

Annual Report 2012



Featuring the Successes of Demerara Mutual Life Assurance Society Limited and Subsidiary

WE GIVE YOU THE TOOLS TO BUILD YOUR LIFE!

Demerara Mutual has been improving the life and the security of Caribbean families for more than 121 years. And because we feel that is always good news, this annual report will cover not only last year's financial results, but also describe some of the milestones achieved in the recent past that have moved your Society from strength to strength.



Demerara Mutual adopted the "Toolbox" when a range of attractive new insurance products were introduced in 2007. These new products allowed our customers to get better coverage and to plan ahead for their financial future.

Since then, in addition to our trusted life and health plans, Demerara Mutual offers universal life insurance, renewable term insurance, funeral insurance, and critical illness insurance. This put a lot more tools to build your life into the toolboxes of both our customers and our sales reps! Together with our subsidiary Demerara Fire, Demerara Mutual is one of the main providers of Life, motor, fire, health, pension and other financial indemnities in the Caribbean. The Society is headquartered in Guyana and has offices in St. Lucia, St. Vincent & the Grenadines, and Grenada.

Since its inception in 1891 as a carrier of Life Assurance indemnities, Demerara Mutual has developed into a full-fledged financial institution in this new millennium.

The areas of coverage have grown to encompass group and individual health insurance, travel insurance, plus financial coverage for the more delicate aspects of life and living. We offer insurance for your most valuable possessions—your home and your car—and can assist our customers with retirement plans and pension schemes.

A modern organisation

Your Society has always been a modern organisation, moving with the times. Our knowledgeable staff and sales representatives are able to assist customers with every query they may have. We care about our colleagues and about the society at large, which informs every decision that we make. Board and management work diligently to ensure that the Society invests along prudent and conservative financial guidelines—a vital foundation for the strength and reliability of the organisation.

Demerara Mutual is a great place to work. Our employees are young and dynamic, and we always look for fresh talent to add to our team. And working as a sales rep for Demerara Mutual is also highly worth your while! We provide excellent training and a back-up office that puts our sales force on a track of personal and financial growth.

So what's in the Toolbox?

Demerara Mutual's Toolbox is full of the best that the financial services industry can offer:

- tools that will take risk out of your life and that will help you become financially more secure
- tools that will give you peace of mind and that will protect your family
- tools that you can build your own career on
- tools that will benefit our policyholders by safeguarding their investment and providing long-term returns on their investment!



Do you have a good academic background, but need to find a way to turn this into financial benefits, a guaranteed income, and bonuses?

Financial Leadership Opportunity

You are a modern person, sociable, with curiosity about people and a love for hi-tech equipment. You are mobile, both in your own car and upwardly. You don't need to sit in an office all day, but rather venture out and make your own luck. You have a good school background and like to meet people.

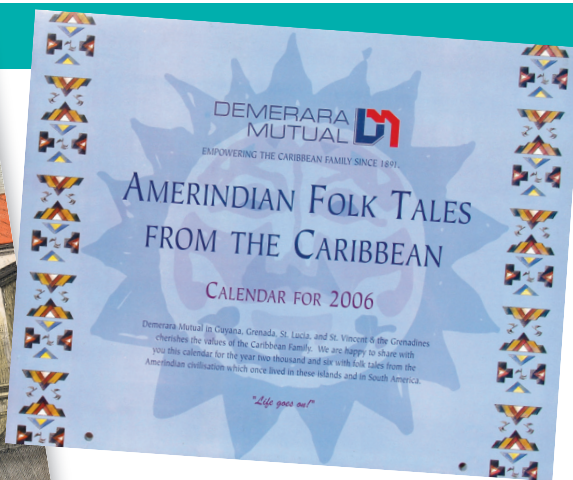
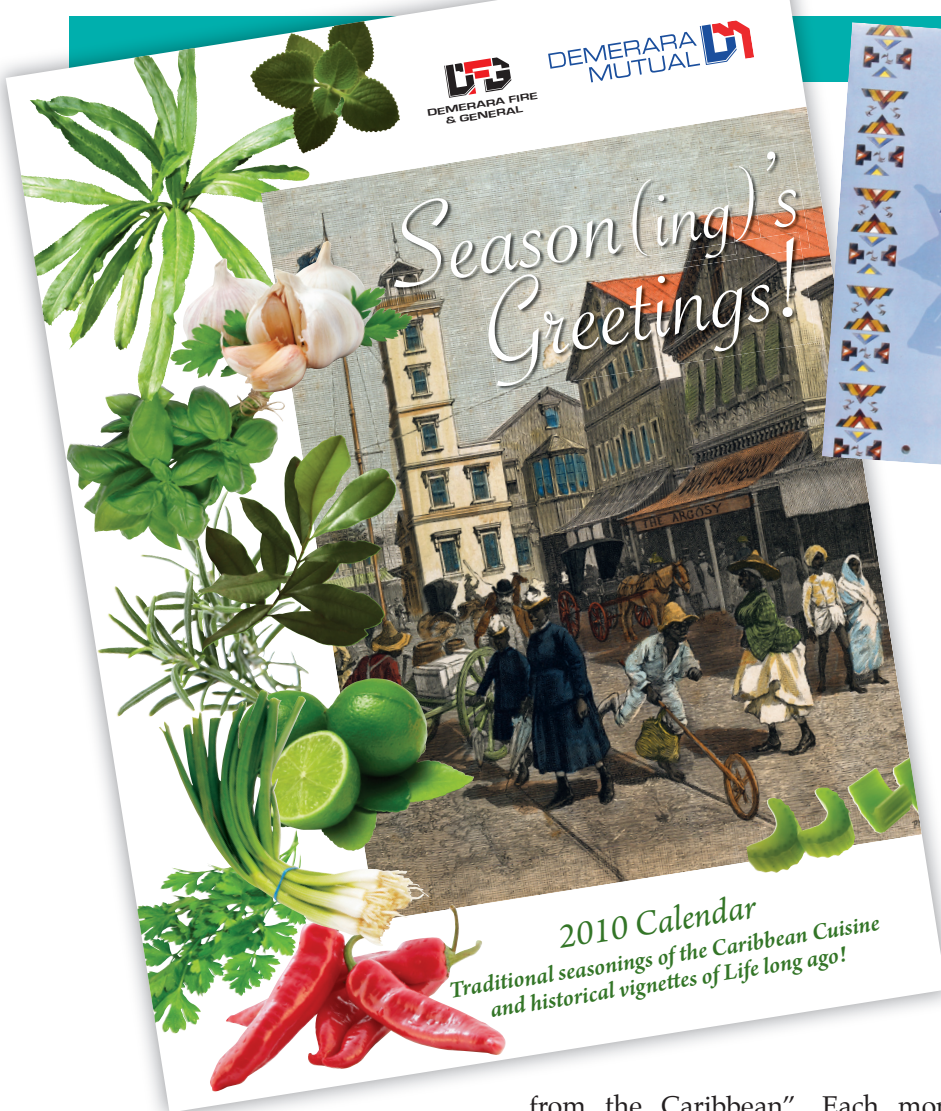
Become financially independent — join an organisation that gives you training in a great team!

You can become part of the Demerara Mutual Financial Leadership Team where you can achieve your own financial freedom!



Rush your resume today to ceo@demeraramutual.net

ACCOMPANYING YOU THROUGHOUT THE YEARS



Once a year, Demerara Mutual presents its customers and stakeholders with a keepsake that lasts an entire year: a themed calendar. These beautiful calendars have become extremely sought-after, and many of them stay in people's lives and homes for years to come!

And what a variety there was over the years! Looking back at 2005 and 2006, the calendars were themed "Amerindian Folk Tales

from the Caribbean". Each month featured a different story, told by Dorothy St. Aubyn, who had collected these fables in Guyana in the mid-20th century.

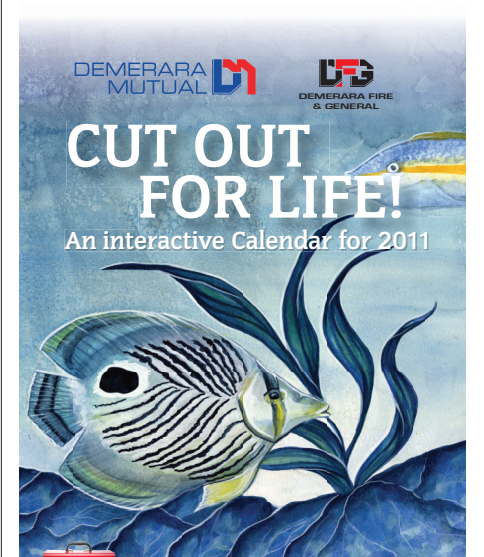
These two calendars were conceptualised to be shared between generations—we pictured parents and grandparents reading the stories to children at bedtime, and teachers using them in the classroom. So successful was the calendar, that Demerara Mutual produced a book in 2007 featuring the folk tales, and distributed it for free to schools. 2007 was of course the year of the ICC Cricket World Cup in the Caribbean. That year, we produced a cricket-themed calendar, which was both attractive and informational. It explained lesser-known cricket terms and the positions on the field, so that even novices to "Cricket, Lovely Cricket" were able to follow the World Cup.

water and how to keep the water that surrounds us clean and unpolluted. Some of the photographs in this calendar were thought-provoking, some were awe-inspiring, some were tongue-in-cheek, and some just invited you to sit back and relax. All of this is what water can do—it is indeed the basis of life, and the main tool for our existence.



The large 2010 calendar (top left), themed "Season(ing)'s Greetings!" showcased traditional seasonings of the Caribbean cuisine combined with historical vignettes of Life long ago. The rare engravings and the original photographs of herbs were a fun combination and brightened up many a home or office throughout the year!

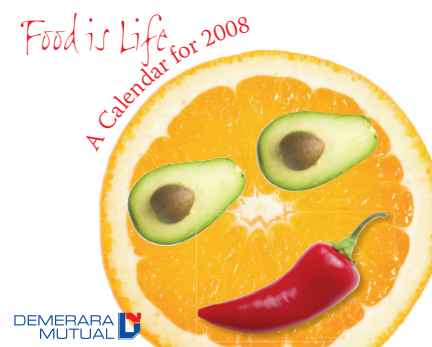
For the next two years, we did calendars particularly for children: interactive and interesting. 2011, "Cut out for Life" was a calendar with various objects that children could clip out and play with, like a gift box or a house. The calendar was beautifully illustrated with original watercolours of Caribbean wildlife, done by Gabriella Dabreau.



The 2012 calendar also had an interactive theme: "Be A-MAZE-D". Every month was a maze to solve, themed to the cycle of festivals in the year. And some of the mazes were



From the cricket pitch to the farmer's market: in 2008, the Demerara Mutual Calendar was themed "Food is Life". With this calendar, we encouraged Caribbean people to grow more food in their gardens and fields. It featured do-able recipes and interesting information about fruit and vegetable cultivation, origins of plant names, and some of the medicinal properties of produce that grows in these latitudes.



The 2009 calendar, themed "Water=Life", featured the many different ways in which we in the Caribbean and in Guyana come into contact with water in our daily lives. In the future, clean water will become an increasingly precious commodity, and each person needs to become more conscious about how to save

Our Vision:

- To develop, promote and sustain a customer-focused organisation.

Our Mission:

- To surpass our customers' expectations by providing superior service through the integration of people and technology.

Annual Report 2012 What's in this Report

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Our Annual General Meeting

Notice of Date of Annual General Meeting

NOTICE IS HEREBY GIVEN pursuant to Regulation 35 of the Society's Regulations that the 121st Annual General Meeting of members will be held on the tarmac of Demerara Mutual Life Assurance Society Ltd., 61/62 Avenue of the Republic & Robb Street, Georgetown, Guyana, on Friday, 23rd August 2013 at 4.30 p.m.

If any member desires to bring any matter before the meeting, he/she should, no later than fourteen (14) days before the 23rd August 2013 deliver to the Society's Home Office, a statement in writing in the form of a motion setting forth specifically, such matter.

Whenever any member wishes to vote by proxy at any General Meeting, he/she shall, not less than twenty-four (24) hours before the time at which the Meeting is to take place, deliver or cause to be delivered at the Society's Home Office, a document signed by him/her, in the form (which can be obtained from the Company Secretary) appointing some other member of the Society as his/her proxy.

The Agenda for this meeting will be set out in the Notice to be published in the local Newspapers at least seven (7) days before the date of this Meeting.

Copies of the Financial Statements and the Reports of the Directors and Auditors for 2012 would be available at our Administrative Offices in

Guyana, Grenada, St Lucia and St Vincent.

By order of the Board



JAMES K. MORGAN
Company Secretary
Demerara Mutual Life Assurance Society Ltd.
61 - 62 Avenue of the Republic & Robb Street, Georgetown, Guyana
July 26, 2013

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 121st Annual General Meeting of Members will be held on the tarmac of the Demerara Mutual Life Assurance Society Ltd, 61/62 Avenue of the Republic & Robb Street, Georgetown, Guyana on Friday 23rd August 2013 at 4.30 p.m.

Agenda

1. To receive and consider the Reports of the Directors, the Accounts for the year ended 31st December, 2012 and the report of the Auditors thereon.
2. To elect Directors.
3. To fix the remuneration of the Directors.
4. To elect Auditors and fix their remuneration.

5. To approve an appropriation for donations to charity and for educational purposes.
6. To approve declaration of Bonus for the Triennium ended 31st December 2012.

By order of the Board



JAMES K MORGAN
Company Secretary
Demerara Mutual Life Assurance Society Ltd.
61 - 62 Avenue of the Republic and Robb Street, Georgetown, Guyana
August 16, 2013

Requirements for Attending the Annual General Meeting

Members are asked to observe the following requirements for attendance and voting at the 121st Annual General Meeting.

Agenda

In keeping with Regulation 37 (2), no business other than that specified in the Notice shall be considered at the Meeting.

Proxies

Whenever any member wishes to vote by proxy at any General Meeting, he/she shall, not less than twenty four (24) hours before the time at which the meeting is to take place, deliver or cause to be delivered at the office of the Society, a document signed by him/her, in the form (which can be obtained from the Company Secretary) appointing some other member of the Society as his/her proxy.

Proof of Identity

Members are reminded that the Society may require a member, proxy or duly authorized representative, to provide satisfactory proof of his/her identity before being admitted to this Annual General Meeting.

Persons Entitled to Notice to Attend Meeting

Only Participating Policyholders of the Society are entitled to receive a notice to attend this General Meeting.

Invitation Card

Please bring your Invitation Card in order to gain entry to this meeting.

quite amazingly complex! Again, this calendar would have been something to connect the generations, and we imagine children taking it off the wall and solving the mazes!



In 2012, athletes from the Caribbean region did incredibly well at the London Olympics. Many of us watched their triumphs on television, celebrated with them in their glorious victories, cheered them on vigorously even if they couldn't hear us at all, and shed a tear or two of pride when we saw them receive their medals and heard our national anthems played.

With the 2013 calendar, "The Rules of the Game", Demerara Mutual particularly congratulated Caribbean gold medallists Kirani James of Grenada (400m sprint, 43.94 seconds) and Keshorn Walcott of Trinidad and Tobago (javelin, 84.58m), as they come from islands where the Society are located. But we also honoured all the other fine athletes from the Caribbean

who competed at the Olympics in many disciplines, and who will continue to do the Caribbean proud.

