Guardian Group

Guardian Holdings Limited

ANNUAL REPORT 2018

WE CANNOT WORK ALONE.

The success of any community is the
individual parts working together,
with shared interests and goals
to achieve greatness.

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Guardian Holdings Limited
Head Office: 1 Guardian Drive,
Westmoorings, Trinidad and Tobago

Tel: 1-868-226-6944
Fax: 1-868-632-5695

Email: shareholder@myguardiangroup.com
Website: www.myguardiangroup.com

BUSINESS SEGMENTS

Life, Health and Pensions	Property and Casualty	Asset Management	Strategic Alternative Investments
Guardian Life of the Caribbean Limited (100%)	Guardian General Insurance Limited (100%)	Guardian Group Trust Limited (100%)	RGM Limited (33.33%)
Guardian Life Limited (100%)	Guardian General Insurance Jamaica Limited (100%)	Guardian Asset Management and Investment Services Limited (100%)	Laevulose Inc Limited (100%)
Fatum Life Insurance N.V. (100%)	Fatum General Insurance N.V. (100%)		
Fatum Life Aruba N.V. (100%)	Fatum General Insurance Aruba N.V. (100%)		
Fatum Health N.V. (100%)	Fatum Brokers Holding B.V. (100%)		
Guardian Life (OECS) Limited (100%)	Thoma Exploitatie B.V. (100%)		
	Guardian Re (S.A.C.) Limited (100%)		
	Guardian General (OECS) Limited (59%)		
	RoyalStar Holdings Limited (26%)		

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Arthur Lok Jack (Chairman)

Mr. Henry Peter Ganteaume (Deputy Chairman)

Mr. Ravi Tewari (Group CEO)

Mr. Imtiaz Ahamad

Mr. Dennis Cohen

Mr. David Philip Hamel-Smith

Mr. Patrick Hylton

Mr. Antony Lancaster

Mr. Michael Lee-Chin

Mr. Nicholas Lok Jack

Mr. Charles Percy

Mr. Maxim Rochester

SECRETARY

Mrs. Kathryn Abdulla

REGISTERED OFFICE

1 Guardian Drive

Westmoorings

Trinidad and Tobago

REGISTRAR & TRANSFER OFFICE

Guardian Holdings Limited

1 Guardian Drive

Westmoorings

Trinidad and Tobago

AUDITORS

Ernst & Young

5-7 Sweet Briar Road

St. Clair, Trinidad and Tobago

STANDING COMMITTEES

GHL Audit, Compliance and Risk Committee

Mr. Maxim Rochester (Chairman)

Mr. Imtiaz Ahamad

Mr. Dennis Cohen

Mr. Henry Peter Ganteaume

Mr. Antony Lancaster

GHL Remuneration Committee

Mr. Henry Peter Ganteaume (Chairman)

Mr. David Philip Hamel-Smith

Mr. Patrick Hylton

Mr. Antony Lancaster

GHL Corporate Governance Committee

Mr. David Philip Hamel-Smith (Chairman)

Mr. Henry Peter Ganteaume

Mr. Antony Lancaster

Mr. Arthur Lok Jack

CONSOLIDATED FINANCIAL HIGHLIGHTS

Revenue	**2018**	**2017**
Life, Health and Pensions business net written premiums	$3,377 million	$3,144 million
Property and Casualty business net written premiums	$787 million	$783 million
Revenue from insurance operations	$4,459 million	$4,192 million
Revenue from investment activities	$1,045 million	$1,259 million
Revenue from brokerage activities	$150 million	$138 million
Total revenue	$5,654 million	$5,589 million

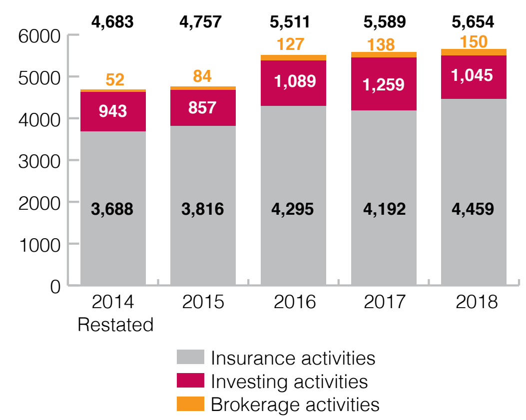
Results		
Profit attributable to equity holders of the parent	$534 million	$407 million
Earnings per ordinary share	$2.30	$1.75

Financial position as at December 31		
Total capital & reserves	$3,421 million	$3,323 million
Shareholders´ equity	$3,398 million	$3,300 million
Net asset value per share	14.65	14.23

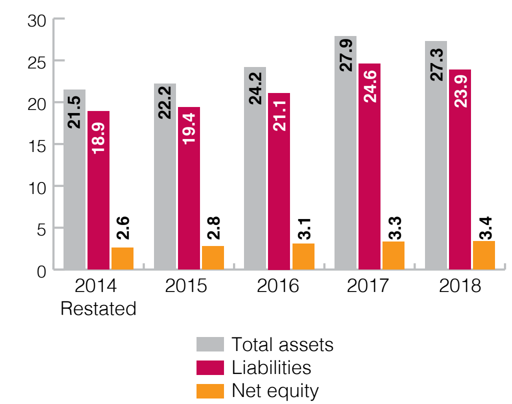
Dividend		
Total dividend for the year per ordinary share	71 cents	67 cents
Dividend cover	3.24	2.61

Conversion Rates	**2018 Average rate**	**2018 Year end rate**
Trinidad & Tobago dollar to one US Dollar	6.7518	6.7805
Trinidad & Tobago dollar to one British Pound	9.1969	8.7409
Trinidad & Tobago dollar to one Euro	8.2024	7.9068
Trinidad & Tobago dollar to one Jamaican Dollar	0.0517	0.0525
Trinidad & Tobago dollar to one Netherlands Antillean Guilder	3.7719	3.7880

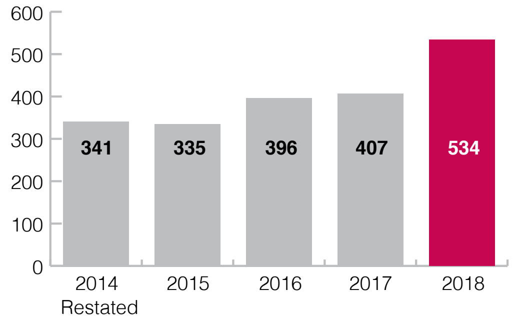
Total Revenue ($ million)



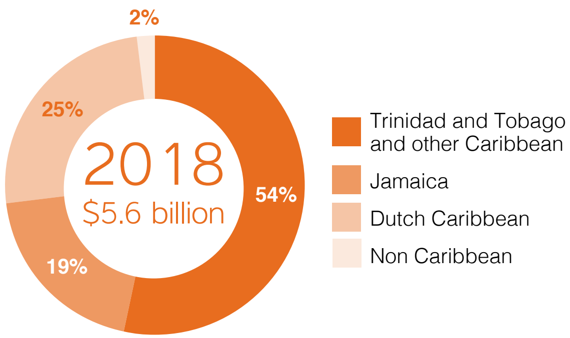
Financial Position ($ billion)

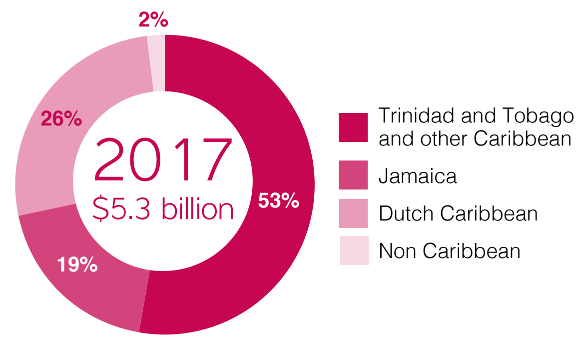


Reported Profit Attributable to Equity Holders of the Parent ($ million)

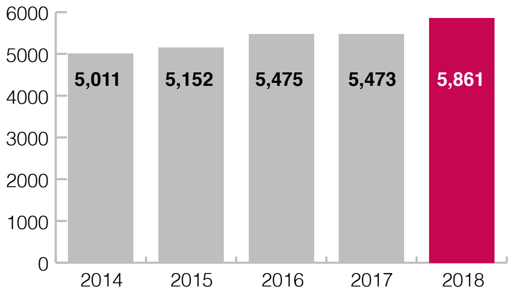


Geographic Distribution of Revenue (excluding realised and unrealised gains/losses)

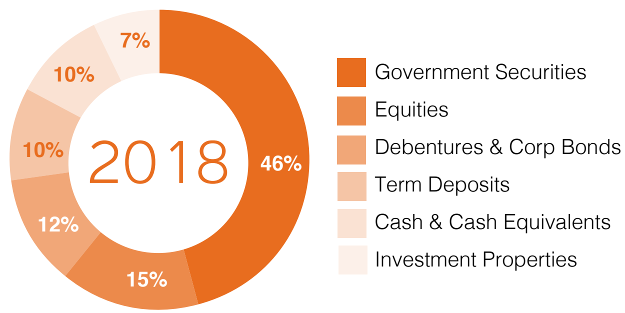


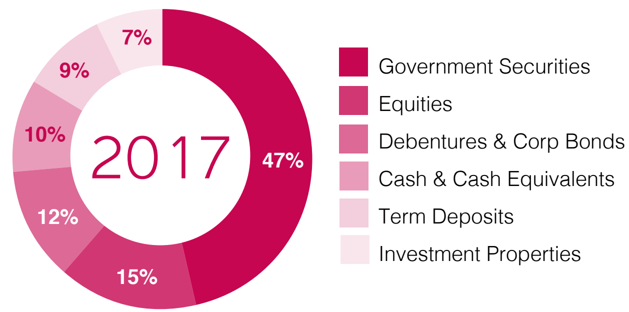


Gross Written Premiums ($ million)

