most significant input for these valuation approaches is the value of replacement cost per square foot which is considered to be observable.

The valuation of property is classified as a level 2.

GCIS INCORPORATED

(SUBSIDIARY OF THE HAND IN HAND MUTUAL FIRE INSURANCE COMPANY LIMITED)

NOTES ON THE ACCOUNTS

36. Insurance risk

The principal risks that the company faces under its insurance contracts are that actual claims are greater than estimated, actual claims are not adequately mitigated by reinsurance, 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 principles

The Company mitigates its risks by engaging in both facultative 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 declines, rates up, applies excesses, accepts small participation or a combination of more than one of the proceeding 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 a strain on the company's finances and it would have to seek alternative financing solutions. Its cash flow would therefore be affected negatively.

Concentration of insurance risks

Insurance risks are spread in a number of geographical areas. However, the majority of the Company's risks are in Georgetown and its environs.

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 revision of provisions, whichever is earlier. Similarly, there are times when the provision is sufficient to cover the losses estimated. These too are adjusted at the earlier of claims payment or overall claims revision.

Actuarial Valuation

The actuarial report carried out as at 31 December 2016 revealed that the aggregate amount of the life insurance policy liabilities (other than claims reserves) in relation to its long term insurance business was \$9,640,000.

37. Approval of financial statements

The financial statement was approved by the Board of Directors and authorized for issue on April 24, 2017.