But haven't you often wondered what exactly are the "Rules of the Game" for many sports played in our islands? Well, wonder no longer — these calendar pages have a short explanation of twelve sports that are very popular in our islands. And each month, we give you a little "food for thought" how to incorporate the best that each sport can teach us into our daily lives.

The Rules of the Game



So what will our 2014 calendar look like? Well, it's not that time as yet—but rest assured it is going to be a big surprise!

We use the calendar themes and visuals and develop them into corporate give-aways like copybooks for schools, children's books, posters, advertisements for the newspapers or other printed items.



Ahead of the Game



3.5%. In Grenada the GDP was 0.05% and inflation 3.2%. In St Lucia the GDP was 3.5% and inflation 4.4% and in St Vincent the GDP was 1.2%.

Results The revenue for 2012 totalled G\$1,790M, which is a 5% increase over the 2011 figure of G\$1,705M. The after tax surplus was G\$124.3M, which represents a 4% increase over the 2011 surplus of G\$101.4M.

Marketing Our sales team has once again done us proud in ensuring that we are well positioned in a most competitive and volatile market.

The end of year 2012 saw us getting to the top of the ladder with a 30% Market Share which made us the number one Company in the area of lives sold and annualized premium. Our sales team also sold the highest number of lives for the year.

We congratulate our Marketing Team for their vital import for the effective

performance and the continued success of the Demerara Mutual. Training of the sales and office staff, the New Products launched in 2011, the commitment of staff to providing customers with quality service and supplying the right type of insurance products to meet your current needs were contributory factors to such results.

The positive contributions are also representative of the hard work, dedication and commitment that have been consistently displayed by the field operatives which are but the quintessential features of the dedicated performance by the entire DemLife staff who have risen to the challenges during the year ensuring the efficient running of the daily operations of the Company.

I take this opportunity to applaud our top producers and the entire sales team for their tireless efforts and the new strategies they implemented to increase Demerara Mutual's client base. Special congratulations for

Fellow Policy Holders,

The past few years have been extremely challenging. The Demerara Mutual I am proud to say, has however stayed the course, kept ahead of the game, weathered the storm and still stands firm due to very prudent Management. It has also, refined necessary initiatives to ensure continued success in its endeavours.

It is with great pride and satisfaction therefore that I am able to stand before you and state that not only have we been able to stay up on our feet but we have shown the resiliency characteristic of a title contender in the insurance industry for over 121 years despite the challenging environments in all the territories where we do business.

Economies The global economy experienced a 3.2% growth in 2012. In the Caribbean this growth was 3%. The real GDP growth in Guyana was 4.8% with an inflation rate of

Message from our Chairman Richard B. Fields SC

It gives me great pleasure to welcome you to Demerara Mutual's 121st Annual General Meeting, to share with you some of the highlights of the Society for the year 2012 and place for your consideration the Financials for that year.

excellence in performance and special recognition to Mr. Richard Seaton of Guyana who is our top producer for the year with 114 policy sales. The other outstanding performer was Mrs. Sabina Charles – Kirton of St Lucia who sold 100 lives.

Corporate Governance The Board of Directors and Management accepts its responsibility and accountability for the prudent management of the affairs of your Company and through the respective sub committees of the Board, have addressed in detail the many sections of the Society and taken such decisions having regard to the recommendations of the Company's Management for the improved efficiency and financial growth of Demerara Mutual. This resulted in closer collaboration of the Board of Directors with Management to ensure full compliance with the stringent principles of Good Corporate Governance.

Management Team The Management Team led by the knowledgeable and indomitable CEO, Mr Keith Cholmondeley must be applauded for their untiring efforts, dedication and unswerving loyalty in responding to the changing environment, new regulations and demands of the Board to deliver information and competently execute corporate strategy ensuring the Company's continued success. We owe much to their vision and timely response to the changing environments resulting in types of new products that are more relevant to your current financial needs.

Appreciation I take this opportunity to applaud past Director, Mr Hugh K George, who resigned effective the 28th February 2013 after serving the Society for 48 years. The Society is most thankful to Mr George for his invaluable contribution towards its growth over the years. Key positions held by Mr George were:

- Asst. Secretary from 1965 to 1968 (3 years)
- General Manager from 1968 to 1986 (18 years)
- Director from 1976 to 2013 (36 years).

We wish Mr George well for a peaceful and pleasant retirement.

Acknowledgements To you our valued customers, we thank you for the opportunity to be your insurance advisor and to offer you the right products to fit your financial needs. We remain committed to giving you the highest quality service and assure you of our commitment to provide you with the best financial services to meet your insurance needs.

To the Management and staff, thanks for your loyalty and dedication.

To my fellow Directors, I thank you for your invaluable contributions and your ongoing support.

To all members and staff, I thank you for the opportunity to serve as your Chairman and promise to do my best to keep the Demerara Life flag flying high so that there would never be any regret being a part of the Demerara Life family.



Richard B. Fields SC

Dedication and Leadership

Attorney-at-law Mr. Richard B. Fields SC has been serving the Society for 33 years.

Richard B. Fields SC joined the Board of Directors of Demerara Mutual Life on the 5th May, 1980, which means he has given (33) thirty three years of service to the Society as a Director. The Society being 121 years old this year, means that for almost a quarter of its existence, it counted on Mr. Field's guidance and leadership.

Mr. Fields was elected Chairman of the Board of Directors in 1987 and his (26) twenty six years at the helm of the Company have been with distinction. Mr. Fields is also the Chairman of the Society's subsidiary, Demerara Fire &



General Insurance Company Limited, which position he held from the founding of "DemFire" in 1993. Demerara Mutual also benefits from his experience as a Director of



Mr. Fields and the Board of Directors and officers of the Society in 1989.

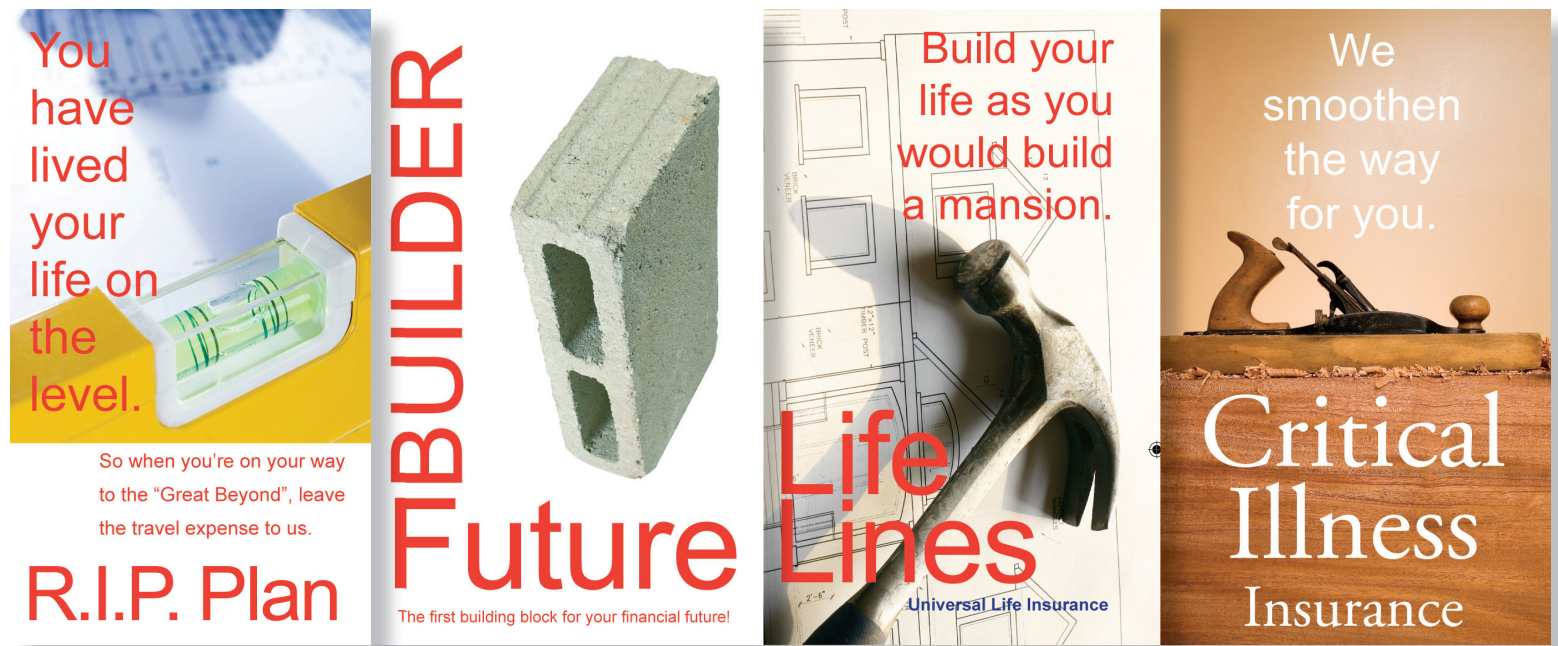
the leading beverage company in Guyana, Banks DIH Limited, and of the commercial bank, Citizens Bank Guyana Inc.

Mr. Fields is an Attorney-at-Law and a Barrister of the Honourable Society of Gray's Inn. He also holds an LLM Degree from the University

of Liverpool. He was admitted to the Inner Bar by the High Court in July 1996. He is a founding partner of the distinguished Law Firm of Messrs Hughes, Fields & Stoby.

The Demerara Mutual Life Assurance Society Limited is indeed fortunate that it has such a dedicated individual as this at its helm.

The Ins & Outs of our new insurance products: how they work for you and why they take the worry out of your life!



Insurance + Protection = NO WORRIES!

There's no way to know what tomorrow will bring, but one thing is certain: it will bring changes big and small! In order to prepare our customers for those changes and to increase their confidence in progress, Demerara Mutual introduced four additional insurance products. These products offer protection from life's inevitable eventualities, and help customers to build their personal financial future.

R.I.P. Plan

With this plan, Demerara Mutual now offers Funeral Expense Insurance, which will help your loved ones to have one worry less during their time of mourning. The R.I.P. Plan helps you to make a responsible choice for your last expenses on earth. With this coverage, you can plan many details of your funeral, including the products and services that it will entail. It allows you to have the funeral that you want, without having to burden your family with the financial aspect of it – especially in the present financial environment, where funeral costs are on the rise. The purpose of the R.I.P. Plan is to help your relatives to cover the expenses of your funeral. The funeral benefit is a single monetary benefit paid to your estate regardless of your income and financial status.

Future Builder Plan

Future Builder is a renewable term insurance plan from Demerara Mutual. Future Builder has a lot of real benefits. For example, it gives you that collateral that you always wanted to apply for major loans and mortgages. Also, by paying low premiums over time, you will increase your credit ratings. Now you're well on your way to building a strong financial foundation for your future investments. Future Builder will also benefit your children. You will lay the foundation block for their financial future. It will provide your child with sound collateral for future loans for education, home improvement or to get a mortgage for their own home. Future Builder provides peace of mind. Should something fatal happen to you, your dependents will benefit by way of a cash payment. It is sufficient to clear the balance of a mortgage.

Those whom you leave behind are financially secured against the loss of earnings, maintaining your family's standard of living. In case of an accident, your family can receive twice the sum assured.

Life Lines Plan

Demerara Mutual's Life Lines is a flexible universal life insurance plan to suit your changing needs. Unlike a traditional life insurance policy, where the death benefit, premium payment schedule, and the interest rate for the accumulation of cash value are determined by the contract, Life Lines insurance policies are universal, i.e. more flexible. Neither your premium levels nor your death benefit are set in stone. Paying a minimum premium amount each year, you can pay premiums for as much and as often as you choose. If you are able to make increased payments and can show that you are in good health, your Life Lines policy will allow you to increase the amount of your death benefit. Do you have a windfall? Put your excess money into your Life Lines policy and jump-start the accumulation of the cash value of your policy. The actual performance of the fund is tied to the success of the company's investments. Because of this risk, premiums for the Life Lines Plan are lower than those of a traditional life policy. If there's enough in your fund to cover your minimum premium bill, you may be able to skip premium payments altogether!

Critical Illness Insurance

Demerara Mutual's Critical Illness insurance is designed to be paid out as a lump sum benefit, free of income tax, in the event that you are diagnosed with any of the serious or critical illnesses as defined in your policy. The 16 critical illnesses covered include cancer, multiple sclerosis, kidney failure, stroke and heart attack. Critical Illness insurance will compensate the loss of earning power during your time of illness. It gives you the funds to make alterations to your home to accommodate you, for example should you be unable to use stairs. You can also pay off the balance of your mortgage which will provide enormous peace of mind should you become unable to earn and therefore continue to make mortgage repayments.



We also give tools to our hard-working sales reps to build THEIR lives! Our Sales Representative's Handbook is one of such useful tool, and will soon be produced as an I-Pad App.

Our Board of Directors



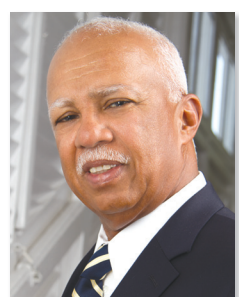
Mr. Richard B. Fields, S.C.
Chairman



Dr. Leslie Chin, A.A.
Director



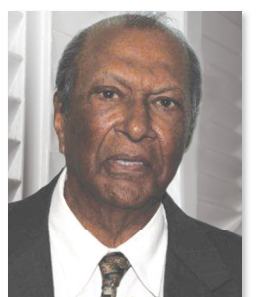
Mr. Paul E. Fredericks, C.C.H.
Director



Mr. Clifford B. Reis, C.C.H.
Director



Mrs. Jean Renwick
Director



Mr. Maurice Solomon
Director

Directors' Report

Your Directors have the pleasure of submitting to you their report for the financial year ended December 31, 2012.

FINANCIAL RESULTS

The year ended with an After Tax Profit of \$124,267,208. This figure exceeds the 2011 result of \$101,375,228: by 22.5%. A summary of these results is as follows:

	2012	2011
Revenue	1,790,286,287	1,705,421,563
Profit/(loss) before taxation	143,713,829	115,891,441
Taxation	19,446,621	14,516,213
Profit/(loss) after taxation	124,267,208	101,375,228
Total assets	11,028,726,292	9,451,194,110
Total liabilities	989,202,293	737,779,209

DIRECTORS' EMOLUMENTS

The emoluments paid the Directors of the Company for the year 2012 were as follows:

Mr. Richard B. Fields, SC	\$1,747,812:
Mr. Clifford B. Reis, C.C.H.	\$1,092,360:
Mr. Hugh K. George	\$1,092,360:
Dr. Leslie Chin, AA	\$1,092,360:
Mr. Paul E. Fredericks, C.C.H.	\$1,092,360:
Mrs. Jean Renwick	\$1,092,360:
Mr. Maurice Solomon	\$1,092,360:

DIRECTORS' INTEREST

The Directors are all members of the Society in keeping with the Society's Ordinance which provides that they must have a policy of life assurance effected with the Society. The Sum Assured of their respective policies are as follows:

	Sum Insured
Mr. Richard B. Fields, S.C.	\$125,000:
Mr. Clifford B. Reis, C.C.H.	\$100,000:
Dr. Leslie Chin, A.A.	\$100,000:
Mr. Paul E. Fredericks, C.C.H.	\$10,000:
Mr. Maurice Solomon	\$100,000:
Mrs. Jean Renwick	EC\$ 2,000:

DIRECTORS' SERVICE CONTRACTS

There are no Service Contracts executed by the Society in which any of the Society's Directors has an interest.

