

INDEPENDENT AUDITOR'S REPORT  
TO THE AUDITOR GENERAL  
ON THE FINANCIAL STATEMENTS  
OF THE GUYANA GOLD BOARD  
FOR THE YEAR ENDED 31 DECEMBER 2016

*Opinion*

We have audited the accompanying financial statements of Guyana Gold Board which comprise the statement of financial position as at 31 December 2016 the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 2 to 22.

In our opinion, the financial statements give a true and fair view, in all material respects of the financial position of Guyana Gold Board as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis of Opinion*

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

*Emphasis of matters*

Without qualifying our opinion:-

- (1) We draw attention to note 3(i) of the financial statements. Management has represented to us that the Guyana Gold Board is exempted from Corporation and Property Taxes. We were unable to ascertain the relevant authority that gives legal effect to this exemption. The Guyana Gold Board has not paid any Corporation or Property taxes since its formation and no provision for such taxes has been made in the financial statements.
- (2) The financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and the liquidation of liabilities in the normal course of business. At 31 December 2016 the Guyana Gold Board made a loss of G\$194,184,802 and current liabilities exceeded current assets by G\$ 2,012,325,383

*Responsibilities of Management and those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Guyana Gold Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Guyana Gold Board or to cease operations, or has no realistic but to do so.

Those charged with governance are responsible for overseeing the Guyana Gold Board's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISA's, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### **Report on Other Legal and Regulatory Requirements**

The financial statements comply with the requirement of Section 17(i) of the Guyana Gold Board Act 1981

which states that the Guyana Gold Board shall not later than six months after the end of the calendar year, (i.e. 30 June 2017) submit to the Minister a report containing an account of its transactions throughout the preceding calendar year in such detail as the Minister may direct and a statement of accounts of the Board audited in accordance with Section 16.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Rameshwar Lal-FCCA

TSDLAL & CO  
CHARTERED ACCOUNTANTS

Date:

77 Brickdam,  
Stabroek, Georgetown  
Guyana

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

	<u>2016</u>	<u>2015</u>
	G\$	G\$
11 Inventories		
<b>Gold</b>		
Laboratory	269,641,684	253,960,677
Bank of Guyana	4,374,820,631	1,905,749,197
Royal Canadian Mint	-	4,200,982,229
Royal Canadian Mint Refrees	17,006,599	-
Guyana Geology and Mines Commission	5,485,385	-
Mitsui & Co Precious Metals Inc.	-	4,510,230,768
Gold available for sale	27,412,626	8,370,436
Gold refrees in transit	-	3,731,346
Scotia Bank	30,977	-
Techmet Trading (i)	10,854,450,550	-
Bartica	594,566,132	97,172,117
	<u>16,143,414,584</u>	<u>10,980,196,770</u>
<b>Silver</b>		
Royal Canadian Mint	8,919,710	9,947,741
Scotia Mocatta	24,080,311	-
	<u>16,176,414,605</u>	<u>10,990,144,511</u>

(i) Under the agency arrangement between the Guyana Gold Board and Mitsui & Co Precious Metals Inc., the Board may effect certain sales contract for gold without gold being transferred to the agent's account. Mitsui & Co Precious Metals Inc would normally hold stock balance of 2,000 troy ounces of gold as security deposits for such transactions, which will be available upon settlement of outstanding sales contracts. This agreement ceased in 2016. However, Techmet Trading were contracted by the Board of Director as the new broker.

(a) The cost of inventory recognised as expenses during the year amounted to G\$ 46,804,898,679 (2015 G\$24,786,059,981) .

(b) There was no write off of inventories during the year.

(c) All inventories are expected to be recovered within 12 months.

12 Accounts receivable and prepayments		
	<u>2016</u>	<u>2015</u>
	G\$	G\$
Trade receivables	22,214,970	19,603,525
Prepayments	18,352,346	33,534,063
	<u>40,567,316</u>	<u>53,137,588</u>
13 Cash on hand and at bank		
Republic Bank (Guyana) Limited	72,524,839	18,159,712
Citizen's Bank Guyana Limite	914,012,603	67,478,903
Bank of Guyana-US\$ account	527,234,606	685,732,930
Petty Cash-Head Office	7,419,660	5,701,432
	<u>1,521,191,708</u>	<u>777,072,977</u>
14 Government contribution	<u>108,577,100</u>	<u>108,577,100</u>
15 Advances from Ministry of Finance	<u>8,731,630,794</u>	<u>8,731,630,794</u>
The Guyana Gold Board receives advances from Ministry of Finance which are used to purchase gold and finance operation expenditures. Revenue from sale of gold overseas is used to repay this advance. The balance remaining in this account repi advances not yet reimbursed.		