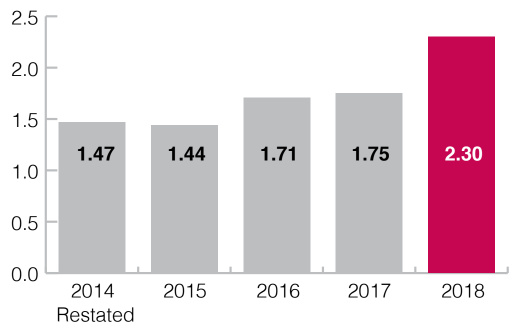


Consolidated Investment Mix

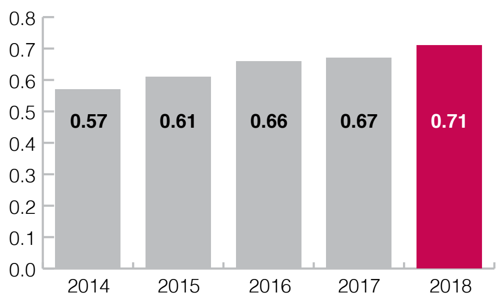




Reported Earnings per Share ($)



Dividends per Share ($)



Arthur Lok Jack
CHAIRMAN

CHAIRMAN´S AND CEO´S STATEMENT

> "In early 2017 we began to implement a new strategic plan designed to create an organisation with operating ratios that would allow us to compete internationally while being able to retain and significantly grow our customer base."

Dear Shareholder,

INTRODUCTION

We are pleased to introduce our Report with references to the two most significant features of your Group's corporate life during 2018. Firstly, the performance by all business units was outstanding. Economic and social conditions in many of the countries where we operate remain, at best, testing. We speak of these below and in more detail in the Management Discussion and Analysis (MD&A) within this Report. Group after tax profits of $534 million (2017: $407 million) and earnings per share of $2.30 (2017: $1.75) provide evidence of unwavering focus upon execution of our corporate strategy and the shared sense of purpose that pervades the Group.

The second item is the now imminent conclusion to the transaction, first announced in December 2017, whereby National Commercial Bank Jamaica (NCBJ) will acquire, by way of public offer to all shareholders of Guardian Holdings Limited (GHL), an additional 32% of the issued share capital and thus become a 62% parent of our Group. This has been a long and complex cross border share transaction, but your Board and Management are delighted with the expected outcome which, we believe, will serve the interests of all stakeholders.

FINANCIAL HIGHLIGHTS

As mentioned in our previous Annual Report, in early 2017 we began to implement a new strategic plan designed to create an organisation with operating ratios that will allow us to compete internationally while being able to retain and grow our customer base through an enhanced customer experience. We are happy to report that many positive impacts of our plan are starting to become evident and have significantly contributed to our strong financial results.

We have made progress in streamlining operations from core underwriting activities to achieve an increasing profit contribution from operational performance and investment income relative to the more volatile profit contribution from fair value gains. This has been very satisfactorily achieved in 2018 as our profit performance of $534 million has been achieved despite a small fair value loss of $12 million.

We are pleased to report upon the positive results to date experienced in both Life, Health and Pensions (LHP) and Property and Casualty (P&C) segments of our strategic execution. We look forward to accelerating the rate of progress as we press ahead with the deployment of increased automation.

Our LHP segment had a stellar result on all fronts. Gross Written Premiums grew by 7% to $3.564 billion (2017: $3.346 billion). While new sales continue to trend positively, this growth in premiums was supported by the impact of new systems and data analytics on the retention of our existing book of business. The increase in premium income combined with the positive effects of improvements in persistency, unit costs and asset mix on our reserves, have led to a 35% increase in LHP Operating Profits before taxation to $768 million (2017: $570 million).

At present, our P&C segment also produced a healthy 8% growth in Gross Written Premiums to $2.298 billion (2017: $2.132 billion), which reflects increases in our Aggregate Sums Assured. Following Hurricanes Irma and Maria in 2017, whereas the cost of reinsurance increased in some markets significantly, many regional insurers restrained premium increases at the expense of underwriting margins. As a result of this competitive reality, a modest increase in net was achieved. Despite this, the P&C segment reported Operating Profits of $198 million in 2018 (2017: $107 million) which was free of major catastrophic events. However, this business line continues to grow robustly.

We are very excited by the impact of our strategic plan on the operating results of our LHP and P&C segments. We look forward to compounding this progress as we continue to deploy our plan which includes increased automation, straight-through-processing, self-service and data-analytics.

One important strategic initiative is the deliberate realignment of our investment portfolios to secure enhanced investment returns and a better match with our insurance liabilities. Given the limitations on investment choices in our major markets, this is necessarily a measured activity. We continue to be successful in meeting this objective across all geographies and lines of business. In addition, we have leveraged our track record to pursue investment banking business opportunities by way of innovative financial structured solutions for commercial clients. We are excited about the potential of this line of business to become a prominent part of our Group.

While our Brokerage segment contributes only a small part of our Operating Profit, it continues to grow sharply and provides a very attractive source of steady profits not exposed to underwriting volatility.

CHANGE IN ACCOUNTING POLICY

One of the most defining events for the global insurance industry is undoubtedly the issuance of the new insurance accounting standard, IFRS 17, after a two-decade long journey embarked upon by the International Accounting Standard Board (IASB). The new standard is effective from January 1, 2022 and is the first comprehensive international accounting standard for insurance contracts. The changes proposed by the new standard are multifold and expected to have a significant effect on the perception and comparability of financial performance, both between insurers and between the insurance sector and other industries. They will fundamentally affect the way in which insurance businesses are managed, with implications for product design, data requirements, systems, controls and taxation.

"We see IFRS 17 as a significant opportunity that can cement the Group as a regional leader and position us competitively to take advantage of business opportunities further afield."

Implementation will undoubtedly be an expensive proposition and consultants have already been engaged to lead this entire process and equip us to ensure timely and complete compliance with this new standard. We see this, however, as a significant opportunity that can cement the Group as a regional leader and position us competitively to take advantage of business opportunities further afield.

BOARD OF DIRECTORS

On November 15, 2018 we announced the appointment of Mr. Charles Percy to the Board of GHL to fill the vacancy arising upon the retirement of Mr. Richard Espinet, formerly our P&C Segment President. Mr. Percy has had a distinguished career in the upstream energy sector of Trinidad and Tobago and currently serves as a member on the Board of Methanex Trinidad Limited where he recently retired as Managing Director and CEO. He also served as Past President for Atlas Methanol Company and continues to serve as a Board member.

Mr. Percy has also been nominated to serve on the Audit, Compliance & Risk Committee (ACRC), Corporate Governance Committee (CGC) and Remuneration Committee (RC). A resolution to re-appoint Mr. Percy for a three-year term, in accordance with the by-laws of GHL, is on the agenda for the forthcoming AGM.

A further resolution will be placed before shareholders to appoint to the Board, for a three-year term, Ms. Patricia Ghany. Ms. Ghany has held the position as Financial Director of Esau Oilfield Supplies & Company Limited for the past 27 years and was recently elected President of the American Chamber of Commerce Trinidad and Tobago (AMCHAM T&T) at the business chamber's Annual General Meeting. She is the holder of a Master of Business Administration from the University of Toronto, with majors in International Business and Corporate Finance.

Ravi Tewari
GROUP CHIEF EXECUTIVE OFFICER

SOCIAL RESPONSIBILITY

As a flagship organisation in the Caribbean, we continue to expand our social community outreach programmes throughout the English and Dutch Caribbean, with a primary objective to turn our efforts into tangible benefits for our societies.

In the year under review, we committed to and invested in our health and wellness programmes, by hosting our 5K and 10K run/walks in our major territories. With 100% of proceeds going towards charity, the collaboration between participants and sponsors was able to generate significant funding for charitable causes while enriching the social landscape by fostering major family-orientated events. Guardian Group's SHINE 5K and 10K Charity Walk and Run in Trinidad and Tobago, the Keep It Alive 5K Night Run in Jamaica and the My Guardian Group Walk and Run in the Dutch Caribbean, have all been able to make significant contributions, with a collective participation of over 25,000 people.

Another major area of focus for the Group is the development of our Caribbean youth whether through academia, sports or leadership. For the first time in 2018, Guardian Group sponsored the National Secondary School Entrepreneurship Competition (NSSEC), a business simulation education platform specifically targeted to the youth of Trinidad and Tobago through the Secondary School System. In Jamaica, Guardian Life Limited continued to support youth development through sport, by signing as the title sponsor of the Kingston & St. Andrew Football Association (KSAFA) Under 10 Tournament. This three-series tournament featured 31 football clubs who put their talent on display during the course of the league. In Barbados, we continued our 20-year partnership with the Herman Griffith Primary Schools' Cricket Competition, which has been a nursery for a number of young cricketers who have gone on to make a mark within the cricketing world, regionally and internationally. In the Dutch Caribbean, we continue to support the Rotary Rotaract Spelling Bee competition, where youngsters are triggered and trained to improve their spelling and vocabulary.

OUTLOOK AND DIVIDEND

Market conditions in the majority of the Caribbean continue to be challenging. However, we are extremely confident that there is significant value to be extracted from our existing core businesses. We are excited by the returns to date of the implementation of our strategic plan and are confident that, through the continued development of this plan, we will position ourselves to grow our home markets and to compete in any other market of our choosing. We move into 2019 and beyond with a sense of purpose and confidence. Based on the performance of 2018 your Board has approved a final dividend of 48 cents which will bring the total dividend to 71 cents an increase of 4 cents or 6% over 2017.

We express sincere thanks to our shareholders and customers for their confidence in and loyalty to the Group. In closing, we wish to especially thank our staff for their hard work and dedication in generating a successful 2018 and in transforming our Group so that we will continue to be the leading provider of wealth protection and insurance services in the markets where we operate.