DIRECTORATE

The Directors who retire by rotation at this General Meeting are Mr. C. B. Reis, Mr. M. Solomon and Mrs. J. Renwick. These Directors are eligible and offer themselves for election.

We also take this opportunity to inform that Mr. H. K. George resigned from the Society's Board of Directors effective the 28th February 2013. We sincerely thank Mr. George for the invaluable service which he rendered to the Society for a period of 48 years.

PRINCIPAL ACTIVITIES

The principal activities of the Society are the sale of Long-term Life Assurance, and Pension Schemes.

CAPITAL EXPENDITURE

The sum of \$238 million was the capital spending for the year 2012.

AUDITORS

The retiring Auditors, TSD LAL & CO have expressed a willingness to be appointed and we support their election as the Society's Auditors for the ensuing year.

ACTUARIAL VALUATION

The recent Triennium Valuation Report for the period ended 31st December 2012 showed a surplus of \$1,689,724,074.

SUBSTANTIAL SHAREHOLDING

The total share investment which the Company and its subsidiary, the Demerara Fire & General Insurance Company, have in Banks DIH Ltd is 81.57 million shares. This represents an 8.15% of the shareholding of that Company.

By order of the Board.



JAMES K. MORGAN
Company Secretary

The Man with a Mission

Meet the dynamic CEO of Demerara Mutual since 2001. Here is a look at the "man behind the mission".

This is the story of a person who lives and breathes insurance in the Caribbean.

Under his stewardship, Demerara Mutual's Revenue grew from G\$1,081 million in 2003 to G\$1,790.3 million in 2012. Total Assets of the Society grew from G\$5,286.6 million in 2003 to G\$11,028.7 million in 2012, and Claims Paid from G\$189.7 million to G\$360.8 million during the same time frame.

He became the Society's CEO in a dark year, the year of 9/11, when the "future looked dim, daunting and disturbing" as he put it in his first CEO's report in the 2001 annual accounts. Due to the terrorist attacks on the USA, tourist arrivals in the Caribbean all but dried up, affecting the economies in which

Demerara Mutual operates severely, and times remained challenging, strong hurricanes battered the islands, the most devastating of them Hurricane Ivan in 2004, which affected in particular Grenada most adversely. Guyana and the other territories were plagued by adverse weather conditions, which affected crops, and when in 2008 the global financial crisis set in, compounded by the regional CLICO debacle, virtually every person in the Eastern Caribbean and in Guyana felt its effects. However, undaunted, this man indeed had a mission—to carry on the century-old values of the Society while modernising and streamlining its processes; to continue to provide financial security and safety to Caribbean families with new and innovative products that serve the changing needs of its customers; and to create a well-trained and motivated employee base that gains satisfaction from their jobs and whose excellence of service keeps the Society's customers happy and creates returns for its policyholders.



The 2001 Management Team with Mr. Cholmondeley standing at centre.

His mission particularly focussed on building the Demerara Mutual Brand. Having served as the Society's Marketing Manager for five years prior to his appointment as CEO, he ensured that the "DM" brand maintained and expanded its relevance to a new generation. As such, he oversaw the development and rollout of a new suite of innovative insurance products described on page 5 of this report. He also ensured that the Society's communications are always fresh and surprising for the public, bringing both entertainment and education that generations can share. With the introduction of the DM website and Facebook site, the Society

increasingly used electronic media to complement its more traditional channels of communication. This man with a mission is Keith Cholmondeley, whose career in insurance (after graduating from universities in the USA and Puerto Rico) began with Rookie of the Caribbean in 1972, spanned work in Canada, and a number of Caribbean insurance and trading companies in Guyana and Trinidad and Tobago, and carried him to be today not only the CEO of DM, but also a Past President of the Insurance Association of the Caribbean and the current President of the Insurance Association of Guyana.

Continuity in a Changed World

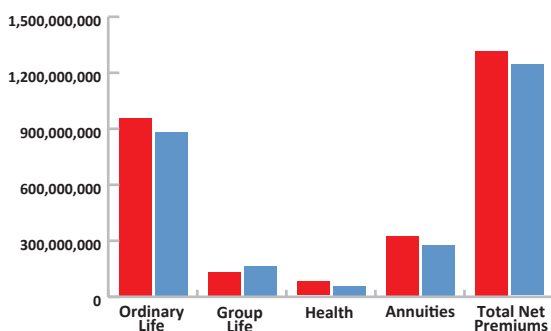
**Report by the CEO
Keith N.A. Cholmondeley**

Management is pleased to provide this performance review which will highlight the company's accomplishments for the year 2012.

Caribbean Operations The DM expansion of its business portfolio in St. Lucia, Grenada and St. Vincent was the end product of a systematic process over a number of years to ensure the validity and the continuity of the Society in the context of a changed world. The expansion resulted in tremendous goodwill towards the Society.

Finance and Investments The Society continues to focus on improving its financial performance and creating a sound financial foundation to ensure its continued success. Total revenue of the Society increased by 5% to \$1.790B, from G\$1.705B in 2011. Premium income increased to G\$1.310B in 2012, from G\$1.237B in 2011, an increase of 6%. Investment and other income increased by 2.5% to G\$479M in 2012, from G\$468M. Expenses increased by 3.5% to G\$1.646B, from G\$1.589B. Profit after tax was G\$124M, compared to G\$101M in 2011, an increase of 22%.

Net Premiums by Type of Insurance



Compliance During the year, the Compliance Department was strengthened with the addition of a Compliance & Planning Officer. The year saw a much greater emphasis on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) awareness in all jurisdictions as we commenced AML/CFT training for our staff and sales representatives throughout the Society. We are pleased to report that the Society is largely compliant in all markets in which we operate.

Human Resource Development Our main objective of recruiting, training, and retaining our Human Resource continues to be the focal point of our operations as we develop our capacity and capability while building on past successes.

Group Life & Pension The number of schemes within the Group Life Portfolio reduced by three (3), with the Premium Income reducing from G\$158,264,271 in 2011 to G\$127,978,402 in 2012, a reduction of G\$30.3M or 19%. However, there was also a reduction in our Policy Liabilities by G\$15.8M.

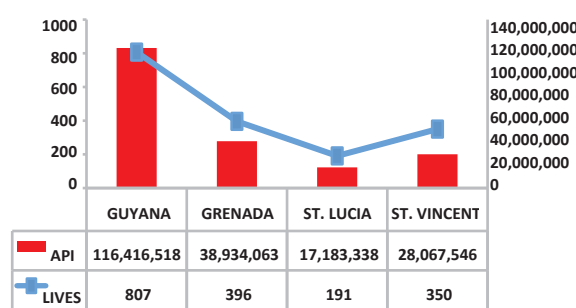
On the Pension side, while the number of Pension Plans within the portfolio remained the same, contributions received moved from G\$268,247,737 in 2011 to G\$316,624,717 in 2012, representing an increase of G\$38.4M or 18.0%.

Training The ongoing training of the office staff and the sales force has been a priority, the benefits of which is very evident in the financial results and also the relationship which we have established with our customers.

This strength of the company has been making a positive impact and we endeavor to retain the training momentum so that our staff is provided with the much needed tools necessary to deliver a quality of service that is second to none. The new techniques are definitely in a greater passion for meeting customer's financial needs.

Marketing Performance The performance of the Society in 2012 though below budget, was credible given the sluggish economic recovery in the islands. The reason for this relatively solid performance was due to Guyana, which produced 807 lives followed by Grenada with 396. Our overall sales for 2012 were recorded at G\$197M for API, with Guyana leading once again with G\$116M. The weakest performance in terms of lives against budget was St. Lucia which only achieved 77% of budgeted lives, while the strongest achievement against budget came from St. Vincent with 97% of budgeted lives for 2012.

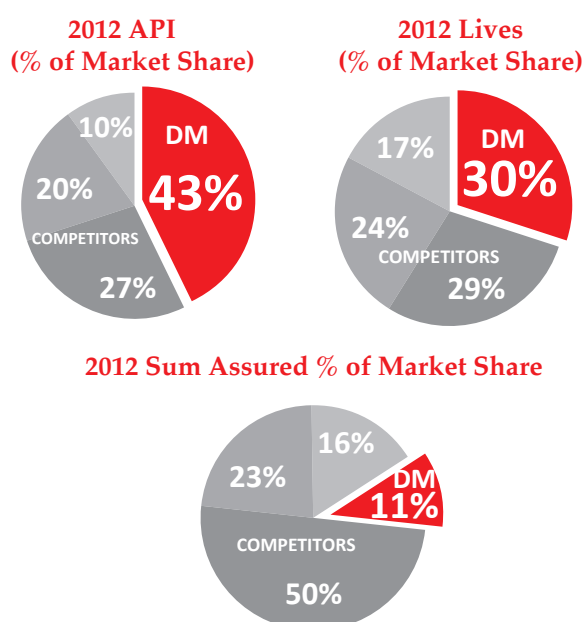
Society's Production Performances in 2012



Information Technology & Communication The Society focused on increased use of technology in the delivery of services to policyholders. We developed integrated communications with all operational levels of the Society, and explored the use of social media/social networks for the delivery of financial products.

Property Development Our properties have been well maintained during the year to ensure they reflect who we are and the standards we have set ourselves. The Grenada Granby building has been renovated and refurbished, and the refurbishment of the ground and second floors of our Head Office were completed.

Competitive Performance — Guyana The Society outperformed the competition in the sector with considerably less resources than our competitors. Demerara Life had 33 sales representatives for the year, compared with two of our main competitors with 89 and 43 respectively. In spite of this, the Society was still able to lead the industry with 30% of market share with respect to lives and 43% with respect to Annualised Premium Income. We also recorded the highest number of lives per agent.



The low number of sales representatives can be attributed to attrition in its many forms, including the lure of other insurance companies with what, on the face of it, seemed to be attractive offers.



The top producers for the Society were Richard Seaton of Guyana with 114 lives, and Sabina Charles-Kirton of St. Lucia with 100 lives.

DEMERARA FIRE AND GENERAL INSURANCE COMPANY: Despite the ongoing 'rates war' prevalent among general insurance companies in the local industry, DEMFIRE continues to hold its own with a gross premium income of G\$109M acquired in 2012. This premium represents an increase of 4% over the premium for 2011. The subsidiary continues to make a positive contribution to the Society's overall financial position.

Social Responsibility Demerara Mutual has been honouring its Corporate Social Responsibility in all the territories where it operates through the granting of donations to institutions that are assisting with meeting the needs of Society. The granting of bursary awards to the children of policyholders who are successful at the Secondary School Examination is an activity in which we have participated for over 20 years and we are proud to be a part of the academic success of our children. We have been a major contributor for the rebuilding of the Mercy Hospital in Georgetown, Guyana, which suffered major damage resulting from a 2010 fire.

Conclusion We have now marked 121 years and are not there as yet. There are still operational gaps to be addressed and our relative successes would not make us complacent. We continue to consolidate our positions by holding ourselves accountable which will lead to greater strength. We will strive for even more diligence in ensuring that the functions in the respective departments are executed with efficiency and with no wastage of resources.

I congratulate the members of my Team and our superlative sales staff who worked tirelessly to give us the success we achieved. I thank them for the support given me to deliver in keeping with the Board's expectations and for the continued prosperity of Demerara Mutual.

Keith N.A. Cholmondeley

Keith N.A. Cholmondeley

Sales 2012 Awardees

The following persons are the 2012 Top Producers for the Society who are being recognised for their sterling performance:

Name	Territories	Lives	A.P.I
Chairman's Diamond			
Sabina Charles-Kirton	St. Lucia	100	EC\$115,779.00
Chairman's Bronze			
Richard Seaton	Guyana	114	G\$3,339,540.00
Pulashwari Jaikaran	Guyana	71	G\$3,311,896.00
Haresh Ramsamooj	Guyana	57	G\$2,598,762.00
Centurion Club			
Richard Seaton	Guyana	114	
Sabina Charles-Kirton	St Lucia	100	
Fifty Plus Club			
Pulashwari Jaikaran	Guyana	71	
Haresh Ramsamooj	Guyana	57	

Top Producers for the various lines of business

Name	Line	No. of Policies	API
Sabina Charles-Kirton	Life	100	Ec\$115,779.00
Charles Clarke	Motor	66	G\$821,362.00
Ronald Legall	Fire	8	G\$600,609.00
Gordon Humphrey	Group	1	EC\$86,185.00

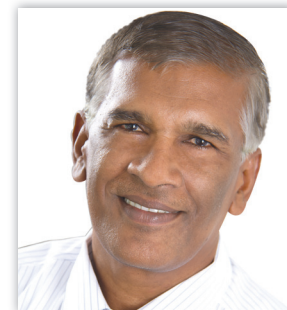
Our Management Team



Keith NA Cholmondeley, BA
Chief Executive Officer



Stephen Patterson
Compliance & Planning Officer
MBA, FCCA, PMP



James K Morgan,
FLMI, ACS
Company Secretary



Melissa De Santos
Legal Officer
LLB, LL.M, M.S.C



Berkley Wickham, FGAPE
Manager, Corporate Services



Clarence W W Perry, BSc
Marketing Manager



Kezia Mc Donald,
FCCA, CAT
Finance Controller (Ag)

OUR ANNUAL REPORTS - WITH A MESSAGE!

Our annual reports are more than just figures and data. What we want to convey each year is a little bit of our personality—about what Demerara Mutual stands for.

Demerara Mutual, over the years, has put a lot of thought into its annual communications to its stakeholders and members: our annual report. We have made them pocket-size so that you can easily hold them when seated in the auditorium at the annual general meeting (and so that the postlady doesn't have such a heavy load to carry when delivering them). We have arranged them in "split" pages, so you can match the words of the reports at the top with the relevant figures and tables in the bottom part. We have produced them on fully recycled paper to be kind to the environment, or on FSC approved and acid-free paper stock that is environmentally friendly. The small size also helps to save paper and cost. Some years, our reports had special messages, like the preservation of our watersheds and the avoidance of bush fires. And in other years, we celebrated the history of Guyana and the Caribbean in our reports, giving you an additional blank notebook attached to the report for your personal use.

Last year, we produced an interactive annual report — in keeping with the calendar — that had mazes for you or your children to solve. And this year, what you are holding in your hands is a newspaper format. We felt this might be an appropriate medium to look back at some of the facets of Demerara Mutual that make us proud to be of service to you.



Corporate Governance

The Society is committed to the principles of Good Corporate Governance to ensure accountability, integrity, transparency and full disclosures.

THE BOARD OF DIRECTORS

The Board is responsible for policy decisions of the Company and assessing the results of the Company's operations. Monthly Board Meetings are held to address the financial performance of the Company; to monitor and be kept informed of developments within the Company; to consider the monthly reports for the various areas of operation; give approval to matters outside the purview of Management and to make policy decisions.

The Members of the Society's Board of Directors are:

Mr. Richard B. Fields, S.C. (Chairman)
Mr. Clifford B. Reis, C.C.H.
Mr. Paul E. Fredericks, C.C.H.
Dr. Leslie Chin, A.A.
Mr. Maurice Solomon
Mrs. Jean Renwick

The Board of Directors established Board Committees, based on the expertise of the respective Directors to address matters relating to its main areas of operation, namely, Audit /Finance, Building, Human Resource, Marketing and Pension. These Committees consider recommendations from Management on substantive matters and make recommendations to the Board of Directors for decision.