16 Accounts payable		
	<u>2016</u>	<u>2015</u>
	G\$	G\$
Trade payables	83,813,028	87,441,017
Gold dealers' tax payable	175,292,646	199,371,714
Gold dealers' royalties payable	456,098,868	400,363,597
Accruals	19,484,500	17,815,000
Dealers security deposit	25,651,840	25,733,130
Others	58,145,618	57,515,699
	<u>818,486,500</u>	<u>788,240,157</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

17 Bank overdraft	<u>2016</u> G\$	<u>2015</u> G\$
Bank of Guyana-disbursement account	18,929,651,009	12,865,994,724
Republic Bank-current account	<u>2,361,503</u>	<u>1,574,208</u>
	<u><u>18,932,012,512</u></u>	<u><u>12,867,568,932</u></u>

The Guyana Gold Board does not have an overdraft facility with either Republic Bank Limited or the Bank of Guyana. Funds deposited to the Disbursement Account and transferred via standing orders to the General Account. The balances shown are due to timing differences that arose from un-presented cheques drawn that have not yet been issued or presented.

18 Related party transactions

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

i) Government related entities	<u>2016</u> G\$	<u>2015</u> G\$
GGMC - (a)		
Royalties collected and remitted during the year	<u>5,534,160,175</u>	<u>4,543,311,696</u>
Assay testing	<u>16,515,000</u>	<u>16,065,000</u>
Balance at year end - inventory	<u>5,485,385</u>	<u>-</u>
Balance at year end - assay	<u>19,484,500</u>	<u>17,815,000</u>
Royalties payable	<u>456,098,868</u>	<u>400,363,597</u>
GRA		
Taxes collected and remitted during the year	<u>1,965,914,201</u>	<u>1,810,378,007</u>
Taxes payable	<u>175,292,646</u>	<u>199,371,714</u>
Bank of Guyana - note 17	<u>18,929,651,009</u>	<u>12,865,994,724</u>
Balance at year end - cash at bank	<u>527,234,606</u>	<u>685,732,930</u>
Balance at year end - inventory	<u>4,374,820,631</u>	<u>1,905,749,197</u>
Ministry of Finance - note 15	<u>8,731,630,794</u>	<u>8,731,630,794</u>

(a) Guyana Gold Board office is located in a building owned by GGMC. There are no rental charges or fees payable to GGMC regarding the building.

ii) Key management personnel

The company's key management personnel comprised of its Directors, the Secretary to the Board/Legal Officer, General Manager (ag), Asst. General Manager, the Finance Manager, the Station Manager-Bartica, the Internal Auditor and the Head of the Laboratory. During the year remunerations paid to key management personnel was as follows:

	<u>2016</u> G\$	<u>2015</u> G\$
Short-term employee benefit	52,021,378	34,589,957
Directors emoluments	<u>1,620,000</u>	<u>402,000</u>
	<u><u>53,641,378</u></u>	<u><u>34,991,957</u></u>

Gold sold by Adamantium Holdings (which is owned by the Alphonso family) amounted to nil (2015 G\$ 1,232,940,899). The prices for gold purchased from them are the same as that paid to non-related clients.

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management

Financial risk management objectives

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

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

The Board's management reports at statutory meetings to the Board of Directors on matters relating to risk and management of risk

(a) Market risk

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

(i) Interest rate risk

The Board is exposed to various risks that are associated with the effects of variations in interest rates. This is directly on its cash flows.

	Average interest rate %	Maturing 2016		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
<b>Assets</b>				
Accounts receivable and prepayments	-	-	40,567,316	40,567,316
Cash on hand and at bank	-	-	1,521,191,708	1,521,191,708
		-	1,561,759,024	1,561,759,024
<b>Liabilities</b>				
Bank overdraft (unsecured)	-	2,361,503	18,929,651,009	18,932,012,512
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts payable	-	-	818,486,500	818,486,500
		2,361,503	28,479,768,303	28,482,129,806
Interest sensitivity gap		(2,361,503)		

	Average interest rate %	Maturing 2015		
		Within 1 year G\$	Non-interest bearing G\$	Total G\$
<b>Assets</b>				
Accounts receivable and prepayments	-	-	53,137,588	53,137,588
Cash on hand and at bank	-	-	777,072,977	777,072,977
		-	830,210,565	830,210,565
<b>Liabilities</b>				
Bank overdraft (unsecured)	-	1,574,208	12,865,994,724	12,867,568,932
Advance from Ministry of Finance	-	-	8,731,630,794	8,731,630,794
Accounts payable	-	-	788,240,157	788,240,157
		1,574,208	22,385,865,675	22,387,439,883
Interest sensitivity gap		(1,574,208)		