Deputy Chairman

Group Chief Executive Officer

SHINE 5K & 10K Walk/Run 2018, Trinidad and Tobago

CORPORATE
SOCIAL RESPONSIBILITY

OUR CARIBBEAN COMMUNITY

Health and Wellness

In Trinidad and Tobago, SHINE 2018 (Securing Hope for those in Need) was held on Saturday, November 24, 2018, at the Nelson Mandela Park. This 5K and 10K Race attracted over 5,000 runners and walkers who all played an important role in raising in excess of TT$400,000, with 100% proceeds being donated to several children's charities throughout Trinidad and Tobago.

In Jamaica, Guardian Group Foundation once again staged the Keep It Alive 5K Night Runs and hosted over 14,000 participants in Kingston and Montego Bay. A total J$23.35M was raised to purchase equipment for four beneficiaries: University Hospital of the West Indies, Mandeville, Cornwall and St. Ann's Bay Regional Hospitals.

In the Dutch Caribbean, Guardian Group Fatum Walk & Run celebrated its 35th anniversary, with thousands walking and running to show their support for charity. The signature event took place during the month of May in Bonaire, June in Aruba, October in St. Maarten and Curaçao and collectively attracted 10,000 participants.

SHINE 2018 5K & 10K Charity Walk/Run

Participants warm up for the Keep It Alive 2018 5K Night Run

35th Anniversary, Guardian Group Fatum Walk & Run

National Citizenship

On Sunday December 2, 2018, the Trinidad and Tobago Police Service, in conjunction with several corporate institutions, launched the ISOS programme (I Support Our Service), an initiative designed to support and offer incentives to the members of the police service.

As a major partner of this programme, Guardian Group showed its mark of gratitude to the members of the protective services by offering special rates and discounts on several of our products and services throughout the Group.

Commissioner of Police Gary Griffith (left), Nichole Dyer-Griffith (centre) and Ayesha Boucaud-Claxton, Senior Manager, Group Corporate Communications, Guardian Group (right) at the launch of the ISOS programme.

Academic Development

For the first time in 2018, Guardian Group sponsored the National Secondary School Entrepreneurship Competition (NSSEC), a business simulation education platform specifically targeted to the youth of Trinidad and Tobago through the Secondary School System. The programme's main objective is to fill the void in the arena of business training and development and provide a practical learning environment where students can gain hands-on experience and put to practice classroom theory.

Ayesha Boucaud-Claxton, Senior Manager, Group Corporate Communications, Guardian Group (left) presenting a contribution to David Stone, representative for NSSEC.

During the month of August, Guardian Life Limited in Jamaica hosted the 13th Annual Scholarship and GSAT Awards, themed "Dream, Believe, Achieve." At the event 38 scholarships were disbursed valued at J$1.4M, which assisted both secondary and tertiary students for tuition and other back-to-school expenses.

In the Dutch Caribbean, Guardian Group Fatum supported the Rotary Rotaract Spelling Bee competition, which encourages youngsters to train and improve their spelling and vocabulary. The event promotes new skills in the art of language and speech and competitors are challenged to approach learning in a creative manner.

Scholarship recipients, Eric Hosin, President, Guardian Life Limited (Seated, Centre-L) and Gladstone Lewars, Chairman, Guardian Group Foundation (Seated, Centre-R) .

Participants at the Rotary Rotaract Spelling Bee competition.

Final game action –Guardian Group Herman Griffith Primary Schools' Cricket Competition

Football Action in the Gaudian Group Youth Football Tournament.

Sport & Youth Development

In Barbados, Guardian General continued its support to the Herman Griffith Primary Schools' Cricket Competition, which is a well-anticipated fixture on the sporting calendar and is the nursery for grooming young talent in the arena of cricket. The competition is geared towards 8 to11 year-old boys and girls and has attracted several schools who participated in the eight-week long cricket competition. In addition, Guardian Life kicked off its 3rd year sponsorship of the Barbados Football Association's (BFA) youth football tournament which is supported by the football academies across Barbados. This tournament continues to grow as 78 teams participated in the Under 9, 11, 13, 15 and 17 divisions.

In Jamaica, Guardian Life Limited continued to impact youth development through sport, by signing as the title sponsor of the Kingston & St. Andrew Football Association (KSAFA) Under 10 Tournament, a three-series league, targeted to provide a channel for sport for the youth in Jamaica.

Wayne Shaw, President, Kingston and St. Andrew Football Association (L) and Eric Hosin, President, Guardian Life Limited (R) with members of Kingston and St. Andrew Football Association (KSAFA).

Community Service & Volunteerism

On Sunday May 20, 2018, Guardian Group's staff, agents and family came out in their numbers to support United Way's National Day of Caring. It was undoubtedly an expression of service, selflessness and humanity as our core value of serving people was demonstrated.

In 2018, the Group upgraded and outfitted the Las Lomas Primary School in Trinidad by donating and installing an air condition unit in the school's library, building bookshelves, constructing a shed in the courtyard area, painting and cleaning the school grounds and adding beautification to the surroundings with plants and shrubbery.

Guardian Group's volunteers working on the enhancement of the Las Lomas Primary School.

Guardian General Jamaica extended its community outreach by donating and volunteering to My Father's House, a Mustard Seed Community in Kingston. This home caters for over 41 children with varying degrees of physical and cognitive disabilities. On Wednesday, December 19, 2018, staff members donated items and spent time at the home during devotional singing.

Guardian General Jamaica staff donate to My Father's House.

Hellshire Bay Beach Cleanup, Jamaica

LEADERSHIP

DIRECTORS & SENIOR MANAGEMENT

BOARD OF DIRECTORS

1


2


1 Arthur Lok Jack (Chairman)
2 Henry Peter Ganteaume (Deputy Chairman)
3 Ravi Tewari (CEO)

3


4 Imtiaz Ahamad
5 Dennis Cohen
6 David Philip Hamel-Smith

4


5


6


7


7 Patrick Hylton
8 Antony Lancaster
9 Michael Lee-Chin

8


9


10


11


12


10 Nicholas Lok Jack
11 Charles Percy
12 Maxim Rochester

GROUP EXECUTIVE

1. Ravi Tewari – Group Chief Executive Officer
2. David Maraj – Group Chief Financial Officer
3. Richard Avey – Group General Counsel
4. Brent Ford – Group Chief Investment Officer/Group President, Asset Management
5. Alan Sadler – Group Vice President, Insurance Operations
6. Paul Traboulay - Group Chief Risk Officer
7. Anand Pascal – President, Guardian Life of the Caribbean Limited
8. Dean Romany- President, Guardian General Insurance Limited
9. Eric Hosin – President, Guardian Life Limited
10. Karen Bhoorasingh – President, Guardian General Insurance Jamaica Limited
11. Diego Frankel – President Fatum

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report for the year ended December 31, 2018.

The Directors acknowledge their responsibility for the preparation and fair presentation of the financial statements and other financial information contained in this Annual Report. The Directors confirm that to the best of their information and belief the accompanying financial statements have been prepared in conformity with International Financial Reporting Standards and present a true and fair view of the financial affairs of the Company. Where amounts are based on estimates and judgments, these represent the best estimate and judgment of the Directors.

Financial Highlights	**2018 $´000**	**2017 $´000**
Net income from insurance underwriting activities	863,300	403,099
Net income from investing activities	981,568	1,190,957
Net income from brokerage activities	25,038	16,912
Net income from all activities	1,869,906	1,610,968
Operating profit	687,460	501,569
Profit before taxation	704,505	520,215
Taxation	(164,632)	(109,924)
Profit for the year	535,180	409,149
Profit attributable to equity holders of the parent	533,911	406,609
Total assets	27,307,207	27,886,636
Insurance contract liabilities	16,928,454	17,132,813
Equity attributable to owners of the parent	3,398,059	3,299,814

DIVIDENDS

An interim dividend of twenty-three (23) cents per share was paid in 2018. At their meeting on February 28, 2019 the Directors declared a Final Dividend of forty-eight (48) cents per share which will be paid on April 1, 2019 to shareholders on the Register as at March 18, 2019. The total dividend for 2018 therefore amounts to seventy-one (71) cents per share.

DIRECTORS

Messrs. Arthur Lok Jack, Antony Lancaster, Henry Peter Ganteaume, David Philip Hamel-Smith and Maxim Rochester having been elected for terms expiring at this Annual Meeting, retire and also offer themselves for re-election.

The board is also proposing the election of Mr. Charles Percy and Ms. Patricia Ghany as directors of the company. Further details on the directors proposed for election and re-election are contained in the Corporate Governance Report at page 44.

DIRECTORS AND SIGNIFICANT INTERESTS

These are shown on page 24 and should be read as part of this report.

AUDITORS

The Auditors, Ernst & Young, retire and the Directors recommend the appointment of PriceWaterhouseCoopers as the Company's auditors.