The Board Committees are:

AUDIT AND FINANCE COMMITTEE

This Committee comprises Mr. Maurice Solomon - (Chairman), Mr. Clifford B. Reis, C.C.H and Dr. Leslie Chin, AA

The Audit and Finance Committee reviews the annual budget presentations from Management, the Company's monthly and annual financial statements, Management Letters from the External Auditors, reports from the Internal Auditor, Compliance and regulatory matters, investments and capital expenditures.

This Committee also considers the Audited Annual Accounts to be presented each year to members at the General Meeting for their consideration and approval.

BUILDING COMMITTEE

The Building Committee is made up of Directors Dr. Leslie Chin - (Chairman), Mr. Paul E. Fredericks, C.C.H. and Mrs. Jean Renwick

This Committee addresses submissions from Management on real estate projects e.g. acquisitions, major constructions and renovations to be undertaken and makes recommendations to the Board of Directors for decision.

MARKETING COMMITTEE

Members of this Committee are Mr. Paul E. Fredericks, C.C.H. (Chairman) and Mr. Maurice Solomon.

The Marketing Committee reviews the sales performance and makes recommendations on strategies to be pursued to improve sales and the Company's market share in the territories where it operates.

PERSONNEL / HUMAN RESOURCE COMMITTEE

Mr. Clifford B. Reis, CCH - (Chairman), Dr. Leslie Chin, AA and Mrs. Jean Renwick are the members of this Committee.

The Personnel/Human Resource Committee is responsible for staff matters such as, Collective Labour Agreements, changes in Company's staff establishment and review of staff benefits and other conditions of employment.

PENSION COMMITTEE

Mr. Clifford B. Reis, C.C.H (Chairman) and Mrs. Joanne Christian (Staff Representative) are the members of this Committee.

The Pension Committee considers recommendations from Management on pension benefits to be paid to retiring employees and makes recommendations to the Board for decision. It also reviews for approval, the audited annual accounts of the Pension Scheme for staff members.

By Order of the Board



JAMES K. MORGAN
Company Secretary

Independent Auditors' Report

TO THE MEMBERS OF DEMERARA MUTUAL LIFE ASSURANCE SOCIETY LIMITED AND SUBSIDIARY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Demerara Mutual Life Assurance Society Limited and Subsidiary which comprise the statement of financial position as at 31 December 2012 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 10 to 24.

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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Loans on policies is stated in the statement of financial position at \$721,457,839 as disclosed in Note 18. However, it was discovered that policies that were lapsed, terminated and matured which should have been charged out to the statement of comprehensive income were also included. This account is being reviewed in detail with a view of separating the policies that were lapsed, terminated and matured from the active policies to determine the amounts to be transferred to the statement of comprehensive income. This process is currently ongoing. Any adjustment to the loans on policies balance would have a consequential effect on the surplus of revenue over expenditure for the year.

Qualified Opinion

In our opinion, except for the matter stated in the basis for qualified opinion paragraph, the financial statements give a true and fair view, in all material respects of the financial position of Demerara Mutual Life Assurance Society Limited and Subsidiary as at 31 December 2012 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.

The Insurance Act 1998 came into effect in 2002. As explained in Note 31, the Company did not fully comply with the requirements of the Act.



TSD LAL & CO.
CHARTERED ACCOUNTANTS
(An Independent Correspondent Firm of Deloitte Touche Tohmatsu)
Date: June 24, 2013
77 Brickdam,
Stabroek, Georgetown,
Guyana

Statement of Comprehensive Income

at 31 December 2012

	Notes	COMPANY		GROUP	
		2012 G\$	2011 G\$	2012 G\$	2011 G\$
Revenue					
Premiums	5	1,310,729,844	1,237,324,905	1,359,347,677	1,290,859,110
Investment & other income	6	479,556,443	468,096,658	496,143,185	483,037,716
Total revenue		1,790,286,287	1,705,421,563	1,855,490,862	1,773,896,825
Expenses					
Claims	7	360,782,376	348,319,234	381,471,631	353,104,743
Surrenders	8	453,118,148	424,114,176	453,118,148	424,114,176
Commissions	9	82,836,470	109,244,724	91,359,063	117,993,345
Donations		6,232,555	3,362,048	6,232,555	3,362,048
Management expenses	10	743,602,910	704,489,942	794,122,906	742,668,321
Taxation	11	19,446,621	14,516,213	12,137,658	23,985,853
Total expenses		1,666,019,079	1,604,046,335	1,738,441,961	1,665,228,484
Surplus of revenue over expenditure		124,267,208	101,375,228	117,048,901	108,668,341
Other comprehensive income					
Adjustment to fair value of investments		1,173,194,093	546,146,037	1,191,555,320	557,738,095
Currency translation differences		28,647,797	24,286,516	28,647,797	24,286,516
Gain on revaluations of properties		-	264,556,926	-	265,835,374
Other comprehensive income for the year		1,201,841,890	834,989,479	1,220,203,117	847,859,985
Total comprehensive income		1,326,109,098	936,364,707	1,337,252,018	956,528,326

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

Statement of Changes in Equity

for the year ended
31 December 2012

	Guarantee Capital G\$	Life Assurance Fund G\$	Group Pension Fund G\$	Accumulated Losses G\$	Revaluation reserve G\$	Investment Reserve G\$	Total G\$
COMPANY							
Balance at 31 December 2010	100,000	3,578,778,726	1,532,103,160	-	547,875,009	2,118,193,299	7,777,050,194
Other comprehensive income							
Currency translation difference	-	17,155,168	5,270,539	-	1,860,809	-	24,286,516
Fair value adjustment	-	-	-	-	-	546,146,037	546,146,037
Gain on revaluation of properties	-	-	-	-	264,556,926	-	264,556,926
Other comprehensive income for the year	-	17,155,168	5,270,539	-	266,417,735	546,146,037	834,989,479
Surplus over revenue for the year	-	(72,669,416)	174,044,644	-	-	-	101,375,228
Total comprehensive income for the year	-	(55,514,248)	179,315,183	-	266,417,735	546,146,037	936,364,707
Balance at 31 December 2011	100,000	3,523,264,478	1,711,418,343	-	814,292,744	2,664,339,336	8,713,414,901
Other comprehensive income							
Currency translation difference	-	23,155,059	3,376,066	-	2,116,672	-	28,647,797
Fair value adjustment	-	-	-	-	-	1,173,194,093	1,173,194,093
Other comprehensive income for the year	-	23,155,059	3,376,066	-	2,116,672	1,173,194,093	1,201,841,890
Surplus over revenue for the year	-	(136,135,764)	260,402,972	-	-	-	124,267,208
Total comprehensive income for the year	-	(112,980,705)	263,779,038	-	2,116,672	1,173,194,093	1,326,109,098
Balance at 31 December 2012	100,000	3,410,283,773	1,975,197,381	-	816,409,416	3,837,533,429	10,039,523,999
GROUP							
At 31 December 2010	100,000	3,578,778,726	1,532,103,160	(10,903,046)	574,422,277	2,123,103,580	7,797,604,701
Other comprehensive income							
Currency translation difference	-	17,155,168	5,270,539	-	1,860,809	-	24,286,516
Depreciation transfer	-	-	-	435,377	-	-	435,377
Fair value adjustment	-	-	-	-	-	557,738,095	557,738,095
Gain on revaluation of properties	-	-	-	-	265,399,997	-	265,399,997
Other comprehensive income for the year	-	17,155,168	5,270,539	435,377	267,260,806	557,738,095	847,859,985
Surplus over revenue for the year	-	(72,669,416)	174,044,644	7,293,113	-	-	108,668,341
Total comprehensive income for the year	-	(55,514,248)	179,315,183	7,728,490	267,260,806	557,738,095	956,528,326
At 31 December 2011	100,000	3,523,264,478	1,711,418,343	(3,174,556)	841,683,083	2,680,841,675	8,754,133,024
Other comprehensive income							
Difference in exchange	-	23,155,059	3,376,066	-	2,116,672	-	28,647,797
Fair value adjustment	-	-	-	-	-	1,191,381,169	1,191,381,169
Deferred tax adjustment	-	-	-	-	174,151	-	174,151
Other comprehensive income for the year	-	23,155,059	3,376,066	-	2,290,823	1,191,381,169	1,220,203,117
Surplus/(deficit) over revenue for the year	-	(136,135,764)	260,402,972	(7,218,307)	-	-	117,048,901
Total comprehensive income for the year	-	(112,980,705)	263,779,038	(7,218,307)	2,290,823	1,191,381,169	1,337,252,018
At 31 December 2012	100,000	3,410,283,773	1,975,197,381	(10,392,863)	843,973,907	3,872,222,844	10,091,385,042

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

at 31 December 2012

Statement of Financial Position

	Notes	COMPANY		GROUP	
		2012 G\$	2011 G\$	2012 G\$	2011 G\$
ASSETS					
Non-current assets					
Property, plant and equipment	12	1,744,475,812	1,544,148,273	1,815,061,001	1,614,535,343
Commercial building	13	464,800,000	464,800,000	464,800,000	464,800,000
Deferred tax asset	14	-	-	37,645,454	29,891,098
Investment in subsidiary company		111,863,250	111,863,250	-	-
Other financial assets					
Held to maturity	16(a)	865,836,878	819,644,757	865,836,878	819,644,757
Available for sale	16(c)	4,317,310,691	3,143,472,740	4,457,093,533	3,252,943,789
Loans & receivables	16(b)	766,319,428	729,458,633	766,319,428	729,458,633
		<u>8,270,606,058</u>	<u>6,813,387,653</u>	<u>8,406,756,294</u>	<u>6,911,273,621</u>
Current assets					
Inventories		7,178,205	5,704,465	7,559,533	6,372,882
Trade and other receivables	19	338,052,592	324,005,144	317,597,511	311,579,219
Accrued interest	20	46,846,028	52,255,084	46,922,879	52,333,271
Tax recoverable		35,554,600	34,723,432	40,269,354	36,872,742
Cash on deposits	21	1,468,946,418	1,513,729,336	1,515,776,273	1,559,057,804
Cash at bank and on hand		861,542,389	707,388,994	861,622,568	709,981,506
		<u>2,758,120,232</u>	<u>2,637,806,456</u>	<u>2,789,748,118</u>	<u>2,676,197,425</u>
Total assets		<u>11,028,726,292</u>	<u>9,451,194,110</u>	<u>11,196,504,412</u>	<u>9,587,471,046</u>
EQUITY AND LIABILITIES					
Capital and reserves					
Guarantee capital		100,000	100,000	100,000	100,000
Retained earnings		-	-	(10,392,863)	(3,174,556)
Revaluation reserve	12(b)	816,409,416	814,292,744	843,973,907	841,683,084
Investment reserve	22	3,837,533,429	2,664,339,336	3,872,222,844	2,680,841,675
		<u>4,654,042,845</u>	<u>3,478,732,080</u>	<u>4,705,903,888</u>	<u>3,519,450,203</u>
Life assurance fund	23	3,410,283,773	3,523,264,478	3,410,283,773	3,523,264,478
Group pension fund	24	1,975,197,381	1,711,418,343	1,975,197,381	1,711,418,343
		<u>5,385,481,154</u>	<u>5,234,682,821</u>	<u>5,385,481,154</u>	<u>5,234,682,821</u>
Non current liabilities					
Interest bearing borrowings	26	36,772,097	49,267,566	36,772,097	49,267,566
Deferred tax liability		-	-	35,212,352	23,261,786
		<u>36,772,097</u>	<u>49,267,566</u>	<u>71,984,449</u>	<u>72,529,352</u>
Current liabilities					
Insurance contract liabilities		180,272,676	169,610,145	244,224,987	239,012,494
Unpaid claims (net of reinsurance recoveries)	25	263,362,871	220,936,991	276,012,248	220,169,465
Trade and other payables	27	481,169,209	264,355,724	485,272,246	268,017,928
Current portion of interest-bearing borrowings	26	27,625,440	33,608,784	27,625,440	33,608,784
		<u>952,430,196</u>	<u>688,511,643</u>	<u>1,033,134,921</u>	<u>760,808,670</u>
Total equity and liabilities		<u>11,028,726,292</u>	<u>9,451,194,110</u>	<u>11,196,504,412</u>	<u>9,587,471,046</u>

The financial statements were approved by the Board of Directors on June 24, 2013.

On behalf of the Board:

Director

Director

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

The Head Office in Georgetown



Demerara Mutual's Head Office is located in a priceless Heritage Building in the nation's capital, Georgetown.

Prior to the 1920s, the site where this magnificent wooden building with its characteristic Demerara windows now stands, was occupied by the Colonial Bank. The bank operated in Georgetown since 1837, when it opened its doors to banking customers in then British Guiana. It bought this building on High Street in 1878.

In 1925, the Colonial Bank became Barclays Bank DCO (Dominions, Colonies and Overseas). Just prior, in 1922, the bank moved to Water Street. The property became available to Demerara Mutual Life Assurance Society, which had been incorporated on September 18, 1891. It seems that the Society rented the building since 1922.

On June 11, 1927, the property was bought and legally transferred to Demerara Mutual, and has been the Society's head office ever since.

Cash Flow Statement

for the year ended
31 December 2012

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Cash flow from operating activities				
Surplus before taxation	143,713,829	115,891,441	129,186,558	132,866,935
Depreciation	41,743,712	39,332,239	43,123,123	41,012,156
Investment income	(479,556,443)	(468,096,658)	(496,143,185)	(483,250,459)
Net cash outflow before changes in operating assets	(294,098,902)	(312,872,978)	(323,833,503)	(309,371,368)
(Increase)/decrease in deposits	44,782,918	(159,075,754)	43,281,531	(160,377,811)
Increase) in debtors and prepayments	(15,521,188)	(97,670,725)	(7,204,943)	(110,244,108)
Decrease in accrued interest	5,409,057	7,095,263	5,410,393	7,105,850
Increase in unpaid claims	42,425,880	59,577,933	55,842,783	58,817,525
Increase in insurance liabilities	10,662,531	21,409,299	5,212,491	23,125,486
Increase in trade and other payables	216,813,485	53,478,195	217,254,318	51,063,629
Cash provided by (used in) operations	10,473,781	(428,058,768)	(4,036,928)	(439,906,042)
Taxes paid	(20,277,789)	(18,346,491)	(23,288,626)	(23,359,494)
Net cash used in operating activities	(9,804,008)	(446,405,259)	(27,325,554)	(463,265,636)
Investing activities				
Dividend, rent and interest received	445,972,834	413,302,509	451,561,504	418,612,252
Proceeds from sale/redemption of securities and fixed assets	154,475,949	119,093,342	154,475,949	119,093,342
Other income	6,214,015	54,794,148	17,212,087	64,425,463
Purchase of securities	(173,942,334)	(163,207,337)	(173,942,334)	(163,207,337)
Mortgage	5,751,821	8,264,958	5,751,821	8,264,958
Policy loans	(42,612,616)	19,053,149	(42,612,616)	19,053,149
Purchase of furniture and equipment	(46,003,840)	(75,427,929)	(47,581,370)	(76,205,343)
Disposal of furniture and equipment	7,495,779	528,600	(40,085,591)	807,335
Additions to land and buildings	203,563,189	(97,081,656)	(203,563,189)	(97,488,267)
Net cash provided by investing activities	153,788,420	279,319,785	168,797,631	293,355,553
Financing activities				
Loan repayment	(18,478,813)	(27,625,440)	(18,478,813)	(27,625,440)
Net cash used in financing activities	(18,478,813)	(27,625,440)	(18,478,813)	(27,625,440)
Net increase/(decrease) in cash and cash equivalents	125,505,599	(194,710,913)	122,993,265	(197,535,522)
Effect of exchange rates	28,647,797	24,286,516	28,647,797	24,286,516
Net increase in cash and cash equivalents	154,153,396	(170,424,397)	151,641,062	(173,249,006)
Cash and cash equivalents at the beginning of period	707,388,994	877,813,391	709,981,506	883,230,512
	861,542,389	707,388,994	861,622,568	709,981,506
Represented by:				
Cash at bank and in hand	861,542,389	707,388,994	861,622,568	709,981,506

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

Notes on the Accounts

for the year ended
31 December 2012

1. Incorporation and activities

Demerara Mutual Life Assurance Society Limited was incorporated by Ordinance 19 of 1891 and its major activity is the issuance of life assurance.