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(b) Liquidity risk

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

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

The following table shows the distribution of assets and liabilities by maturity:

	Maturing		
	2016		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
<b>Assets</b>			
Accounts receivable and prepayments	-	40,567,316	40,567,316
Cash on hand and at bank	1,521,191,708	-	1,521,191,708
	<u>1,521,191,708</u>	<u>40,567,316</u>	<u>1,561,759,024</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	18,932,012,512	18,932,012,512
Advance from Ministry of Finance	8,731,630,794	-	8,731,630,794
Accounts payable	-	818,486,500	818,486,500
	<u>8,731,630,794</u>	<u>19,750,499,012</u>	<u>28,482,129,806</u>
<b>Net liabilities</b>	<u>(7,210,439,086)</u>	<u>(19,709,931,696)</u>	<u>(26,920,370,782)</u>
	Maturing		
	2015		
	On demand	Within 1 year	Total
	G\$	G\$	G\$
<b>Assets</b>			
Accounts receivable and prepayments	-	53,137,588	53,137,588
Cash on hand and at bank	777,072,977	-	777,072,977
	<u>777,072,977</u>	<u>53,137,588</u>	<u>830,210,565</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	12,867,568,932	12,867,568,932
Advance from Ministry of Finance	8,731,630,794	-	8,731,630,794
Accounts payable	-	788,240,157	788,240,157
	<u>8,731,630,794</u>	<u>13,655,809,089</u>	<u>22,387,439,883</u>
<b>Net liabilities</b>	<u>(7,954,557,817)</u>	<u>(13,602,671,501)</u>	<u>(21,557,229,318)</u>

(c) Credit risk

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

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

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

19 Financial risk management - cont'd

(c) Credit risk cont'd

Cash and cash equivalent are held by Central and Commercial banks. These banks have been assessed by the Directors as worthy, with very strong capacity to meet their obligations as they fall due.

The related risk is therefore considered very low.

Accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing evaluation is performed on the financial condition of accounts receivable on a regular basis

Inventory (gold and silver) held by third party.

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

	<u>2016</u>	<u>2015</u>
	G\$	G\$
Cash at bank	1,513,772,048	771,371,545
Accounts receivable(excluding prepayments)	22,214,970	19,603,525
Inventory held with third party (i)	<u>15,284,794,153</u>	<u>10,630,641,254</u>
<b>Total credit risk exposure</b>	<u><b>16,820,781,171</b></u>	<u><b>11,421,616,324</b></u>
The accounts receivable balances are classified as follows:		
Current	5,664,498	2,955,413
Past due but not impaired	<u>16,550,472</u>	<u>16,648,112</u>
	<u>22,214,970</u>	<u>19,603,525</u>

Ageing of accounts receivable which was past due but not impaired

365+ days	<u>16,550,472</u>	<u>16,648,112</u>
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(i) Inventory held with third parties were adequately insured at 31 December 2016 as such this will reduce the credit risk.

(d) Currency risk

The Company's exposure to the effects of fluctuations in foreign currency exchange rates arise mainly from inventory. The currency in which the Company is mainly exposed to is United States Dollar.

The aggregate amounts of assets denominated in United States are as shown:

	<u>Total</u>
	G\$
<b>31 December 2016</b>	
Assets	<u>16,703,649,211</u>

<b>31 December 2015</b>	
Assets	<u>11,675,877,441</u>

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 2.5% increase or decrease in the Guyana dollar (GYD) against the United States dollar (US\$).

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

	G\$	G\$
Profit/(loss)	<u>417,591,230</u>	<u>291,896,936</u>

(iii) 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 are caused by factors specific to the individual security of its issuer or factors affecting all securities traded in the market.



GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

20 Analysis of financial assets and liabilities by measurement basis

	<u>Loans and receivable</u> G\$	<u>Financial assets and liabilities at amortised cost</u> G\$	<u>Total</u> G\$
2016			
<b>Assets</b>			
Accounts receivable and prepayments	40,567,316	-	40,567,316
Cash on hand and at bank	-	1,521,191,708	1,521,191,708
	<u>40,567,316</u>	<u>1,521,191,708</u>	<u>1,561,759,024</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	18,932,012,512	18,932,012,512
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	818,486,500	818,486,500
	<u>-</u>	<u>28,482,129,806</u>	<u>28,482,129,806</u>
2015			
<b>Assets</b>			
Accounts receivable and prepayments	53,137,588	-	53,137,588
Cash on hand and at bank	-	777,072,977	777,072,977
	<u>53,137,588</u>	<u>777,072,977</u>	<u>830,210,565</u>
<b>Liabilities</b>			
Bank overdraft (unsecured)	-	12,867,568,932	12,867,568,932
Advance from Ministry of Finance	-	8,731,630,794	8,731,630,794
Accounts payable	-	788,240,157	788,240,157
	<u>-</u>	<u>22,387,439,883</u>	<u>22,387,439,883</u>

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

21 Fair value estimation

Fair value measurement recognised in the statement of financial position

Level 1 - Fair value determination is with reference to quoted prices in active markets for identical assets and liabilities. Quotation from recognised stock exchange was used to value investments under this ranking.

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

Level 3 - Fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

The following table details the carrying cost of assets and liabilities at amortised cost. However their fair values are stated for disclosure purposes

	IFRS 13 Levels	2016		IFRS 13 Levels	2015	
		Carrying amount G\$	Fair value G\$		Carrying amount G\$	Fair value G\$
<b>ASSETS</b>						
Plant and equipment	2	102,518,057	102,518,057	2	119,831,489	119,831,489
Accounts receivables and prepayments	2	40,567,316	40,567,316	2	53,137,588	53,137,588
Cash on hand and at bank	1	1,521,191,708	1,521,191,708	1	777,072,977	777,072,977
		<u>1,664,277,081</u>	<u>1,664,277,081</u>		<u>950,042,054</u>	<u>950,042,054</u>
<b>LIABILITIES</b>						
Advance from Ministry of Finance	2	8,731,630,794	8,731,630,794	2	8,731,630,794	8,731,630,794
Bank overdraft	1	18,932,012,512	18,932,012,512	1	12,867,568,932	12,867,568,932
Accounts payable	2	818,486,500	818,486,500	2	788,240,157	788,240,157
		<u>28,482,129,806</u>	<u>28,482,129,806</u>		<u>22,387,439,883</u>	<u>22,387,439,883</u>

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

The fair values of financial assets and financial liabilities were determined as follows:

(i) Financial instruments where the carrying amounts are equal to fair values:-Due to their short-term maturity, the carrying amounts of financial instruments are assumed to approximate their fair values. These include accounts receivables and prepayments, cash on hand, bank, advance from Ministry of Finance, accounts payables and bank overdraft.

(ii) Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Management determines depreciation rates sufficient to write off the costs of assets over their useful lives.

22 Prospect

The Ministry along with the Board of Directors are currently implementing strategies geared at alleviating GGB's loss position. The following proposals are made

1. Proposal for a new pricing method whereby the London Fix less 1.5% is used as the buying price. This will result in GGB being able to cover its variable and fixed costs and make a profit.
2. GGB currently employs strategies to cushion the effects of falling gold prices. For example the use of call and put options. It is intended to continue aggressively in this vein.
3. It is proposed that GGB would intensify its aggression in light of number 2 above. New markets would be sought and investment strategies applicable to gold trading.
4. The Ministry of Natural Resources and by extension the Government of Guyana is currently trying to combat all gold smuggling. GGB by way of support has systems in place to ensure that licensed dealers declare gold and all other persons involved in the gold business.

23 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on .....



## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 1 Incorporation and activities

The Guyana Gold Board was formed under the Act of Parliament which is referred to as the Guyana Gold Board Act 1981. Its principal activities as defined in section 4 are as follows:-

- (a) To carry on the business of trading in gold;
- (b) To secure at all times an adequate supply of gold and to ensure its equitable distribution in Guyana at fair prices;
- (c) To purchase all gold produced in Guyana;
- (d) To sell all gold in and out of Guyana;
- (e) To engage in other related commercial or industrial activities.

Under regulation 4 of 1997 made under the Guyana Gold Board Act 1981, the Board may issue an authorization to possess, sell or export gold produced in Guyana. The gold held by dealers can either be exported or sold to the Board directly. At 31 December 2016 –Nine (9) - 2015-Thirteen (13) such dealers were licensed.

The Guyana Gold Board entered into an agency agreement with Mitsui & Co Precious Metals Inc on 8 July 2002 for the sale of its gold overseas. Under this arrangement the agent informs the Board of offer price. The Board then considers the price offer and advises the agent (Mitsui & Co Precious Metals Inc) whether to sell. Mitsui and Co Precious Metals Inc does not earn any commission from the Board on sale of gold.

## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 2. New and amended standards and interpretations

##### **Pronouncements effective in future periods**

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

##### **New and Amended Standards**

IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 11 Joint Arrangements	1 January 2016
IAS 16 & IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 16 & IAS 41 Agriculture: Bearer Plants	1 January 2016
IAS 27 Separate Financial Statements	1 January 2016
IFRS 10 & IAS 28 Sale or Contribution of Assets Between Investor and Associate or Joint Venture	1 January 2016
Disclosure Initiative Amendments to IAS 1 Annual Improvements 2012-2014 Cycle	1 January 2016
IFRS 9 Financial Instruments: Classification and Measurement and additions for financial liability accounting	1 July 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018

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 on the following page.

## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 2 New and revised standards and interpretations-Cont'd

##### IFRS 15: Revenue From Contracts With Customers

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

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

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

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method for the use of an asset that is not appropriate for property, plant and equipment.

##### Disclosure Initiative (Amendments to IAS 1)

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

##### Annual Improvements 2012-2014 Cycle

Makes amendments to the following standards:

- |        |  |
|--------|--|
| IFRS 5 | - Non-current Assets Held for Sale and Discontinued Operations |
| IFRS 7 | - Financial Instruments: Disclosures                           |
| IFRS 9 | - Financial Instruments  |
| IAS 34 | - Interim Financial Reporting                                  |

The application of the amendments to the above standards may have impact on amounts reported in the financial statements. However, the Directors have not yet performed a detailed analysis of the impact of the application of these amendments and hence have not yet quantified the extent of the impact.

## 8.GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Summary of significant accounting policies

##### (a) Accounting convention

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

##### (b) Plant and equipment and depreciation

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight line method as follows:

Furniture, fixtures and fittings	-10%
Office Equipment	-12.50%
Motor Vehicles	-25%
Laboratory and smelting room renovation	-25%
Computer software	-25%
Office & renovation	- 5% to 12.5%

No depreciation is charged in the year of disposal.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

##### (c) Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in the marketing, selling and distribution.

## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Summary of significant accounting policies-cont'd

##### (d) Foreign currency transactions

Transactions in currencies other than Guyana dollars are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

##### (e) Revenue and expense recognition

###### Local Sales

The Board recognizes revenue from local sales when the customer takes possession of the gold. Prices are fixed according to the London Daily Fix at the time of the sale. Local sales are made directly to goldsmiths.

###### Foreign Sales

The Board recognizes revenue when Bank of Guyana acknowledges receipt from Techmet Trading. Smelted gold is sent to Royal Canadian Mint where it is refined and then marketed through its agent- Techmet Trading. The agent makes payment on sales contract when gold has been transferred to the agent's account.

Sale of refined gold is marketed as follows:-

- (i) Spot transactions
- (ii) Forward transactions
- (iii) Option transactions

There were no forward contracts entered into by the Board during the year.

###### Expenses

Expenses are recognised on an accrual basis.



## GUYANA GOLD BOARD

### NOTES TO THE FINANCIAL STATEMENTS

#### 3 Summary of significant accounting policies-cont'd

##### (f) Impairment of tangible assets

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

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

##### (g) Provisions

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

##### (h) Financial instruments

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

##### Accounts receivable and prepayments

Accounts receivable and prepayments are measured at amortised cost.

##### Accounts payable

Accounts payable are recognized at amortised cost.

# GUYANA GOLD BOARD

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Summary of significant accounting policies-cont'd

#### (h) Financial instruments – cont'd

##### Cash and cash equivalents

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

#### (g) Taxation

The Guyana Gold Board is exempt from corporation and property taxes.

#### (h) Purchases

Purchases of gold are made based on the London daily fix per ounce of gold quoted in United States dollar (US\$). The payment for gold purchased is based on an assumed purity with a payout factor of the average historical result from assaying. An initial payment is made after a deduction of G\$ 4.25 per ounce from the average US\$:G\$ exchange rates obtained from six commercial banks. Payment made on the payout factor is adjusted when actual assaying results are determined. For results higher than the payout factor, the Board pays the miners an additional amount. For results lower than the payout factor, the miners reimburse the Board with the difference from future transactions.

### 4 Critical accounting judgements and key sources of estimation uncertainty

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

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

GUYANA GOLD BOARD

NOTES TO THE FINANCIAL STATEMENTS

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

Key sources of estimation uncertainty-cont'd

i) Useful lives of plant and equipment

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

ii) Impairment of financial assets

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