By Order of the Board

K. Abdulla

Kathryn Abdulla
Corporate Secretary
Date: March 20, 2019

INTEREST IN SHARES OF THE COMPANY

DIRECTORS' AND SENIOR MANAGERS' INTERESTS

Name	Position	Ordinary Shares as at	
		December 31, 2018	January 28, 2019
Mr. Arthur Lok Jack	Chairman	25,401,926	25,401,926
Mr. Henry Peter Ganteaume	Deputy Chairman	645,000	645,000
Mr. Ravi Tewari	Director/Senior Manager (CEO)	240,416	240,416
Mr. Imtiaz Ahamad	Director	25,240,609	25,240,609
Mr. Dennis Cohen	Director	0	0
Mr. Philip Hamel-Smith	Director	295,124	295,124
Mr. Patrick Hylton	Director	0	0
Mr. Antony Lancaster	Director	3,517	3,517
Mr. Michael Lee-Chin	Director	69,547,241	69,547,241
Mr. Nicholas Lok Jack	Director	30,957	30,957
Mr. Charles Percy	Director	0	0
Mr. Maxim Rochester	Director	0	0
Mrs. Kathryn Abdulla	Senior Manager	23,345	23,345
Mr. Richard Avey	Senior Manager	41,405	41,405
Mr. Brent Ford	Senior Manager	411,278	411,278
Mrs. Karen Kelshall Lee	Senior Manager	1,892	1,892
Mr. Keston Nancoo	Senior Manager	227,617	227,617
Mr. Alan Sadler	Senior Manager	12,363	12,363
Mr. Paul Traboulay	Senior Manager	188,579	188,579

TOP TEN SHAREHOLDERS

	Shareholder Name	December 31, 2018		January 28, 2019	
		Ordinary Shares	%	Ordinary Shares	%
1	NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
2	Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
3	RBC Trust (Trinidad and Tobago) Limited	11,343,491	4.89%	11,343,491	4.89%
4	Republic Bank Limited	7,817,898	3.37%	7,817,898	3.37%
5	Trinidad and Tobago Unit Trust Corporation	7,157,044	3.08%	7,157,044	3.08%
6	Guardian Holdings ESOP Nominee Limited	5,770,152	2.48%	5,639,378	2.43%
7	First Citizens Trust and Asset Management Limited	5,191,964	2.23%	5,191,964	2.23%
8	Arthur Lok Jack (excluding his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	4,536,769	1.95%	4,536,769	1.95%
9	Universal Investments Limited (excluding interest through Tenetic Limited)	4,351,163	1.87%	4,351,163	1.87%
10	Michael Derick Moses and Helen Marie Moses	2,612,406	1.13%	2,612,406	1.13%

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	December 31, 2018		January 28, 2019	
	Ordinary Shares	%	Ordinary Shares	%
NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
Arthur Lok Jack (including his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	25,401,926	10.95%	25,401,926	10.95%
Universal Investments Limited (including interest through Tenetic Limited)	25,216,319	10.87%	25,216,319	10.87%

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

	December 31, 2018	January 28, 2019
Ordinary Shares held	5,770,152	5,639,378

NOTES:

Note 1: The interests of Directors and Senior Managers include the interests of "connected persons." Persons deemed to be connected with a director/senior manager are:

A. The Director's/Senior Manager's husband or wife.

B. The Director's/Senior Manager's minor children (these include step-children and adopted children) and dependents and their spouses.

C. The Director's/Senior Manager's partners.

D. Bodies corporate of which the director/senior manager and/or persons connected with him/her together have control. Control of a corporation is the holding of shares which carry 50% or more of the voting rights in the corporation.

Note 2: There are no non-beneficial interests held by the Directors or Senior Manager other than the interests of Messrs. Brent Ford and David Philip Hamel-Smith as trustee/s of the Guardian Holdings Limited Employee Share Ownership Plan (ESOP). The holdings of the ESOP are shown above.

Note 3: A substantial interest means one-tenth or more of the issued share capital of the Company.

Note 4: Michael Lee-Chin is the ultimate controlling shareholder (100%) of NCB Financial Group Limited which is the holding company for NCB Global Holdings Limited.

Note 5: Tenetic Limited's holding includes the holding of Lofty Trees Limited of 26,405,554 shares.

Tenetic Limited is owned 50-50 between Associated Brands (Investments) Limited (ABIL) and Universal Investments Limited (UIL).

Note 6: Arthur Lok Jack's holding includes his interest through ABIL in which he has a 69% interest

Note 7: Imtiaz Ahamad has a 1/3 interest in UIL.

Guardian Group Herman Griffith Primary Schools´ Cricket Competition, Barbados

MANAGEMENT
DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

(Figures quoted in Trinidad and Tobago Dollar unless otherwise stated.)

This Management Discussion and Analysis contains detailed information important to understanding the Group's results and financial condition and should therefore be read in its entirety.

FORWARD LOOKING STATEMENTS – CAUTIONARY LANGUAGE

The report reviews the Group's financial condition and results of operations including its liquidity and capital resources. Historical information is presented and discussed. Where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include "forward-looking statements". Forward-looking statements include any statement that may predict, forecast, indicate or imply future results, performance or achievements instead of historical facts and may contain words like "believe", "expect", "estimate", "project", "budget", "forecast", "anticipate", "plan", "will", "shall", "may" and other words, phrases or expressions with similar meaning. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the results contained in the forward-looking statements and the Company cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

GROUP OVERVIEW

Summary Consolidated Statement of Income - $ million	**2018**	**2017**
Gross written premiums	5,861	5,473
Net written premiums	4,164	3,927
Net result from insurance activities	863	403
Net income from investing activities	982	1,191
Net income from brokerage activities	25	17
Total net income from all activities	1,870	1,611
Net impairment losses on financial assets	(1)	(6)
Operating expenses	(1,046)	(975)
Finance charges	(136)	(129)
Taxation and other	(153)	(94)
Profit attributable to equity holders of the parent	534	407

Profit attributable to equity holders of the parent amounted to $534 million, an increase of $127 million or 31% over 2017. This exceptional growth was driven by a stellar performance within the insurance underwriting activities which atone the overall Group results for the volatility experienced within the Global equity markets during the year. These and other influencing factors are further explained below.

Gross written premiums increased considerably by $388 million or 7%, despite the ongoing difficult economic circumstances in the financial markets. Net written premiums increased by $237 million or 6% driven primarily by the Life, Health and

Pensions (LHP) segment which grew $233 million or 7%, while the Property and Casualty (P&C) segment grew $4 million or 1% as reinsurance rates continues to harden regionally.

Net results from insurance activities increased from $403 million in 2017 to $863 million in 2018, an increase of $460 million or 114%. This astonishing increase was led by an excellent performance in the LHP segment achieved primarily from improved persistency, expense management and product mix. The P&C segment was spared major catastrophic events in 2018, compared to 2017 which included the consolidated impact of Hurricanes Irma and Maria. A more in-depth analysis of these segments is presented in their respective sections of this report.

Net income from investing activities fell from $1,191 million to $982 million, driven primarily by volatility in global equity markets which resulted in a Net fair value loss of $12 million in 2018 compared to an exceptional gain of $246 million in 2017. These are unrealised valuation movements and over time, we expect them to reverse. In the face of the low interest rate environment, with attendant challenge to redeploy funds profitably, the Group was successful in improving actual cash returns from investments and achieved a moderate level of realised gains.

Net income from brokerage activities increased $8 million or 48% when compared to 2017, driven by a higher level of fee and commission income. The Group identified the importance of this segment as a non-risk exposed element towards the overall Group earnings profile. The summary table above differs slightly from the audited financial statements by using Management's view of the Group's brokerage operations, which is to present a net position for brokerage income and expenses.

Operating expenses (excluding expenses of the brokerage operations) increased $71 million or 7% from $975 million to $1,046 million due to a number of initiatives targeted to increase revenue growth or reduce future operating cost throughout the Group. Key among these initiatives is the focus on technology advancements where the Group continues to focus on improving operating systems, heighten security and business continuity. Apart from the above, the technical expense ratios were strictly managed and continue to improve.

Taxation and other include share of profits of associated companies, amounts attributable to participating policyholders, profit attributable to non-controlling interests and taxation. Overall, there was an increase of $59 million or 62%. This was largely driven by increased taxation as a result of higher taxable profits.

Summary Consolidated Statement of Financial Position - $ million	**2018**	**2017**
Investment securities, investment properties and cash	22,067	21,640
Reinsurance assets	1,397	2,212
Other assets	3,843	4,035
Total assets	27,307	27,887
Insurance contracts	16,928	17,133
Financial liabilities	2,327	2,348
Investment contract liabilities	1,989	1,989
Reinsurance liabilities	229	559
Other liabilities	2,413	2,535
Equity	3,421	3,323
Total equity and liabilities	27,307	27,887

The Group provides financial services through the production, distribution and administration of insurance and investment products, resulting in the Group receiving significant cash inflows that are invested to meet future obligations. As a result, the Group's assets are allocated across different investment classes, the majority of which are debt and equity instruments.

Investable assets increased by $0.4 billion from $21.6 billion to $22.0 billion largely driven by net inflows of premium income from in-force policies partially offset by fair value losses and impairment provisioning as prescribed by IFRS 9, Financial Instruments which are explained further under the 'Accounting Developments' section.

Reinsurance and other assets decreased by $1 billion in total, as the 2017 balance reflected an unusually high position arising from increased reinsurance receivables and cash received from reinsurers, due to the catastrophe claims for Hurricanes Irma and Maria. These balances will reduce, once claims are settled with policy holders.

Insurance contracts comprise obligations to holders of long-term insurance and short-term non-life insurance policies, which are estimated using prudent actuarial and accounting principles. Overall, the Group reduced Insurance contract liabilities by $0.2 billion from $17.1 billion to $16.9 billion. Insurance contract liabilities associated with the Group's short-term non-life business, decreased by $0.8 billion from $3.3 billion to $2.5 billion, owing mainly to claim payments made against the catastrophe claims reserves set up in 2017 for Hurricanes Irma and Maria. These catastrophe claims reserves and subsequent payments represent the other side of the movements in reinsurance and other assets described in the paragraph above.

The Group's capital base consists of both shareholders' equity (issued share capital and reserves) and borrowings. In 2018, shareholders' equity was reduced by a one-time charge of $0.2 billion resulting from the adoption of IFRS 9, Financial Instruments. This notwithstanding, the Group was able to increase equity by $0.1 billion from $3.3 billion to $3.4 billion from comprehensive income less dividends paid. Financial liabilities remained flat following the Group's refinancing activities and repayments during 2018. Most significant, is the acquisition of a $0.4 billion unsecured two-year loan note to be drawn in tranches. As of December 2018, $0.2 billion of this facility was drawn and used partly to repay a $0.15 billion unsecured one-year note. The preceding transactions slightly improved the equity and debt as a proportion of total capital, as it moved from 59% and 41% respectively to 60% and 40% respectively.