The wholly owned subsidiary, Demerara Fire and General Insurance Company Limited's major activities are Fire, Motor and General insurance. It was incorporated under the Companies Act Chapter 89:01 in the Co-operative Republic of Guyana on 27 November 1992 and continued under the Companies Act 1991 on April 29, 1997. It commenced operations on July 1, 1993.

No. of employees

The average number of employees of the Group was 113 (2011-114).

2. Adoption of the new and revised standards and interpretations

Effective for the current year	Effective for annual periods beginning on or after
New and Amended Standards	
IFRS 1	Removal of Fixed Dates for First-time Adopters 1 July 2011
IFRS 1	Severe Hyperinflation 1 July 2011
IFRS 7	Enhanced De-recognition Disclosure Requirements 1 July 2011
IAS 12	Amendments to IAS 12 - Income Taxes 1 January 2012

Available for early adoption for the current year end

New and Amended Standards	
IFRS 9	Financial Instruments: Classification and Measurement 1 January 2015

IFRS 9	Additions for Financial Liability Accounting	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IAS 27(2011)	Separate Financial Statements	1 January 2013
IAS 28(2011)	Investments in Associates and Joint Ventures	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1(2011)	Amendments to IAS 1 - Presentation of Other Comprehensive Income	1 July 2012
IAS 19	Amendments to IAS 19 - Employee Benefits	1 January 2013
IFRS 7	Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2013
IAS 32	Financial Instruments - Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 1	First-time Adoption of International Financial Reporting Standards (Government loans)	1 January 2013
IFRS 1	Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 1	Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 16	Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 32	Amendments as part of improvements to IFRSs 2011	1 January 2013
IAS 34	Amendments as part of improvements to IFRSs 2011	1 January 2013
IFRS 10	Consolidated Financial Statements (Transitional arrangements)	1 January 2013
IFRS 11	Joint Arrangements (Transitional arrangements)	1 January 2013

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

2. Adoption of the new and revised standards and interpretations (cont'd)

IFRS 12	Disclosure of Interests in Other Entities (Transitional arrangements)	1 January 2013
IFRS 10	Consolidated Financial Statements (Exemptions)	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities (Exemptions)	1 January 2014
IAS 27	Separate Financial Statements (Exemptions)	1 January 2014

New interpretation

IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
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The Company has not opted for early adoption.

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

IFRS 9

IFRS 9 was issued in November 2009 and was initially required to be applied from 1 January 2013. However, new requirements were added in November 2010 and the revised date for adoption is now 1 January 2015. This standard specifies how an entity should classify and measure its financial assets.

The application of IFRS 9 may have significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

When adopted, the standard will be applied retrospectively in accordance with IAS 8

IFRS 10,11,12,IAS 27(2011)IAS(2011)

In May 2011, a package of Five Standards on consolidation, joint arrangements, associates and disclosures was issued.

Key requirements of these standards are described below.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, there is only one basis for consolidation, and that is control. In addition, IFRS 10 includes a new definition of control.

IFRS 11 replaces IAS 31 Interest in Joint Ventures. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. The standard sets out three types of joint arrangements: jointly controlled entities and jointly controlled assets and jointly controlled operations.

In addition, joint venture under IFRS 11 are required to be accounted for using the equity method of accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interest in subsidiaries, joint arrangements associates and / or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

The application of these standards together with amendments, may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

IFRS 13

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements.

The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements.

When adopted, the application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

IAS 1

The amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories

The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

IAS 19

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach'. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The application of the amendments to IAS 19 may have impact on amounts reported in respect of the Company's defined benefit plans. However, 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.

IAS 32

Amends the disclosure requirements in IFRS 7 Financial Instruments, to require information about all recognised financial instruments that are set off. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements. The directors anticipate that the application of these amendments to

IAS 32 and IFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Amendments as part of annual improvements to IFRSs

IFRS 1 - Permit the repeated application of IFRS 1, borrowing costs on certain qualifying assets

IAS 1 - Clarification of the requirements for comparative information

IAS 16 - Classification of servicing equipment

IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes

IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments.

The directors do not anticipate that the amendments will have a significant effect on the Company's financial statements.

IFRIC 20

The directors anticipate that IFRIC 20 will have no effect on the Company's financial statements as the Company does not engage in such activities.

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

3 Summary of significant accounting policies

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention as modified for the revaluation of fixed assets and investments and the accounting policies conform with International Financial Reporting Standards

(b) Recognition of income and expenditure

These statements are prepared on the accrual basis.

(c) Investment and other income

Investments are recognized in the financial statements to comply with International Accounting Standards. The company's and group's investments have been classified as "available for sale assets", "investments held to maturity" and "Loans and Receivables"

"Available for sale" investments are initially recognized at cost and adjusted to fair value (market value) at subsequent periods. Gains or losses on revaluations are recognized through the statement of comprehensive income until the asset is sold or otherwise disposed, at which time it would be transferred to revenue and expenditure account for that period

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

"Loans and Receivables" comprise loans, mortgage and bonds. These are stated at amortised cost.

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

Notes on the Accounts (cont'd)

3 Summary of significant accounting policies (cont'd)

(d) Fixed assets and depreciation

Freehold land and buildings held for use in the supply of services for administrative purposes are stated in the balance sheet at their revalued amounts.

Depreciation of fixed assets is calculated at the rates specified below which are estimated to reduce these assets to their residual values at the end of their useful lives.

Furniture, fixtures and equipment	Reducing balance at 10% and 15% per annum respectively. (Fire Company - 10%)
Motor vehicles	Straight line at 25% per annum.
Computer appliances	Straight line at 50%
Building	2% per annum.

No depreciation is provided on land.

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

The gain or loss arising on 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 comprehensive income

(e) Foreign currency translation

Transactions in currencies other than Guyana Dollars are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date monetary assets and liabilities that are denominated in foreign currencies are translated 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 rates prevailing at the date when the fair value is determined. Resulting gains and losses arising from the translation of foreign currencies are taken directly to equity, except for monetary items which are included in net surplus or deficit for the period.

(f) Pension funding

Demerara Mutual Life Assurance Society Limited and its wholly owned subsidiary Demerara Fire and General Insurance Company Limited participate in a defined benefit plan set up to provide pension and other benefits for the employees as shall become entitled thereto in accordance with the rules. All employees are eligible to join the plan provided they have completed two years of continuous service with the company and have attained the age of 20 years and are under the age of 60 years. The Scheme is administered by the Society. Demerara Life Pension Funds Limited is the Custodian Trustee for investments held on behalf of the Demerara Mutual Life Assurance Society Limited Pension Scheme

There is no provision in the Pension Scheme's Trust Deed for periodic actuarial valuations. However, the last actuarial valuation which was done at 31 December 2007 revealed that the Scheme had a past service surplus of G\$29,045,401. The funding level of the scheme was 122%.

	2012 G\$	2011 G\$
Amounts recognised in the profit and loss account:		
Contributions paid	<u>11,612,652</u>	<u>8,927,974</u>

(g) Deferred tax asset

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

(h) Consolidation

The consolidated accounts incorporate the accounts of Demerara Mutual Life Assurance Society Limited and its wholly owned subsidiary Demerara Fire and General Insurance Company Limited.

Control is achieved where the company has power to govern the financial and operating policies of an entity so as to obtain benefit from the activities. Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in the line with the company.

(i) Intangible assets

Intangible assets are amortised over a period of five years

(j) Commercial building

This is an investment property, which is held to earn rentals and/or capital appreciation and is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

(k) Inventory

Stocks are valued at lower of cost and net realisable value

(l) Insurance contracts

The company issues a number of contracts that transfers insurance risk. The accounting policies adopted for insurance and reinsurance contracts are as follows:

Premiums received and reinsurance premiums ceded

Premiums received and re-insurance premiums ceded are recognised as revenue and expenses over the period of coverage.

Claims

Claims are provided when a formal claim is submitted by the policyholder. The amount provided is based upon the estimated liabilities and limited to the coverage granted under the policy. Where the policy has been subject to reinsurance, an amount is provided as receivable from the reinsurer based upon the reinsurance treaty.

Claims are reflected in the revenue and expenditure account net of reinsurance recoveries.

The liability for claims reported and unpaid at balance sheet date are disclosed net of amounts recoverable from Reinsurers.

(m) Insurance contracts—recognition and measurement

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

It is the directors' responsibility to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent.

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Critical judgments in applying accounting policies

Available for sale financial assets

In classifying investment securities as available for sale, the company 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.

(n) Liability adequacy test

The company and group, 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 broker. 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 recognised until they are discharged or cancelled, or have expired.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make 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 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.

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

4 Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty

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

Available for sale financial assets

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

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.

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.

Actuarial liability

This liability was computed by the actuaries based on data provided by management. The computation of the balance assumes that the data is not materially misstated.

Debtors and other receivables

On a regular basis, management reviews debtors and other receivables to assess impairment.

Based on the information available as to the likely impairment in cash flows, decisions are taken in determining appropriate provisions to be made for impairment.

Ultimate liability arising from claims made under insurance contract

The ultimate liability arising from claims made under insurance contract is likely to be different from initial estimates. Both the timing of settlement and the ultimate liability are subject to uncertainty.

5 Premiums

	2012			2011		
	Gross G\$	Reinsurance G\$	Net G\$	Gross G\$	Reinsurance G\$	Net G\$
COMPANY						
Life, Health And Annuities Premiums	<u>1,469,416,620</u>	<u>(158,686,776)</u>	<u>1,310,729,844</u>	<u>1,355,948,544</u>	<u>(118,623,639)</u>	<u>1,237,324,905</u>
GROUP						
Life	1,078,111,475	(158,686,776)	919,424,699	1,034,437,633	(118,623,639)	915,813,994
Annuities	316,624,717	-	316,624,717	268,247,737	-	268,247,737
Health	74,680,429	-	74,680,429	53,263,174	-	53,263,174
Fire	79,141,455	(61,283,928)	17,857,527	77,100,429	(52,810,678)	24,289,751
Motor	30,760,305	-	30,760,305	29,244,453	-	29,244,453
	<u>1,579,318,380</u>	<u>(219,970,704)</u>	<u>1,359,347,677</u>	<u>1,462,293,426</u>	<u>(171,434,317)</u>	<u>1,290,859,110</u>

6 Investment & other income

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
INCOME				
Interest, dividends and rent	473,342,428	413,302,509	478,931,098	418,612,252
Other income	6,214,015	54,794,148	17,212,087	64,425,463
	<u>479,556,443</u>	<u>468,096,658</u>	<u>496,143,185</u>	<u>483,037,716</u>
Held to maturity				
Bonds & debentures	59,655,625	55,199,052	59,655,625	55,199,052
Available for sale				
Shares & stock	163,505,213	147,059,531	168,185,746	151,402,670
Loans and receivables				
Policy loans	103,700,464	74,818,646	103,700,464	74,818,646
Mortgage	4,910,549	4,973,282	4,910,549	4,973,282
Other financial assets				
Deposits	42,892,118	55,910,740	43,800,255	56,877,344
Treasury bills	8,020,362	17,267,087	8,020,362	17,267,087
Other income	<u>96,872,114</u>	<u>112,868,321</u>	<u>107,870,186</u>	<u>122,499,636</u>
	<u>479,556,443</u>	<u>468,096,658</u>	<u>496,143,185</u>	<u>483,037,716</u>
Other income				
Rent	59,888,410	55,083,705	70,761,993	64,364,620
Profit sharing income	-	30,291,552	-	30,293,238
Sale of shares	27,556,155	-	27,556,155	-
Others	9,427,549	27,493,064	9,552,038	27,841,778
	<u>96,872,114</u>	<u>112,868,321</u>	<u>107,870,186</u>	<u>122,499,636</u>

7 Claims (net)

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Motor	-	-	10,436,492	3,722,657
Fire	-	-	10,252,763	1,062,852
Death	172,606,825	131,455,469	172,606,825	131,455,469
Maturity	122,703,127	126,835,817	122,703,127	126,835,817
Annuities paid	22,322,903	37,476,013	22,322,903	37,476,013
T.D. claims	1,798,774	1,814,925	1,798,774	1,814,925
Health claims	40,506,844	47,945,435	40,506,844	47,945,435
Other claims	843,903	2,791,575	843,903	2,791,575
	<u>360,782,376</u>	<u>348,319,234</u>	<u>381,471,631</u>	<u>353,104,743</u>

8 Surrenders

Life policies	381,577,649	329,824,499	381,577,649	329,824,499
Annuities	71,540,499	94,289,677	71,540,499	94,289,677
	<u>453,118,148</u>	<u>424,114,176</u>	<u>453,118,148</u>	<u>424,114,176</u>

Included in surrenders is the value of loans on policies written off during the year of \$128,086,342 (2011-\$79,644,761).