Comprehensive income attributable to shareholders includes the reported profit for the year, together with other items of income and expense that are not permitted by accounting standards to form part of profit in the Statement of Income, for example property revaluation gains, fair value exchange differences on translating foreign operations, fair value differences or impairment provisions for debt securities measured at fair value through other comprehensive income (OCI) and actuarial reserve movements for post-employment benefits. The Group OCI fell by $135 million from an income of $27 million to a loss of $108 million. This movement was principally due to net exchange losses on translating foreign operations and net realised and unrealised losses on debt securities at fair value though OCI partially offset by net favourable actuarial reserve movements on post-employment benefit plans.

Shareholder Metrics - $ million	2018	2017	2016
Profit for the year attributable to equity holders of the parent	534	407	396
Comprehensive income attributable to equity holders of the parent	426	434	471
	2018	**2017**	**2016**
Earnings per share	$2.30	$1.75	$1.71
Dividends per share declared	$0.71	$0.67	$0.66
Book value per share	$14.65	$14.23	$13.11
Market value per share (year-end)	$18.10	$17.03	$12.65

Earnings per share increased from $1.71 in 2016 to $2.30 in 2018, while dividends per share increased over the same period from $0.66 to $0.71.

ACCOUNTING DEVELOPMENTS

Two new financial reporting standards became effective for the Group from January 1, 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. IFRS 15 did not have any material impact on the Group's accounting policies and did not require retrospective adjustments. In contrast, IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement, introduces new measurement categories for financial instruments and an expected credit loss model for impairment. The application of these new requirements resulted in material changes in the Group's financial statements. The transition provisions of IFRS 9 do not require comparative figures to be restated, and consequently, the total impact on initial application has been recognised in the opening statement of financial position as at January 1, 2018. The new accounting policies and impact of initial application are disclosed in the notes to these consolidated financial statements. Because comparatives have not been restated, the Group's results in each period are not strictly comparable, as the consolidated financial statements in prior periods were prepared using IAS 39.

Additionally, the Group actively monitors developments and changes in accounting standards from the International Accounting Standards Board (IASB) and is currently evaluating the impact of adopting the forthcoming standards. The Group is also evaluating any elections available on transition.

IFRS 16 Leases (IFRS 16)

IFRS 16 takes effect January 1, 2019 and sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace IAS 17 Leases. The standard removes the current requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets and lease liabilities on the balance sheet for most leases. There are no significant changes to lessor accounting.

IFRS 17 Insurance Contracts (IFRS 17)

IFRS 17 takes effect January 1, 2022 and establishes for the first time a comprehensive insurance standard that provides guidance on the recognition, measurement, presentation and disclosures of insurance contracts. The new standard will replace the guidance in IFRS 4, Insurance Contracts and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognised as the service is provided over the coverage period.

Further analysis of the Group's performance by operating segments is provided as follows.

LIFE, HEALTH AND PENSIONS

The Life, Health and Pensions division of the Group (LHP) consists of six registered insurers throughout the English and Dutch-Speaking Caribbean that have consistently held market leadership or number two positions in their respective markets. These are Guardian Life of the Caribbean Limited (GLOC) and Bancassurance Limited (BANC), domiciled in Trinidad and Tobago, Guardian Life Limited (GLL), domiciled in Jamaica, Fatum Life and Fatum Health (FATUM), domiciled in Curaçao and Aruba, and Guardian Life (OECS) Limited (GLEC), domiciled in Grenada.

Our core lines of business are Life (mainly Unit Linked, Term and Endowment plans), Pension and Health insurance for both individuals and groups.

DISTRIBUTION

The primary methods of distribution in the English-speaking Caribbean are highlighted in the following table:

	Individual Life	Individual Pensions	Group Life	Group Pensions	Individual Health	Group Health
Tied Field Force	√	√			√	
Brokers		√	√	√		√

Our distribution in the Dutch Caribbean territories have traditionally been through brokers, however, within the last 2 years, a tied field force has been introduced and this channel is growing successfully.

BUSINESS STRATEGY

Our market approach is based on serving the needs of our individual and corporate clients by leveraging our wide range of portfolio solutions. Our focus is on improving the ease of doing business as well as providing the most valuable solutions to our clients.

Improving operational efficiency also plays a key role in our ongoing strategy. We have made selected investments in technology and analytics with the aim of simplifying process and our operating environment, which would allow us to provide our desired customer experience. These investments would also improve the way that our field force and brokers interact with the Group, thus supporting profitable growth in the future.

COMPETITION

We operate in a highly competitive insurance landscape with local and Pan Caribbean life insurance companies expanding in the territories we operate. In Trinidad and Tobago, Jamaica and the Dutch Caribbean there is increasing competition from banks, who initially offered deferred annuities, but have now grown to offer limited types of life insurance coverage.

However, our businesses remain very competitive due to our significant client and distribution relationships, strong customer focus, competitive product suite and solid financial position and ratings.

OUTLOOK AND CHALLENGES

Some of our key challenges are:

1. Sustained low interest rate environment and its impact on the pricing of new products as well as lower re-investment yields on existing business
2. Lack of access to long term investment instruments to improve the matching of assets and liabilities
3. Increasingly complex regulatory environment combined with a lack of harmonisation across the multiple Caribbean jurisdictions in which we operate

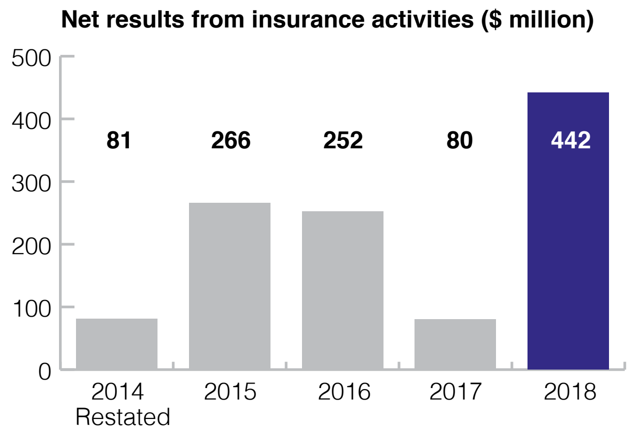
The Caribbean remains one of the most underinsured markets by international standards. Therefore, there is great opportunity for organic growth through proper investments in education and training to ensure that our populations are aware of the risks that they face. Our solutions remove these risks by providing income replacement for the surviving family members, guaranteeing income after retirement and providing living benefits for chronic or critical illnesses.

Our businesses are positioned to lead in all of these areas and the requisite investments have been and are being made to ensure that we continue to address all these client needs.

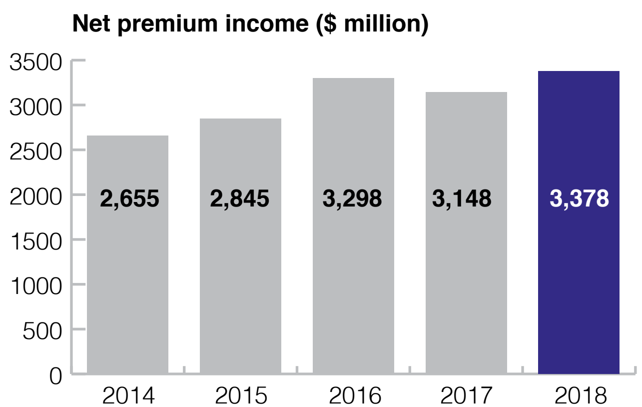
FINANCIAL UPDATE

LHP – Summary Consolidated Statement of Income – $ million	**2018**	**2017**
Net result from insurance activities	442	80
Net income from investing activities	910	1,061
Total net income from all activities	1,352	1,141
Net impairment gains on financial assets	3	–
Operating expenses	(584)	(566)
Finance charges	(3)	(5)
Taxation and other	(124)	(86)
Profit attributable to equity holders of the parent	644	484

The LHP group has performed very well in 2018, posting a 33% growth in profit after tax. This performance was driven mainly by the significant improvement in net results from insurance activities of $362 million or 452% over 2017.



The primary contributors to this improvement were in the GLOC and GLL business units. These were driven by similar operational activities which led to improvements in premium persistency and expense management above the assumptions made at product pricing.



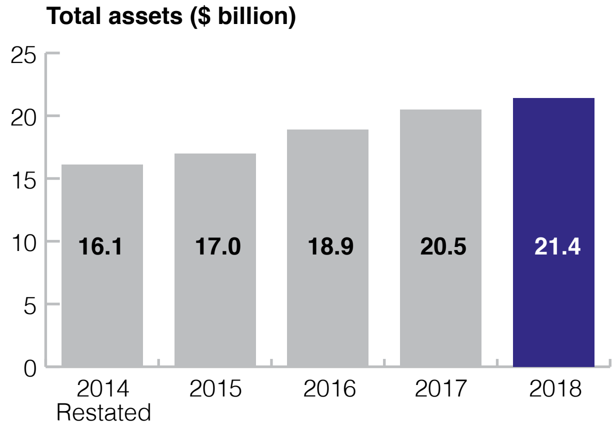
Within this component, Net written premiums increased by approximately 7% to $3.4 billion. This is an extremely credible performance given the macro-economic conditions in many of the territories where we operate.

The net result from investing activities declined by $151 million or 14% to $910 million. This was mainly a result of the movement in net fair values of our investment portfolios. In 2017, there were net fair value gains of approximately $231 million compared to $63 million in 2018, a decline of $168 million, which were predominantly due to our exposures in the international equity markets.

Interest and dividend income comprise the vast majority of this component and we´ve experienced a 1% uptick in earnings compared to 2017. We continue to seek opportunities to lengthen the duration of our asset portfolio through new, stable long-term investments as we redeploy our short-term assets.

Our operating expenses were managed very carefully and grew by 3% to $584 million as we paid very close attention to improving operational efficiency and effectivenes. This will continue in 2019, as we begin to deploy new technology that will significantly enhance our onboarding processes, beginning with life and pensions, followed by health. This will redound to an improved customer experience and operational metrics.

Overall, the LHP group declared net profits after taxes of $644 million, which was 33% better than 2017. Our effective tax rate ticked up slightly due to the increased corporate tax rate in Trinidad and Tobago of 30% compared to 25% in the 2017.



The asset base of the LHP group at the close of the year grew to $21.4 billion, a 4% increase over 2017. This was mainly driven by the growth in investment securities of 3% to stand at $16 billion. This growth came from new cash flows from the insurance portfolios.

Shareholders' equity improved by 5% to $3.9 billion. The LHP group achieved a 17% return on average capital employed, up from 13.8% in 2017. Under the proposed legislative regime, the minimum capital for Trinidad and Tobago insurers is 150% of the regulatory capital required. GLOC ended 2018 with a ratio of 221%. In addition, GLOC's A.M. Best Rating of A- Excellent was reaffirmed during the year for the 17th successive year. The capitalisation of GLL is measured in terms of a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. The ratio for GLL is 245%, which is above the regulatory requirement of 150%. FATUM also maintains a strong solvency position in its markets well in excess of minimum solvency requirements.

PROPERTY AND CASUALTY

GHL's Property & Casualty business collectively spans twenty one (21) countries across the Caribbean.

Guardian Group's Property & Casualty segment includes Guardian General Insurance Limited (GGIL), headquartered in Trinidad and Tobago and operating across the rest of the English-speaking Caribbean, Guardian General Insurance Jamaica Limited (GGIJL) and FATUM General in the Dutch Caribbean. This division also includes Guardian Re (SAC) Limited, a Bermuda-registered Class 3A reinsurer conducting primarily captive business.

We offer a wide range of general insurance solutions to meet the needs of individuals and businesses through personal and commercial lines. Specifically, our core lines of business are Property, Motor, Casualty, Marine, Bonding and Crime and Personal Accident. Through a combination of channels, including brokers, agents and direct, our products are distributed in all regional markets.

Our geographical spread across the region differentiates us from our competitors. This has allowed us to offer our multi-regional customers a greater reach and a well-balanced portfolio, which brings stability to the results, regardless of catastrophic events. As such, the Group has successfully achieved growth through our expansion of key strategic relationships, product offerings and portfolio acquisitions.

BUSINESS STRATEGY

Our strategic pillars are:

- *Sustainable and Profitable Growth* – As a result of our portfolio strategy, we aim to expand our operations profitably across major lines, geographies and customer segments. We also aim to identify inorganic growth opportunities in profitable markets to widen our regional footprint
- *Underwriting Excellence* – The focus is to strategically enhance our risk selection, drive consistent underwriting best practices, and build robust monitoring standards to improve underwriting results
- *Reinsurance Optimisation* – We need to build strategic relationships with selected reinsurers to protect the balance sheet from losses arising from catastrophic events and the severity of individual risk losses
- *Claims Excellence* – Introduce an efficient claims segmentation and claims management process with the goal of improving turnaround times for claims handling. This will reduce claims leakages, thus enhancing the overall claims experience for our clients

COMPETITION AND CHALLENGES

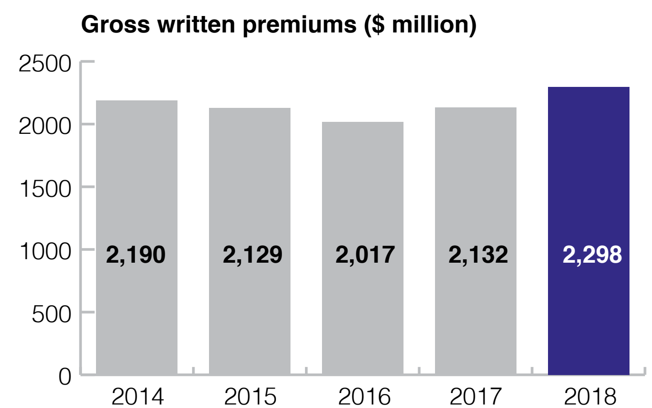
We have successfully navigated challenging economic times and high levels of natural catastrophic events in the Caribbean during recent years. Operations in 2017 were significantly impacted by the Atlantic hurricane season. Comparatively, 2018 was generally more stable in terms of hurricane activity. Despite the benign season, Trinidad and Tobago experienced unprecedented levels of flooding as well as multiple earthquakes during the second half of the year. Barbados' operations struggled through a sustained period of economic instability, although by year-end there appeared to be encouraging signs toward recovery.

Overall, the Group continued to pursue significant transformational activities during the period to reduce our cost base and create leaner, more efficient operations. We remain firmly committed to enhancing our customer experience by investing significantly in digital technology, online systems, distribution channel expansion, product innovation and automation to further improve servicing and process efficiencies.

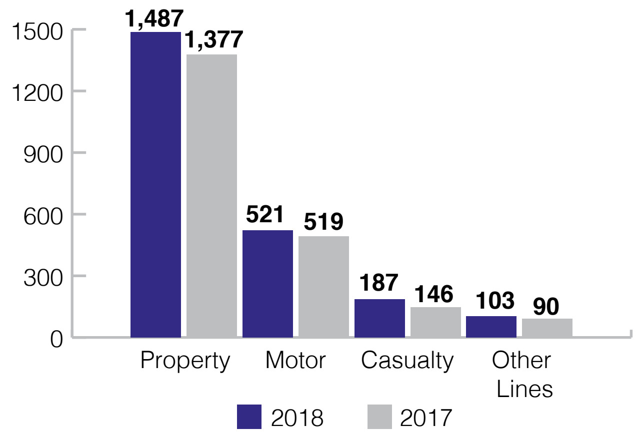
PERFORMANCE REVIEW

In 2018, Group Property & Casualty total Gross written premiums across all operating segments was $2.3 billion, an improvement of $0.2 billion over the prior year of $2.1 billion.

Overall growth in gross written premiums was 8% across all classes. The most significant movement was in the Property line, because of significant rate increases in hurricane affected areas. The business mix was broadly similar to the previous year, with the Property and Motor lines representing the largest share.

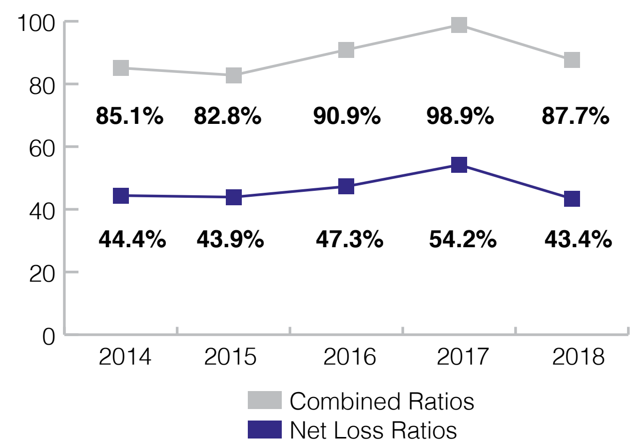


Gross written premiums by business lines ($ million)



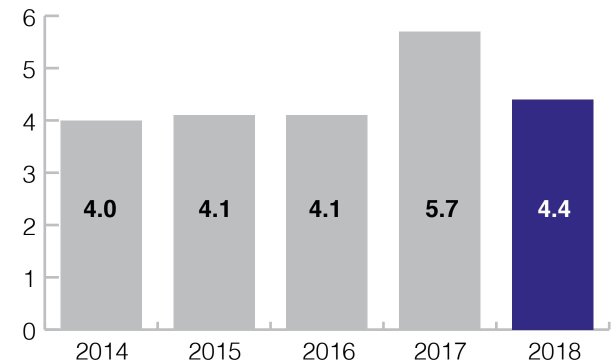
Profit after tax of $164 million for the year increased by 66% from $99 million in 2017, mainly as a result of less severe claims experience stemming from the relatively benign 2018 hurricane season and higher premiums received in hurricane affected territories. This resulted in the lower combined ratio of 87.7% when compared to the 2017 ratio of 98.8%.

Combined and net loss ratios (%)



In 2017, total assets were inflated due to reinsurance recoverable balances associated with the hurricane losses, while 2018 showed an improved asset position when compared to normalised 2017.

Total assets ($ billion)



All the P&C companies in the Group at minimum maintained or exceeded the required regulatory solvency margins.

In 2018, AM Best reaffirmed the A- Excellent rating with Stable Outlook for Guardian General Insurance Limited.

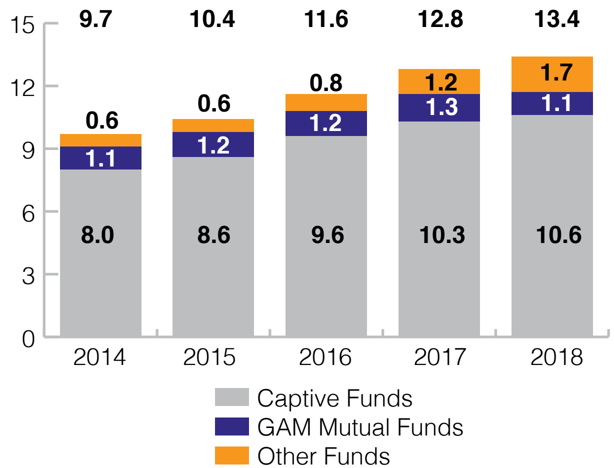
SUMMARY OUTLOOK

The Group has embarked upon several projects to enhance our customers' experience. We are investing resources to grow the insurance operations and our human capital in a focused and structured manner. With the use of analytics, we will target customer segments and expand our suite of product offerings. In addition, we continue to reduce overall operating costs and improve efficiencies using technology to automate processes. Our strategic focus is to actively pursue alliances and portfolio acquisitions that significantly improve our profitability.