9 Commissions

Life and annuities	82,836,470	109,244,724	82,836,470	109,244,724
Fire	-	-	7,088,515	7,507,695
Motor	-	-	1,434,078	1,240,926
Accident	-	-	-	-
	<u>82,836,470</u>	<u>109,244,724</u>	<u>91,359,063</u>	<u>117,993,345</u>



for the year ended
31 December 2012

Notes on the Accounts (cont'd)

10 Management expenses

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
	<u>743,602,910</u>	<u>704,489,942</u>	<u>794,122,906</u>	<u>742,668,321</u>
This includes:				
Employment cost (a)	292,510,818	248,137,156	313,292,936	269,392,504
Actuarial fees	10,743,597	7,594,222	10,743,597	7,594,222
Management fees	-	-	4,371,891	3,454,923
Auditors' remuneration	2,160,000	2,160,000	2,843,412	2,868,545
Directors' emoluments (b)	8,301,942	7,133,438	8,829,942	7,588,438
Depreciation	<u>41,743,712</u>	<u>39,332,239</u>	<u>43,123,123</u>	<u>41,012,156</u>
(a) Employment cost				
Salaries and wages	202,709,721	169,207,811	218,393,299	185,096,371
Other staff costs	<u>89,801,097</u>	<u>78,929,346</u>	<u>94,899,637</u>	<u>84,296,134</u>
	<u>292,510,818</u>	<u>248,137,156</u>	<u>313,292,936</u>	<u>269,392,504</u>
(b) Directors' emoluments:				
Chairman-				
Richard B. Fields SC	1,747,812	1,588,920	1,879,812	1,708,920
Directors:				
Clifford B. Reis, CCH	1,092,360	993,048	1,158,360	1,053,048
Hugh K. George	1,092,360	993,048	1,158,360	1,053,048
Leslie Chin, AA	1,092,360	993,048	1,158,360	1,053,048
Paul Fredericks, CCH	1,092,360	993,048	1,158,360	1,053,048
Jean Renwick	1,092,360	993,048	1,158,360	1,053,048
Maurice Solomon	<u>1,092,360</u>	<u>579,278</u>	<u>1,158,360</u>	<u>614,278</u>
	<u>8,301,972</u>	<u>7,133,438</u>	<u>8,829,972</u>	<u>7,588,438</u>

11 Taxation

Corporation tax & W/tax (varying rates)	6,776,866	2,094,870	6,776,866	4,522,287
Property tax	52,136	300,830	497,529	875,820
Premium tax	12,617,619	12,120,513	12,617,619	12,120,513
Deferred tax	-	-	(7,754,356)	6,467,233
	<u>19,446,621</u>	<u>14,516,213</u>	<u>12,137,658</u>	<u>23,985,853</u>

Tax provisions are made in accordance with the relevant legislation in the various territories. The bases used to compute the provisions for the Life Company and Fire Company are different. Also, the various islands use bases that are different from those used in Guyana.

12 Fixed assets

	COMPANY		GROUP	
	Land and buildings G\$	Furniture, fittings equipment and motor vehicles G\$	Land and buildings G\$	Furniture, fittings equipment and motor vehicles G\$
Cost/valuation				
At 1 January 2012	1,464,085,455	287,100,601	1,751,186,056	
Currency adjustments	4,093,860	458,425	4,552,285	
Additions	199,519,529	39,221,466	238,740,995	
Disposals	-	(7,495,779)	(7,495,779)	
At 31 December 2012	<u>1,667,698,844</u>	<u>319,284,713</u>	<u>1,986,983,557</u>	
Comprising:				
Cost	851,289,428	319,284,713	1,170,574,142	
Valuation	<u>816,409,416</u>	-	<u>816,409,416</u>	
	<u>1,667,698,844</u>	<u>319,284,713</u>	<u>1,986,983,557</u>	
Depreciation				
At 1 January 2012	22,106,853	184,930,929	207,037,783	
Currency adjustments	50,200	339,214	389,414	
Write back on disposal	-	(6,663,163)	(6,663,163)	
Charge for the year	<u>20,312,725</u>	<u>21,430,987</u>	<u>41,743,712</u>	
At 31 December 2012	<u>42,469,778</u>	<u>200,037,967</u>	<u>242,507,746</u>	
Net book values:				
At 31 December 2012	<u>1,625,229,066</u>	<u>119,246,746</u>	<u>1,744,475,812</u>	
At 31 December 2011	<u>1,441,978,602</u>	<u>102,169,671</u>	<u>1,544,148,273</u>	

	Land and buildings G\$	Furniture, fittings equipment and motor vehicles G\$	Total G\$
GROUP			
Cost/valuation			
At 1 January 2012	1,532,192,066	297,238,849	1,829,430,915
Currency adjustments	4,093,860	458,425	4,552,285
Additions	199,519,529	40,798,996	240,318,525
Disposals	-	(7,495,779)	(7,495,779)
At 31 December 2012	<u>1,735,805,455</u>	<u>331,000,491</u>	<u>2,066,805,946</u>
Comprising:			
Cost	916,763,776	331,000,491	1,247,764,268
Valuation	<u>819,041,679</u>	-	<u>819,041,679</u>
	<u>1,735,805,455</u>	<u>331,000,491</u>	<u>2,066,805,946</u>
Depreciation			
At 1 January 2012	24,076,985	190,818,586	214,895,571
Currency adjustments	50,200	339,214	389,414
Write back on disposal	-	(6,663,163)	(6,663,163)
Charge for the year	<u>20,974,856</u>	<u>22,148,267</u>	<u>43,123,123</u>
At 31 December 2012	<u>45,102,041</u>	<u>206,642,904</u>	<u>251,744,946</u>
Net book values:			
At 31 December 2012	<u>1,690,703,414</u>	<u>124,357,587</u>	<u>1,815,061,000</u>
At 31 December 2011	<u>1,508,115,081</u>	<u>106,420,263</u>	<u>1,614,535,343</u>

(b) In 2011 valuations were done for land and buildings in the territories by Chartered Valuation and Quantity Surveyors. The surplus was credited to revaluation reserve and accumulated depreciation transferred to revaluation reserve.

If no revaluation of the land and buildings was done, the net book value of land and buildings would have been approximately G\$916,763,776 (2011- G\$649,792,711)

13 Commercial building

	COMPANY AND GROUP	
	2012 G\$	2011 G\$
At 1 January and 31 December 2011	<u>464,800,000</u>	<u>464,800,000</u>

The value of the building is recognised at its current market value.

14 Deferred tax assets

Deferred Tax Assets are attributable to tax losses recoverable in future years as follows:

	GROUP	
	2012 G\$	2011 G\$
At January 1	29,891,098	36,358,331
Movement for the period	<u>7,754,356</u>	<u>(6,467,233)</u>
At December 31	<u>37,645,454</u>	<u>29,891,098</u>

15 Mortgages

	COMPANY AND GROUP	
	2012 G\$	2011 G\$
Guyana	14,282,481	18,036,121
Eastern Caribbean territories	<u>30,579,108</u>	<u>32,577,289</u>
	<u>44,861,589</u>	<u>50,613,410</u>

16 Investments

	COMPANY		GROUP	
	2012 Fair Value G\$	2011 Fair Value G\$	2012 Fair Value G\$	2011 Fair Value G\$
(a) "Held to Maturity"				
Bonds				
Commonwealth Caribbean				
Government	863,480,220	817,397,178	863,480,220	817,397,178
Other				
Commonwealth Government -				
United Kingdom	<u>2,356,658</u>	<u>2,247,580</u>	<u>2,356,658</u>	<u>2,247,580</u>
	<u>865,836,878</u>	<u>819,644,757</u>	<u>865,836,878</u>	<u>819,644,757</u>

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

16 Investments (cont'd)

	COMPANY		GROUP	
	2012 Fair Value G\$	2011 Fair Value G\$	2012 Fair Value G\$	2011 Fair Value G\$
(b) "Loans & Receivables"				
Policy loans (note 18)	721,457,839	678,845,223	721,457,839	678,845,223
Mortgages (note 13)	44,861,589	50,613,410	44,861,589	50,613,410
	<u>766,319,428</u>	<u>729,458,633</u>	<u>766,319,428</u>	<u>729,458,633</u>
(c) "Available for Sale"				
Guyana -equity	3,985,294,688	2,840,098,928	4,125,077,530	2,949,569,977
-equity	13,452,542	13,437,656	13,452,542	13,437,656
Barbados-equity	17,694,450	17,520,975	17,694,450	17,520,975
Grenada -equity	245,149,011	216,887,681	245,149,011	216,887,681
Trinidad -equity(c)	55,720,000	55,527,500	55,720,000	55,527,500
	<u>4,317,310,691</u>	<u>3,143,472,740</u>	<u>4,457,093,533</u>	<u>3,252,943,789</u>

(i) The Society held 7,000,000 ordinary shares in Mega Life Insurance Company of Trinidad and Tobago. This resulted from a combination of the portfolio of Demerara Life Assurance Company of Trinidad and Tobago and GTM Life Insurance Company of Trinidad and Tobago Limited. A court decision was finalised in 2010 regarding the formation of Mega Life Insurance which resulted in the reversal of the merger and the company's previous Holding in Demerara Mutual Life of Trinidad and Tobago of 40% was reinstated. The financial effects of this court decision has not yet been determined or reflected in the accounts.

17 Fair value of financial instruments

	2012		2011	
	Carrying Value G\$	Fair Value G\$	Carrying Value G\$	Fair Value G\$
COMPANY				
Financial assets				
Investments				
Held to maturity	865,836,878	865,836,878	819,644,757	819,644,757
Loans and receivables	766,319,428	766,319,428	729,458,633	729,458,633
Available for sale	4,317,310,691	4,317,310,691	3,143,472,740	3,143,472,740
Debtors	338,052,592	338,052,592	324,005,144	324,005,144
Deposits	1,468,946,418	1,468,946,418	1,513,729,336	1,513,729,336
Accrued interest	46,846,028	46,846,028	52,255,084	52,255,084
Tax recoverable	35,554,600	35,554,600	34,723,432	34,723,432
Cash on hand and at bank	861,542,389	861,542,389	707,388,994	707,388,994
	<u>8,700,409,024</u>	<u>8,700,409,024</u>	<u>7,324,678,121</u>	<u>7,324,678,121</u>
Liabilities				
Unpaid claims (net of reinsurance recoveries)	263,362,871	263,362,871	220,936,991	220,936,991
Trade and other payables	661,441,885	661,441,885	433,965,868	433,965,868
Current portion of interest-bearing borrowings	27,625,440	27,625,440	33,608,784	33,608,784
Interest-bearing borrowings due after one year	36,772,097	36,772,097	49,267,566	49,267,566
	<u>989,202,293</u>	<u>989,202,293</u>	<u>737,779,209</u>	<u>737,779,209</u>

17 Fair value of financial instruments (cont'd)

	2012				2011			
	Level 1 G\$	Level 2 G\$	Level 3 G\$	Total G\$	Level 1 G\$	Level 2 G\$	Level 3 G\$	Total G\$
COMPANY								
Available for sale	4,091,882,117	169,708,574	55,720,000	4,317,310,691	2,917,043,670	170,901,570	55,527,500	3,143,472,740
Held to maturity	-	-	865,836,878	865,836,878	-	-	819,644,757	819,644,757
	<u>4,091,882,117</u>	<u>169,708,574</u>	<u>921,556,878</u>	<u>5,183,147,569</u>	<u>2,917,043,670</u>	<u>170,901,570</u>	<u>875,172,257</u>	<u>3,963,117,497</u>
GROUP								
Available for sale	4,231,664,959	169,708,574	55,720,000	4,457,093,533	3,023,992,009	173,424,280	55,527,500	3,252,943,789
Held to maturity	-	-	865,836,878	865,836,878	-	-	819,644,757	819,644,757
	<u>4,231,664,959</u>	<u>169,708,574</u>	<u>921,556,878</u>	<u>5,322,930,411</u>	<u>3,023,992,009</u>	<u>173,424,280</u>	<u>875,172,257</u>	<u>4,072,588,546</u>

17 Fair value of financial instruments (cont'd)

	2012		2011	
	Carrying Value G\$	Fair Value G\$	Carrying Value G\$	Fair Value G\$
GROUP				
Financial assets				
Investments				
Held to maturity	865,836,878	865,836,878	819,644,757	819,644,757
Loans and receivables	766,319,428	766,319,428	729,458,633	729,458,633
Available for sale	4,457,093,533	4,457,093,533	3,252,943,789	3,252,943,789
Debtors	317,597,511	317,597,511	311,579,219	311,579,219
Deposits	1,515,776,273	1,515,776,273	1,559,057,804	1,559,032,560
Accrued interest	46,922,879	46,922,879	52,333,271	52,333,271
Tax recoverable	40,269,354	40,269,354	36,872,742	36,872,742
Cash on hand and at bank	861,622,568	861,622,568	709,981,506	709,981,506
	<u>8,871,438,423</u>	<u>8,871,438,423</u>	<u>7,471,871,722</u>	<u>7,471,871,722</u>
Liabilities				
Unpaid claims (net of reinsurance recoveries)	276,012,248	276,012,248	220,169,465	220,169,465
Trade and other payables	729,497,233	729,497,233	507,030,421	507,030,421
Current portion of interest-bearing borrowings	27,625,440	27,625,440	33,608,784	33,608,784
Interest-bearing borrowings due after one year	36,772,097	36,772,097	49,267,566	49,267,566
	<u>1,069,907,018</u>	<u>1,069,907,018</u>	<u>810,076,236</u>	<u>810,076,236</u>

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

Held to maturity

The carrying value of these investments were determined using the level 2 fair value measurement

Loans and receivables

These investments are carried net of provisions for impairment. Their fair value is based on expected realisation of outstanding balances. Mortgages are secured against the borrowers properties and policy loans are secured by the cash value of the policies.

Available for sale

The carrying values of these investments were determined using quoted market prices, using Level 1 fair value measurement and Level 2 for unquoted investments.

Financial instruments where the carrying amounts is equal to fair value

The carrying amounts of certain financial instruments is assumed to approximate their value due to their short-term nature. These include cash resources and other financial liabilities and assets interest bearing borrowings due after one year are fixed by contract and they are not likely to be changed. The fair value is equal to cost.

The following table provides an analysis of financial instruments that were measured subsequent to initial recognition at fair value, grouped into Levels 1 to 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 assets or liability that are not based on observable market data (observable inputs).

Notes on the Accounts (cont'd)

18 Policy loans

	COMPANY AND GROUP	
	2012 G\$	2011 G\$
Guyana	38,943,909	34,136,792
Eastern Caribbean territories	699,924,422	661,451,672
	738,868,331	695,588,464
Policy loans provision	17,410,491	16,743,241
	<u>721,457,839</u>	<u>678,845,223</u>

In accordance with accounting policy, policy loans should include loans on policies which are in force and within the cash surrender value of the policy. However, it was discovered that policies that were lapsed, matured and terminated which should have charged out to the income statement were also included.

In an effort to review its entire portfolio an exercise is currently being conducted to review balances of its active policies to determine those policies which may have become inactive.

19 Debtors and prepayments

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Prepayments	166,831,319	148,115,558	166,831,319	148,115,558
Loans and advances	54,144,721	79,067,480	54,144,721	79,067,480
Other debtors	136,892,122	128,174,116	187,905,593	171,748,191
Provision for bad debt	(19,815,570)	(31,352,010)	(91,284,122)	(87,352,010)
	<u>338,052,592</u>	<u>324,005,144</u>	<u>317,597,511</u>	<u>311,579,219</u>

20 Accrued interest

Grenada	25,263,497	26,948,455	25,263,497	26,948,455
Guyana	492,073	289,637	568,924	367,824
Saint Lucia	17,822,605	17,920,727	17,822,605	17,920,727
St. Vincent	3,267,852	7,096,265	3,267,852	7,096,265
	<u>46,846,028</u>	<u>52,255,084</u>	<u>46,922,878</u>	<u>52,333,271</u>

21 Cash on deposit

Guyana	50,999,298	22,903,934	97,829,153	68,232,402
Grenada	742,750,428	785,217,412	742,750,428	785,217,412
St Lucia	267,161,976	288,695,796	267,161,976	288,695,796
London	269,696,748	256,568,099	269,696,748	256,568,099
St Vincent	138,337,968	160,344,095	138,337,968	160,344,095
	<u>1,468,946,418</u>	<u>1,513,729,336</u>	<u>1,515,776,273</u>	<u>1,559,057,804</u>

These are short-term deposits with varying rates ranging from 0.25% to 6%.

22 Investment reserves

This represents fair value gains on the revaluation of investments.