ASSET MANAGEMENT

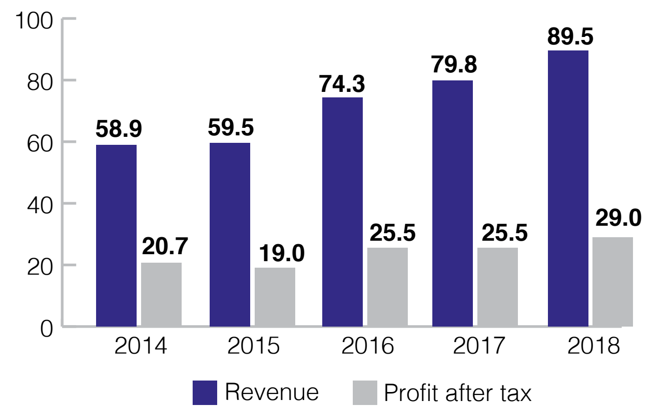
The Asset Management division, which comprises of Guardian Group Trust Limited and Guardian Asset Management & Investment Services Limited—collectively referred to as Guardian Asset Management (GAM)—had yet another successful year in 2018. Assets Under Management (AUM) as at the end of 2018 amounted to $13.4 billion, a 4.7% increase from $12.8 billion in 2017 while Profit after tax increased by 13.7% from $25.5 million to $29 million.

Asset Management Total AUM ($ billion)



The increase in AUM of $0.6 billion in 2018 to $13.4 billion was mainly as a result of growth in third-party funds under management, including our private wealth management business, which added $0.5 billion to AUM, an increase of 42% over 2017. There was also growth in captive assets which increased by $0.3 billion for the year. Mutual Funds' AUM however decreased by $0.2 billion over 2017 mainly due to negative market value movements over the year as the Funds battled through challenging equity and fixed income markets globally. Overall, strong AUM growth despite the volatile market environment in 2018 attests to the confidence in GAM's management of client assets.

GAM Financial Performance ($ million)



Total revenue for the Asset Management division rose by 12% to $89.5 million. This increase was mainly due to increased investment income and structuring and trading gains for the year. Overall, Net profit after tax rose by 13.7% as the companies generated solid gains through capital market and trading activities as well as fee income. The diversification of the company's revenue streams enables consistency in producing favourable results in varying market conditions. Increasing profitability over the years demonstrates the division's capability to successfully manage all funds under management despite market conditions.

Over 2018, our TT and US Income funds remained competitive in the income fund segment and delivered attractive returns compared to other locally-managed fixed Net Asset Value (NAV) funds. However, our equity-based funds declined generally in 2018 in line with broad equity markets globally.

Global markets had its challenges in 2018 as international equity markets declined for the year in almost all sectors and across all regions. The trade standoff between the US and China drove investor uncertainty and weighed on the demand for risk assets. In addition to this, uncertainty regarding the consequences of the United Kingdom leaving the European Union (also known as Brexit) and the US Federal Reserve's interest rate path have exacerbated the negative investor sentiment. Emerging market (EM) equities also delivered lackluster returns as the combination of negative investor sentiment and poorly performing local currencies proved detrimental to EM stock markets. In the US equity market, the tax reform approved at the end of 2017 aided corporate earnings and the unemployment situation improved as the unemployment rate hit a low of 3.7% during the year. This fundamental and economic data provided tailwinds but were not enough to prevent the market volatility in the 4th quarter of 2018 that caused all major markets to end the year in negative territory.

Developed equity markets ended 2018 in negative territory, with several key indices down for the year. The S&P 500 (US) returned -5.21% in 2018, while the Eurostoxx 50 (Europe) and Nikkei 225 (Japan) returned -11.78% and -10.38%, respectively, including dividends. On the emerging markets side, the Hang Seng Index (Hong Kong) returned -14.08% while the Shanghai Shenzhen CSI 300 Index (China) returned -25.45%. The Sensex Index (India) returned +7.53%, but only -2.52% in US dollar terms as the Indian Rupee depreciated throughout the year.

The US Federal Reserve (Fed) implemented four interest rate hikes, which caused some rate volatility during 2018. Returns for the Fixed Income Asset Class were poor generally, as yields increased for the year. As a proxy for US yields, the 10-year US treasury yield began the year at 2.40% and ended at 2.69%, peaking at 3.24% on November 8, 2018. As a result of this interest rate environment, the front end of the yield curve outperformed in 2018, namely shorter-term fixed income instruments such as US treasuries. However, despite the US Federal Reserve interest rate hikes at the end of every quarter in 2018, investors and economists expect a more dovish 2019. This may, in turn, cause emerging market currencies to stabilise and make their local currency fixed income instruments more attractive for investors.

In Trinidad and Tobago, the interest rate environment was relatively unchanged from the previous year as rates remained mainly flat for the year with slight improvements seen for shorter tenors. There was one repo rate increase for the year (during the first 6 months of 2018) possibly as a result of improvements seen in the energy sector also in the first half of 2018. Despite this, continued weak economic data resulted in the rate being held steady for the balance of the year. Excess liquidity levels also impacted interest rates and for 2018, they fluctuated between TT$1.5 billion and TT$5.8 billion, which was due to the buildup of liquidity for the National Investment Fund bond issue. In April 2018 the rating agency Standard and Poor's (S&P) adjusted Trinidad and Tobago's credit rating outlook to 'negative' down from a 'stable' outlook one year ago. Although the agency expects that higher energy prices and production levels will lead to a smaller current account deficit, there are concerns that this may be insufficient to mitigate issues surrounding foreign exchange access and correct the negative yield differentials with the US on short term securities. The agency also advised that downgrade action may be taken if the government is unable to rectify revenue collection leakages and weaknesses in economic data provision.

Equity performance on the local equity market was mixed for 2018, with the TT Composite Index gaining 2.84% but T&T equities returned -1.36%. Cross-listed stocks showed significant positive returns advancing by 12.17% during 2018 driven in part by acquisition announcements.

GAM continues to provide investment advisory services to the Group's Trinidad entities and works with the other group territories on joint investment strategies. Investment opportunities take into consideration the applicable general market conditions, optimal capital allocation, the liability management of the insurance portfolios as well as the regulatory parameters of each jurisdiction.

Given our expanded related presence in Bermuda and Canada, we have tapped into our various pockets of expertise within the Group to access opportunities and co-invest with an aim to increase investment returns over the long-term.

Guardian Group Trust has also embarked on the development of a new line of business in Investment Banking. We have started to build out this unit and have successfully completed several deals in the last year. We consider this expertise to be complimentary to the Group's business as long-term investors. Our focus will be, but not limited to small and medium businesses with funding needs. We aim to match borrower needs with the needs of the investors and offer tailor-made funding and investment solutions. We see this initiative as a valuable addition to the business lines for GAM and the Group in general.

National Day of Caring,
Trinidad and Tobago

CORPORATE
GOVERNANCE

CORPORATE GOVERNANCE REPORT

Guardian Group understands and takes very seriously its responsibility to strengthen and build upon the pillars of good corporate governance. In recent years, the Group has reinforced its commitment to maintain a governance framework of the highest standards while nurturing a culture that is compliant, transparent and accountable.

The following sections focus on the key aspects of the Group's Corporate Governance framework and its corporate governance activities for the financial year ended December 31, 2018.

Set out in the Appendix of this report are further details on the Group's corporate governance framework, structure and duties of the Board committees.

BOARD COMPOSITION

As at December 31, 2018 the Board of Guardian Holdings Limited (GHL) comprised twelve directors, of whom eleven are Non-Executive directors and of which five are Independent directors.

INDEPENDENT DIRECTORS

It is provided in Regulation 4.1 of By-Law No. 1 of the Company that at least thirty percent (30%) of the Board comprise Directors who satisfy the following criteria for independence contained in Regulation IA of the by-laws:

An Independent Director is a director who has no direct or indirect material relationship with the Company other than membership on the Board and who:

i) Is not and has not been in the past five years, employed by the Company or its affiliates

ii) Does not have and has not had in the past five years, a material business relationship with the Company or its affiliates (either directly or as a partner, shareholder) other than to the extent to which shares are held by such director pursuant to a requirement of applicable law to which the Company is subject relating to directors generally) and is not a director, officer or senior employee of a person that has or had such relationship)

iii) Is not affiliated with any non-profit organisation that receives significant funding from the Company or any of its affiliates

iv) Does not receive and has not received in the past five years any additional remuneration from the Company or its affiliates other than his director's fee and such director's fee does not constitute a significant portion of his annual income

v) Is not employed as an executive officer of another company where any of the company's Executives serve on that Company's Board of Directors

vi) Is not, nor has been at any time during the past three years, affiliated with or employed by a present or former auditor of the Company or any of its affiliates

vii) Does not hold a material interest in the Company or its affiliates (either directly or as partner, shareholder, Director, officer or senior employee of a person that holds such interest)

viii) Is not a member of the immediate family (and is not the executor, administrator or personal representative of any such person which is deceased or legally incompetent) of any individual who would not meet any of the tests set out in (i) to (vii) (were he a director of the Company)

ix) Is identified in the annual report of the Company distributed to the shareholders of the Company as an "Independent Director"

The Board annually considers and evaluates the independence of its directors and can confirm that the following five directors (being 42% of the Board) meet the criteria for independence. They are:

- Mr. Henry Peter Ganteaume (Lead Independent Director)
- Mr. David Philip Hamel-Smith
- Mr. Anthony Lancaster
- Mr. Charles Percy
- Mr. Maxim Rochester

MATERIAL CHANGES

In our 2017 Annual Report, an update was provided on the NCB Global Holdings Limited (NCBGH) Offer and Take-Over Bid to acquire up to seventy-four million, two hundred and thirty thousand, seven hundred and fifty (74,230,750) ordinary shares at a price of US $2.35 per ordinary GHL share in order to achieve a total shareholding of 62% of GHL. In that Report, GHL advised that the Trinidad and Tobago Securities and Exchange Commission (TTSEC) had convened a hearing before a hearing panel of the TTSEC to consider certain matters raised by a few GHL minority shareholders.