At January 1	2,664,339,336	2,118,193,299	2,680,841,675	2,123,103,580
Adjustments	1,173,194,093	546,146,037	1,191,381,169	557,738,095
At December 31	<u>3,837,533,429</u>	<u>2,664,339,336</u>	<u>3,872,222,844</u>	<u>2,680,841,675</u>

23 Life assurance fund

	<u>3,410,283,773</u>	<u>3,523,264,478</u>	<u>3,410,283,773</u>	<u>3,523,264,478</u>
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The fund represents the accumulation of all the surpluses of the company. Certain exchange differences arising in the translation of non-monetary assets denominated in foreign currencies also are accounted for in this fund.

24 Group pension

	<u>1,975,197,381</u>	<u>1,711,418,343</u>	<u>1,975,197,381</u>	<u>1,711,418,343</u>
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The fund is administered by the company on behalf of several group pension schemes and is represented by assets included in investments, cash at bank and deposits

25 Claims unpaid

Claims unpaid	301,702,658	220,936,991	347,936,486	250,209,113
Reinsurance recoveries	(38,339,787)	-	(71,924,238)	(30,039,648)
	<u>263,362,871</u>	<u>220,936,991</u>	<u>276,012,248</u>	<u>220,169,465</u>

26 Interest-bearing borrowings

	CITIZENS BANK		COMPANY AND GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
At 1 January	82,876,350		82,876,350	110,501,790
Repayments during the year	(18,478,813)		(18,478,813)	(27,625,440)
At 31 December	<u>64,397,537</u>		<u>64,397,537</u>	<u>82,876,350</u>
Repayment due within one year	27,625,440		27,625,440	33,608,784
Repayment due within two to five years	36,772,097		36,772,097	49,267,566
	<u>64,397,537</u>		<u>64,397,537</u>	<u>82,876,350</u>

Citizens Bank Loan

This loan was obtained from Citizens Bank and is repayable over a five year period with a monthly installment of G\$1,455,656 at an interest rate of 8 percent per annum. This loan was refinanced in 2009 and is repayable at a rate of 8% for 5 years with a monthly installment of G\$2,800,732. It is secured on the US Dollar Savings Account of US\$575,000

27 Trade & other payables

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Current liabilities				
Creditors	458,619,808	236,714,666	462,084,845	239,738,870
Accruals	13,575,859	17,156,450	14,213,859	17,794,450
Claim option deposits	396,529	396,108	396,529	396,108
Premiums paid in advance	8,577,013	10,088,500	8,577,013	10,088,500
	<u>481,169,209</u>	<u>264,355,724</u>	<u>485,272,246</u>	<u>268,017,928</u>

28 Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. Directors, key management personnel and entities where such directors and key management personnel have control or significant influence are considered related parties.

- a. The company shares a Common Chairman and Board of Directors with Demerara Fire and General Insurance Company Limited. Some of the Company's staff and facilities were utilised by Demerara Fire and General Insurance Company Limited during the year.

	GROUP	
	2012 G\$	2011 G\$
Fees charged	<u>4,371,891</u>	<u>3,454,923</u>

- b. The Society's fixed assets are insured by the Demerara Fire and General Insurance Company Limited.

Coverage	<u>745,236,062</u>	<u>696,826,867</u>
Premiums	<u>3,440,106</u>	<u>3,125,446</u>

During the period, the subsidiary paid interest of \$3,379,363 on advances taken by the parent to settle claims on behalf of it.

- c. Transactions with companies which have one common Director with Demerara Mutual Life Assurance Society Limited.

- Investments in banks		
DIH Limited shares		
81,575,035 - 8.2%		
(2011 - 81,575,035 - 8.2%)	<u>1,154,816,124</u>	<u>995,215,427</u>

- Deposits held at Citizens' Bank Limited		
Interest earned at the prevailing commercial rates	<u>58,312,890</u>	<u>42,667,865</u>

- Investments in Citizens Bank		
Guyana Limited shares		
1,000,000 (2011-1,000,000)	<u>70,000,000</u>	<u>45,000,000</u>

- Insurance coverage to company with common directors		
Coverage	<u>9,727,507,644</u>	<u>11,244,421,218</u>
Premiums	<u>36,001,512</u>	<u>43,930,347</u>

- d. Director's emoluments (see note 8(b)) 8,829,972 7,588,438
- e. Benefits to key management personnel 12,798,731 -

Notes on the Accounts (cont'd)

for the year ended
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28 Related party transactions (cont'd)

- f. The Society has agreed to indemnify its directors against any liability which may arise from the performance of their duties, provided that they act honestly and in good faith to the best interest of the Company.
- g. The Subsidiary rents a section of its building to a director at G\$180,000 per annum (2011 - G\$180,000).

29 Business information

	2012					2011 G\$
	Life G\$	Annuities G\$	Health G\$	Fire & General G\$	Total G\$	
Revenue						
Premiums	919,424,699	316,624,717	74,680,429	48,617,832	1,359,347,677	1,290,859,109
Investment and other income	426,515,635	53,040,808	-	16,586,742	496,143,185	483,037,716
Net policy income	1,345,940,334	369,665,525	74,680,429	65,204,574	1,855,490,862	1,773,896,825
Benefits and expenses						
Claims	297,952,629	22,322,903	40,506,844	20,689,255	381,471,631	353,104,743
Surrenders	381,577,649	71,540,499	-	-	453,118,148	424,114,176
Commissions	74,243,423	5,354,507	3,238,539	8,522,593	91,359,063	117,993,345
Donations	6,232,555	-	-	-	6,232,555	3,362,048
Management expenses	726,724,150	10,044,644	6,834,116	50,519,996	794,122,906	742,668,321
Taxation	19,446,621	-	-	(7,308,963)	12,137,658	18,536,333
	1,506,177,027	109,262,553	50,579,499	72,422,881	1,738,441,961	1,665,228,484
Surplus of revenue over expenditure	(160,236,693)	260,402,972	24,100,929	(7,218,307)	117,048,901	108,668,341

30 Pending litigations

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

31 Insurance Act 1998

The Insurance Act 1998 came into effect during December 2002. The Company is still putting systems in place to enable full compliance with the Act.

Part XVI of the Act relates to pension plans, their registration, management and all other stipulations.

The company has not fully complied with this section for all the plans it manages. The company is currently rectifying this.

Our Crown Jewel in Grenada



Demerara Mutual's heritage building in St. George's, Grenada, is a crown jewel of the Group.

Beautifully restored in 2012, the complex at Granby Street now forms part of what makes Grenada's capital so popular with tourists and locals alike.

Demerara Mutual's three-storey building is located at corner of Granby and Melville Streets in the heart of Grenada's capital.

Demerara Mutual purchased the corner property in 1995. It had been rented out to tenants for a number of years, and unfortunately sustained heavy damage in the hurricanes of 2004 and 2005.

It was not until 2011 that major renovations and the building of an extension commenced. Works on the building were completed in September 2012.

In May 2013, the Grenada Branch Office operations were relocated to the ground and first floors of the property, with the second being available for rent.

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

32 Analysis of financial assets and liabilities by measurement basis

	2012					
	Held to maturity G\$	Loans and receivable G\$	Available for sale G\$	Other assets and liabilities at amortised cost G\$	Total G\$	2011 G\$
COMPANY						
Assets						
Cash resources	-	-	-	2,330,488,807	2,330,488,807	2,221,118,330
Investments	-	-	4,317,310,691	-	4,317,310,691	3,143,472,740
Bonds	865,836,878	-	-	-	865,836,878	819,644,757
Policy loans	-	721,457,839	-	-	721,457,839	678,845,223
Mortgages	-	44,861,589	-	-	44,861,589	50,613,410
Debtors	-	338,052,592	-	-	338,052,592	324,005,144
Accrued interest	-	46,846,028	-	-	46,846,028	52,255,084
Tax recoverable	-	-	-	35,554,600	35,554,600	34,723,432
	<u>865,836,878</u>	<u>1,151,218,048</u>	<u>4,317,310,691</u>	<u>2,366,043,407</u>	<u>8,700,409,024</u>	
2011	<u>819,644,757</u>	<u>1,105,718,861</u>	<u>3,143,472,740</u>	<u>2,367,705,013</u>		<u>7,324,678,120</u>
Liabilities						
Claims	-	-	-	263,362,871	263,362,871	220,936,991
Creditors	-	-	-	458,619,808	458,619,808	236,714,666
Others	-	-	-	267,219,614	267,219,614	280,127,553
	-	-	-	<u>989,202,293</u>	<u>989,202,293</u>	
2011	-	-	-	<u>737,779,209</u>		<u>737,779,209</u>
GROUP						
Assets						
Cash resources	-	-	-	2,377,398,841	2,377,398,841	2,269,039,310
Investments	-	-	4,457,093,533	-	4,457,093,533	3,252,943,789
Bonds	865,836,878	-	-	-	865,836,878	819,644,757
Policy loans	-	721,457,839	-	-	721,457,839	678,845,223
Mortgages	-	44,861,589	-	-	44,861,589	50,613,410
Debtors	-	317,597,511	-	-	317,597,511	311,579,219
Accrued Interest	-	46,922,879	-	-	46,922,879	52,333,271
Tax Recoverable	-	-	-	40,269,354	40,269,354	35,518,026
	<u>865,836,878</u>	<u>1,130,839,818</u>	<u>4,457,093,533</u>	<u>2,417,668,195</u>	<u>8,871,438,423</u>	
2011	<u>819,644,757</u>	<u>1,093,371,123</u>	<u>3,252,943,789</u>	<u>2,305,912,052</u>		<u>7,471,871,722</u>
Liabilities						
Claims	-	-	-	276,012,248	276,012,248	220,169,465
Creditors	-	-	-	462,084,845	462,084,845	239,163,870
Others	-	-	-	331,809,925	331,809,925	350,167,902
	-	-	-	<u>1,069,907,018</u>	<u>1,069,907,018</u>	
2011	-	-	-	<u>810,076,236</u>		<u>810,076,236</u>

33 Financial risk management

Financial risk management objectives

The group'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.

(a) Market risk

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

The group'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 minimize these risk. The company does not actively trade in equity investments.

(ii) Foreign currency risk

The group 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 and Liabilities in Pound Sterling, Eastern Caribbean Dollars, Barbados and Trinidad & Tobago dollars are shown below:

	£	EC\$	TT\$	B'dos\$	Total G\$ equivalent
2012					
Assets	1,368,482	41,315,447	1,290,410	204,777	3,640,568,393
Liabilities	-	2,556,157	-	(4,622)	192,671,761
	<u>1,368,482</u>	<u>43,871,604</u>	<u>1,290,410</u>	<u>200,155</u>	<u>3,833,240,154</u>
2011					
Assets	1,366,454	37,620,032	1,290,410	201,605	3,328,353,317
Liabilities	-	1,862,832	-	(4,622)	139,767,165
	<u>1,366,454</u>	<u>39,482,864</u>	<u>1,290,410</u>	<u>196,982</u>	<u>3,468,120,481</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 the relevant currencies.

The sensitivity analysis shows the impact of all assets and liabilities that are held in foreign currencies per the preceding table. A positive number below indicates an increase in reserves if the currency were to strengthen 2.5% against the Guyana dollar. If the currencies were to weaken 2.5% 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	EC dollar impact G\$ M	TT dollar impact G\$ M	B'dos dollar impact G\$ M
2012	<u>11.42</u>	<u>82.87</u>	<u>1.03</u>	<u>0.51</u>
2011	<u>10.88</u>	<u>74.31</u>	<u>1.02</u>	<u>0.50</u>

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

33 Financial risk management (cont'd)

(a) Market risk (cont'd)

(iii) Interest rate sensitivity analysis

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 assessment of the reasonable possible change in interest rates. A positive number indicates an increase in profits when the interest rate appreciated by 50 basis point. 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 point higher/lower and all other variables were held constant, the impact on the group's profit would have been as illustrated on the following table:

Increase/decrease in basis points	Impact on profit for year	
	2012	2011
<u>Cash and cash equivalents</u>	G\$000	G\$000
Local Currency +/-50	1.944	1.998
Foreign Currencies +/-50	2.444	1.538

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

(iv) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The group's exposure to interest rate risk is continuously monitored to reduce as far as practical adverse interest rate risk.

		Maturing 2012				
		Within 1 year G\$	1 to 5 years G\$	Over 5 years G\$	Non interest bearing G\$	Total G\$
COMPANY ASSETS						
Cash resources	2.54	1,468,946,418	-	-	861,542,389	2,330,488,808
Investments	5.7	-	707,265,755	158,571,123	4,317,310,691	5,183,147,570
Policy loans	12.5	-	721,457,839	-	-	721,457,839
Mortgages	7.5	-	29,410,561	15,451,028	-	44,861,589
Loans and advances	12	54,144,721	-	-	-	54,144,721
Others		-	-	-	366,308,498	366,308,498
		<u>1,523,091,139</u>	<u>1,458,134,156</u>	<u>174,022,151</u>	<u>5,545,161,578</u>	<u>8,700,409,024</u>
LIABILITIES						
Claims		-	-	-	263,362,871	263,362,871
Creditors		-	-	-	458,619,808	458,619,808
Others	6	27,625,440	36,772,097	-	202,822,077	267,219,614
		<u>27,625,440</u>	<u>36,772,097</u>	<u>-</u>	<u>924,804,755</u>	<u>989,202,293</u>
Interest sensitivity gap		<u>1,495,465,699</u>	<u>1,421,362,059</u>	<u>174,022,151</u>		
		Maturing 2011				
ASSETS						
Cash resources	4.99	1,513,729,336	-	-	707,388,994	2,221,118,331
Investments	5.3	-	631,659,507	187,985,250	3,143,472,740	3,963,117,497
Policy loans	12.5	-	-	678,845,223	-	678,845,223
Mortgages	7.5	-	24,583,559	26,029,850	-	50,613,410
Loans and advances	12	79,067,480	-	-	-	79,067,480
Others		-	-	-	331,916,179	331,916,179
		<u>1,592,796,816</u>	<u>1,335,088,290</u>	<u>214,015,100</u>	<u>4,182,777,914</u>	<u>7,324,678,120</u>
LIABILITIES						
Claims		-	-	-	220,936,991	220,936,991
Creditors		-	-	-	236,714,666	236,714,666
Others	6	33,608,784	49,267,566	-	197,251,202	280,127,553
		<u>33,608,784</u>	<u>49,267,566</u>	<u>-</u>	<u>654,902,859</u>	<u>737,779,209</u>
Interest sensitivity gap		<u>1,559,188,032</u>	<u>1,283,222,077</u>	<u>214,015,100</u>		



St. Vincent Agency

With its characteristic arches, the Demerara Mutual building in Grenville Street, Kingstown, is a valuable piece of St. Vincent's heritage.

This building is located at Lot 65 Grenville Street, Kingstown, St Vincent. With its structure being made from lime stone and its age dating back to over 75 years, it is regarded as a National Trust building. Demerara Mutual Life Assurance Society bought the building in 1984, which placed

its occupancy to date at 29 years. Its office and sales staff occupies the upper floor, and ground floor is rented. The Society's presence in St. Vincent goes back to 1940, which is some 72 years ago. Demerara Mutual has been insuring Vincentian families for generations!

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

33 Financial Risk Management (cont'd)

(a) Market risk (cont'd)

(iv) Interest rate risk (cont'd)

		Maturing 2012				
		Within 1 year G\$	1 to 5 years G\$	Over 5 years G\$	Non interest bearing G\$	Total G\$
GROUP						
ASSETS						
Cash resources	2.54	1,515,776,273	-	-	861,622,568	2,377,398,841
Investments	5.7	-	707,265,755	158,571,123	4,457,093,533	5,322,930,412
Policy loans	12.5	-	721,457,839	-	-	721,457,839
Mortgages	7.5	-	29,410,561	15,451,028	-	44,861,589
Loans and advances	12	54,144,721	-	-	-	54,144,721
Others		-	-	-	350,645,023	350,645,023
		<u>1,569,920,994</u>	<u>1,458,134,156</u>	<u>174,022,151</u>	<u>5,669,361,124</u>	<u>8,871,438,423</u>
LIABILITIES						
Claims		-	-	-	276,012,248	276,012,248
Creditors		-	-	-	462,084,845	462,084,845
Others	6	27,625,440	36,772,097	-	267,412,388	331,809,925
		<u>27,625,440</u>	<u>36,772,097</u>	<u>-</u>	<u>1,005,509,481</u>	<u>1,069,907,018</u>
Interest sensitivity gap		<u>1,542,295,554</u>	<u>1,421,362,059</u>	<u>174,022,151</u>		
		Maturing 2011				
		Within 1 year G\$	1 to 5 years G\$	Over 5 years G\$	Non interest bearing G\$	Total G\$
ASSETS						
Cash resources	4.99	1,559,057,804	-	-	709,981,506	2,269,039,310
Investments	5.31	-	631,659,507	187,985,250	3,252,943,789	4,072,588,547
Policy loans	12.5	-	678,845,223	-	-	678,845,223
Mortgages	7.5	-	24,583,559	26,029,850	-	50,613,410
Loans and advances	12	79,067,480	-	-	-	79,067,480
Others		-	-	-	321,717,752	321,717,752
		<u>1,638,125,284</u>	<u>1,335,088,290</u>	<u>214,015,100</u>	<u>4,284,643,047</u>	<u>7,471,871,722</u>
LIABILITIES						
Claims		-	-	-	220,169,465	220,169,465
Creditors		-	-	-	239,738,870	239,738,870
Others	6	33,608,784	49,267,566	-	267,291,551	350,167,902
		<u>33,608,784</u>	<u>49,267,566</u>	<u>-</u>	<u>727,199,886</u>	<u>810,076,236</u>
Interest sensitivity gap		<u>1,604,491,256</u>	<u>1,283,222,077</u>	<u>214,015,100</u>		

(b) Liquidity risk

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

		1 to 12 months G\$	1 to 5 years G\$	Over 5 years G\$	Total G\$			1 to 12 months G\$	1 to 5 years G\$	Over 5 years G\$	Total G\$
COMPANY						At 31 December 2011					
At 31 December 2012						Assets					
Assets						Debtors					
Debtors	338,052,592	-	-	338,052,592		324,005,144	-	-	324,005,144		
Accrued interest	46,846,028	-	-	46,846,028		52,255,084	-	-	52,255,084		
Tax recoverable	35,554,600	-	-	35,554,600		34,723,432	-	-	34,723,432		
Deposits	1,468,946,418	-	-	1,468,946,418		1,513,729,336	-	-	1,513,729,336		
Policy loans	-	721,457,839	-	721,457,839		-	678,845,223	-	678,845,223		
Mortgages	-	29,410,561	15,451,028	44,861,589		-	24,583,559	26,029,850	50,613,410		
Bonds	-	707,265,755	158,571,123	865,836,878		-	631,659,507	187,985,250	819,644,757		
Securities	-	4,317,310,691	-	4,317,310,691		-	3,143,472,740	-	3,143,472,740		
Cash at bank	861,542,389	-	-	861,542,389		707,388,994	-	-	707,388,994		
	<u>2,750,942,028</u>	<u>5,775,444,847</u>	<u>174,022,151</u>	<u>8,700,409,024</u>		<u>2,632,101,991</u>	<u>4,590,424,280</u>	<u>214,015,100</u>	<u>7,324,678,121</u>		
Liabilities						Liabilities					
Creditors	119,656,160	338,963,648	-	458,619,808		75,211,589	161,503,077	-	236,714,666		
Unpaid claims	263,362,871	-	-	263,362,871		220,936,991	-	-	220,936,991		
Others	230,447,517	36,772,097	-	267,219,614		230,859,986	49,267,566	-	280,127,553		
	<u>613,466,547</u>	<u>375,735,745</u>	<u>-</u>	<u>989,202,293</u>		<u>527,008,566</u>	<u>210,770,643</u>	<u>-</u>	<u>737,779,209</u>		
Net assets	<u>2,137,475,481</u>	<u>5,399,709,102</u>	<u>174,022,151</u>	<u>7,711,206,731</u>		<u>2,105,093,426</u>	<u>4,377,054,990</u>	<u>214,015,100</u>	<u>6,586,898,912</u>		

Notes on the Accounts (cont'd)

for the year ended
31 December 2012

33 Financial Risk Management cont'd

(b) Liquidity Risk (cont'd)

	1 to 12 months G\$	1 to 5 years G\$	Over 5 years G\$	Total G\$
GROUP				
At 31 December 2012				
Assets				
Debtors	317,597,511	-	-	317,597,511
Accrued interest	46,922,879	-	-	46,922,879
Tax recoverable	40,269,354	-	-	40,269,354
Deposits	1,515,776,273	-	-	1,515,776,273
Policy loans	-	721,457,839	-	721,457,839
Mortgages	-	29,410,561	15,451,028	44,861,589
Bonds	-	707,265,755	158,571,123	865,836,878
Securities	-	4,457,093,533	-	4,457,093,533
Cash at bank	861,622,568	-	-	861,622,568
	<u>2,782,188,585</u>	<u>5,915,227,689</u>	<u>174,022,150</u>	<u>8,871,438,423</u>
Liabilities				
Creditors	123,121,197	338,963,648	-	462,084,845
Unpaid claims	276,012,248	-	-	276,012,248
Others	295,037,828	36,772,097	-	331,809,925
	<u>694,171,272</u>	<u>375,735,745</u>	<u>-</u>	<u>1,069,907,018</u>
Net assets	<u>2,088,017,313</u>	<u>5,539,491,944</u>	<u>174,022,150</u>	<u>7,801,531,405</u>
At 31 December 2011				
Assets				
Debtors	311,579,219	-	-	311,579,219
Accrued interest	52,333,271	-	-	52,333,271
Tax recoverable	36,872,742	-	-	36,872,742
Deposits	1,559,057,804	-	-	1,559,057,804
Policy loans	-	678,845,223	-	678,845,223
Mortgages	-	24,583,559	26,029,850	50,613,410
Bonds	-	631,659,507	187,985,250	819,644,757
Securities	-	3,252,943,789	-	3,252,943,789
Cash at bank	709,981,506	-	-	709,981,506
	<u>2,669,824,543</u>	<u>4,588,032,078</u>	<u>214,015,100</u>	<u>7,471,871,722</u>
Liabilities				
Creditors	78,235,793	161,503,077	-	239,738,870
Unpaid claims	220,169,465	-	-	220,169,465
Others	300,900,335	49,267,566	-	350,167,902
	<u>599,305,593</u>	<u>210,770,643</u>	<u>-</u>	<u>810,076,236</u>
Net assets	<u>2,070,518,950</u>	<u>4,374,662,789</u>	<u>214,015,100</u>	<u>6,661,795,486</u>

(c) Credit Risk

Concentration of Risk

The group is exposed to credit risk in respect of receivables and cash and cash equivalents. However, this risk is controlled by close monitoring of these assets by the group. The maximum credit risk faced by the group is the balance reflected in the financial statements.

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Investments				
Held to maturity	865,836,878	819,644,757	865,836,878	819,644,757
Available for sale	4,317,310,691	3,143,472,740	4,457,093,533	3,252,943,789
Cash on hand & at bank	861,542,389	707,388,994	861,622,568	709,981,506
Cash on				
Deposits	1,468,946,418	1,513,729,336	1,515,776,273	1,559,057,804
Tax recoverable	35,554,600	34,723,432	40,269,354	36,872,742
Loans receivables (note 16b)	766,319,428	729,458,633	766,319,428	729,458,633
Debtors (note 19)	338,052,592	324,005,144	316,477,417	309,750,844
Accrued interest (note 20)	46,846,028	52,255,084	46,922,879	52,333,271
Premium receivable	-	-	1,120,094	1,828,375
	<u>8,700,409,024</u>	<u>7,324,678,121</u>	<u>8,871,438,423</u>	<u>7,471,871,722</u>

- (i) Included in loans and receivables are policy loans which are fully secured against the cash value of the individual policies
 - (ii) Accrued interest 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 maturity of the investment(s) in accordance with the terms and conditions.
 - (iii) Included in debtors are number of advances and loans to staff and sales representatives on which interest is earned.
 - (iv) Premium receivable represents due but not received at the date of the statement of financial position. These amounts would be collected in the next financial year.
 - (v) Cash and cash equivalent include balances held in commercial banks. These banks have been assessed by the Society as being credit worthy with very strong capacity to meet obligations as they fall due.
 - (vi) The investments as reflected are assets for which the likelihood of default are considered minimal by the Directors
- The above balance are classified as follows:

	COMPANY		GROUP	
	2012 G\$	2011 G\$	2012 G\$	2011 G\$
Current	338,052,592	299,944,306	316,477,417	285,690,006
Past due but not impaired				
Past due 90 - 179 days				
Past due over 179 days	-	24,060,837	-	24,060,837
	<u>338,052,592</u>	<u>324,005,144</u>	<u>316,477,417</u>	<u>309,750,844</u>

34 Insurance risk management

The principal risk that the company faces under its insurance contract is that the actual claims and benefit payments exceed the carrying amount of its assets at any one time.

This can occur if for some reason there is widespread deaths either due to epidemics, or other social problems within the territories we operate. It is however prudent of the company to ensure that its risks are properly managed. Risk management policies are discussed below.

Firstly there is the company's underwriting principles that seek to ensure that all risks selected are insurable. The fact that the company operates in four different territories helps to guard against concentration of risks in one location. The company's risk is also mitigated through its reinsurance treaties which currently allow the company to cede all liabilities over G\$400,000 in Guyana, for certain policies it is G\$1,000,000 and G\$100,000 in the EC territories. This risk is also managed by the careful adjunction of all claims and avoids the payment of fraudulent claims.

The company's risk management would also include the management of its investments as returns on these are pivotal in the covering its liabilities. The tri-annual valuations and of recent annual valuations allows for constant monitoring of its assets in relation to the liabilities

Concentration of insurance risk could have material effect on benefits to be paid. The table below presents the concentration of insured benefits across four bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts

Benefits assured per life assured at the end of 2012	Total benefits insured (G\$ millions)			
	Before reinsurance		After reinsurance	
0M - 3M	7,100	14.5%	6,390	16.2%
3M - 5M	13,243	27.1%	12,402	31.5%
5M - 10M	16,498	33.7%	14,858	37.7%
Over 10M	12,101	24.7%	5,744	14.6%
Total	<u>48,942</u>	<u>100.0%</u>	<u>39,394</u>	<u>100.0%</u>

The majority of insured risk is concentrated in the lower band, reinsurance further reduces the total amount of risk in all bands.

Notes on the Accounts (cont'd)

34 Insurance risk management (cont'd)

Reserves for future policyholders' benefits

The Canadian Policy Premium Method is used for the determination of reserves for future policyholder benefits of long-term insurance contracts. The reserves for future policyholders' benefits are determined by actuarial valuation every three years and represent an estimate of the amount required, together with future premiums and investment income, to provide for future benefits and expenses payable on insurance and annuity contracts. The reserves are calculated using assumptions for future policy lapse rates, mortality, expenses, inflation and interest and exchange rates. The assumptions also include provisions for adverse deviation to recognize uncertainty in establishing the assumptions and to allow for possible deterioration in experience. The process of determining the provision necessarily involves risks that the actual results will deviate from the assumptions made. Policy liabilities are calculated using best estimate assumptions with margins for adverse deviation

(i) Mortality

The mortality assumptions were based on 1986-92 Canadian Institute of Actuaries select and ultimate mortality tables. An investigation into the Society's mortality experience was performed, and the mortality tables were adjusted to reflect the Society's experience and territorial difference. Provisions for AIDS extra mortality, additional margin was provided for uncertainty based on US experience were added to the expected mortality assumptions. For payout annuity policies, the mortality assumptions are based on 1983 Society of Actuaries Individual Annuitant Mortality tables. Mortality improvement at an annual rate of 0.5% was assumed for future years. An additional margin was provided for uncertainty in setting the expected assumptions. Adjusted mortality to reflect society's experience would decrease policy liability by G\$90.9M.

(ii) Interest rate

Valuation interest rate assumptions were based on the Society's investment portfolio rate of return expense. Allowance was made for investment income tax, investment expenses, asset default and asset/liability mismatch. If the expected gross investment rate of return was reduced to reflect society's experience the policy liability would increase by G\$549.9M.

(iii) Lapse

For individual life insurance policies, an investigation into the Society's lapse experience performed, and the lapse assumption was made based

on the Society's experience. An additional margin was provided for uncertainty in setting the expected assumptions. No lapse assumption was made for the valuation of individual annuity business Adjusted lapse rate to reflect the Society's experience would increase the policy liability by G\$175.1M.

(iv) Expense and inflation

Projected commission payments were assumed in accordance with the Society's commission schedule. Policy maintenance expense assumptions were made based on the Society's operating experience during the year of valuation. An additional margin was provided for uncertainty in setting the expected assumptions.

Future expected rate of inflation was assumed based on the actual rate of inflation in the countries where the Society operated during the year of valuation.

The allowance for investment income tax was made as a deduction from the interest rate whenever applicable. It was assumed that the tax legislation and rates would continue in the future.

Reducing expected per-policy administrative expense and future inflation rate to reflect the Society's experience would increase the policy liability by G\$ 142.9M.

(v) Reinsurance

Future reinsurance cash flows were projected according to the reinsurance treaties in force, including reinsurance premiums, reinsurance allowances and reinsurance recovery for . The ceded claims principal reinsurance treaties are with Swiss Re Life & Health Canada.

(vi) Exchange rate

The cash flow projection and reserve calculation of each individual policy were performed based on its original currency. The valuation results were consolidated among different countries using the exchanged rates as at the valuation date provided by the Society.

If interest rates are adjusted to reflect actual, the policy liability would increase by G\$14.1M.

35 Actuarial valuation

The last actuarial valuation was done as of 31 December 2011. This revealed a surplus of G\$573,577,210.

The Society in St. Lucia



Since 1914, Demerara Mutual has been insuring people all over the West Indies.

The minutes of the December 22, 1914 Directors' meeting state that in St. Lucia, G.D.M. O'Reilly was to be the agent for St. Lucia, and Dr. S. Branch the medical examiner.

The Society's St. Lucia operation is located in this charming building in the island's capital, Castries (so named for the Marechal de Castries in 1785).

This building located at Lot 37 Chisel Street, Castries, St Lucia, was bought by the Society in the year 1984. It was renovated and modernized in 1997 with a grand opening on the 15th February 1997. The then Prime Minister, Dr. Vaughn A Lewis, gave the feature address.