Following deliberations between the staff of the TTSEC and GHL during 2018, the Directors of GHL agreed in November 2018 to settle the matter on the basis that a settlement would be in the best interest of the company and its shareholders and would bring certainty to the local capital market.

GHL did so while not admitting liability in the matter and maintains that it was at all times in compliance with the Security Industry (Take-Over) By-Laws 2005. Notwithstanding that, the TTSEC imposed an administrative fine on GHL in the amount of three hundred thousand dollars ($300,000.00).

On December 31, 2018 NCBGH issued a revised Offer and Take-Over Bid to acquire up to seventy four million, two hundred and thirty thousand, seven hundred and fifty (74,230,750) ordinary shares of GHL in order to achieve a total shareholding of up to 62% of GHL at a revised price of US $2.79 per ordinary GHL share.

The directors of GHL issued their Directors' Circular in response to the bid on January 21, 2019. These documents are available on the company's website.

The Offer was scheduled to close on February 7, 2019 but was extended to February 14, 2019. At the time of printing this Annual Report the Closing Date of the Offer has been further extended to April 30, 2019 pending regulatory approval.

Messrs Arthur Lok Jack and Imitiaz Ahamad proceeded on a leave of absence from the Board and thereby from all board and committee meetings from December 31, 2018 until the Offer is concluded.

DIRECTOR CHANGES – DEPARTURES

Mr. Richard Espinet

Mr. Richard Espinet joined the Board of Guardian Holdings Limited on March 21, 2014 and served as a Director on the Boards of several Guardian Group companies including Guardian General Insurance Limited (GGIL) where he was also President. Mr. Espinet retired from Guardian Group October 31, 2018.

Guardian Group acknowledges with appreciation the contribution made by Mr. Espinet to the growth and success of the Group and extends its gratitude for his commitment and diligent service.

DIRECTORS CHANGES – ADDITIONS

Mr. Charles Percy was appointed to the Board of Guardian Holdings Limited with effect from November 15, 2018 to fill the vacancy created by the retirement of Mr. Richard Espinet.

Mr. Percy holds a B.Sc. in Electrical Engineering (Hons) from the University of the West Indies and an Executive Master of Business Administration from the University of the West Indies, Institute of Business. He recently retired as Managing Director and CEO of Methanex Trinidad Limited, where he continues to serve as a Board member. He has also served as Past President of Atlas Methanol Company and continues to serve as a Board member.

Mr. Percy's distinguished career spans 37 years in the energy and financial services sectors. He brings to the Board invaluable expertise and experience in successfully leading and transforming organisations.

DIRECTOR TRAINING

In November 2018, the Board embarked upon directors and senior management training in preparation for the implementation of the new accounting standard IFRS 17. This complex standard replaces IFRS 4, which was issued in 2005. The overall objective of IFRS 17 is to provide a more useful and consistent accounting model for insurance contracts among entities issuing insurance contracts globally. This standard becomes effective in January 2022 and training remains on-going to ensure our readiness.

The Board of Directors participated in a Corporate Governance workshop, held in November 2018. The workshop was facilitated by a lecturer from the Arthur Lok Jack Global School of Business and had as its primary objective the on-going improvement of the Group's framework of Corporate Governance.

COMMITTEE REPORTS

REPORT OF THE AUDIT, COMPLIANCE & RISK COMMITTEE

The Audit, Compliance & Risk Committee (the Committee) comprises five Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-laws. The Committee members are:

- Mr. Maxim Rochester (Chairman)
- Mr. Imtiaz Ahamad
- Mr. Dennis Cohen
- Mr. Henry Peter Ganteaume
- Mr. Anthony Lancaster

The Committee's Charter sets out its responsibilities in respect of compliance and risk matters, the financial statements, internal controls, the internal audit function and external audit.

MEETINGS

The Committee held five meetings in 2018 to discharge its responsibilities. The Group Chief Risk Officer, the Group Head Compliance Officer and representatives of the Group's Internal Audit department attended all meetings of the Committee and provided comprehensive reports on internal audit activities as well as all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group.

Following every meeting of the Committee, the Chairman certified to the Board the Committee's satisfaction that:

- Internal controls were functioning properly in those areas reviewed by Group Internal Audit
- Risk-Corrective actions identified by Management for implementation were being taken, or identified any exceptions thereto and management's committed remedial actions
- Compliance management issues identified had been satisfactorily resolved
- Risk management systems were operating effectively
- Risk management strategies had been consistently applied to minimise exposures to risk or that any exceptions thereto had been identified and action was being taken to address

STRUCTURE OF INTERNAL AUDIT

The Group Head Internal Audit is responsible for the overall Group Internal Audit function. Under a co-sourcing arrangement, PricewaterhouseCoopers has been engaged to supplement Group's Internal Audit capacity specifically in the area of information technology. Internal Audit has unfettered access to the GHL Audit, Compliance and Risk committee. The Group Head Internal Audit reports administratively to the Chief Executive Officer.

INDEPENDENCE OF INTERNAL AUDIT

The Committee is satisfied that the Internal Audit function has been discharged in an objective and transparent manner. Further, the Committee has satisfied itself that the performance of the function is not subject to management's undue influence.

INTERNAL CONTROL AND THE INTERNAL AUDIT FUNCTION

The ongoing assessment of the adequacy and effectiveness of the Group's internal control system is the primary responsibility of Internal Audit. During the year under review, weaknesses in Internal Controls noted by the internal auditors and management's risk-corrective actions were presented to the Committee at its quarterly meetings. The Committee has satisfied itself that approved risk-corrective actions have been taken.

EXTERNAL AUDIT

The Committee has assessed whether any circumstance existed that may reasonably affect the external auditors' independence. The external auditors have not been engaged to perform any non-audit related work that might impair their independence. Furthermore, the Committee has confirmed with the external auditors that there were no known relationships between the external auditors and the Group or its staff that might impact the external auditors' independence.

The Committee has reviewed and approved the external auditors' approach to and the scope of their examination of the financial statements for the 2018 financial year. The members are satisfied that the external auditors planned the audit to obtain reasonable assurance that the financial statements are free of material misstatement and present a fair view of the financial position of the Group as at December 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

FINANCIAL STATEMENTS

During 2018, the interim unaudited financial statements were presented to the Committee at its quarterly meetings for review and recommendation for adoption by the Board. The Committee is also satisfied that the audited financial statements contained in this Annual Report are complete, consistent with information known to its members and in conformity with approved accounting principles that have been consistently applied.

GROUP COMPLIANCE

The remit of the Group Compliance Unit is to provide assurance to the Board that the GHL Group of Companies complies with all applicable laws, regulations, internal policies, codes of conduct and standards of good practice in those jurisdictions in which the Group's businesses are located. The Unit is vested with the authority to formulate and establish procedures to facilitate the implementation and enforcement of the Group's Anti-Money Laundering Compliance Policy and the Group Compliance Policy adopted by the Board in 2004.

The Unit has established a compliance reporting framework throughout the Group and receives periodic compliance reports from the business units on compliance with applicable laws and regulations, regulatory developments and compliance issues. During the year under review, the Unit reported to the Committee on the status of each business unit's compliance, with applicable laws and regulations, regulatory developments and the follow up and resolution of compliance issues. The Committee is satisfied that compliance issues raised during the year have been properly followed up and resolved and that there are no material issues remaining unresolved at the year-end.

RISK MANAGEMENT

The primary objective of the Risk Management function is to provide value and protection to the Company by:

- Maintaining a comprehensive oversight of all financial and non-financial risk that may create an adverse effect on the Group's earnings and shareholder value
- Managing risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off

- Building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk
- Increasing our resistance to financial contagion and resilience to the impact of external events

During the year under review, the Committee focused on the following areas:

- The Group's risk appetite was reviewed by the Committee based on performance against set targets. The Chief Risk Officer has overall responsibility for monitoring the Group's risk appetite and reporting on performance to the Committee
- The Committee received regular Key Risk Indicator reports with details of the key risk exposures, the drivers of risk in the Group, emerging and potential risks, and actions taken to mitigate any risk that exceeded pre-established tolerance levels. The Committee also monitored the adequacy of the Group control framework. In particular, the Committee focused on assessing the Group's capital and liquidity positions, existing and emerging regulatory requirements and dynamic risk based models
- The Committee continued its focus on business continuity and IT security risks
- The Committee also has oversight of the Group's strategic initiatives and projects, including merger & acquisition activity
- The Committee received regular reports on regulatory and other public policy developments. In particular, it monitored the actions being taken by management in response to risk-based insurance supervisory enquiries as well as overall readiness for the passage of new legislation

REPORT OF THE REMUNERATION COMMITTEE

COMMITTEE STRUCTURE

The Committee comprises four Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-laws. The members of the Committee are:

- Mr. Henry Peter Ganteaume (Chairman)
- Mr. David Philip Hamel-Smith
- Mr. Patrick Hylton
- Mr. Antony Lancaster

The Board is satisfied that, as currently composed, the Committee demonstrates the required level of independent thought in its deliberations.

MEETINGS

During 2018, the Committee held four meetings at which the Committee conducted its regular business including the review of subsidiary directors' fees, CEO and senior executives' performance and the setting of their respective objectives, as well as consideration of succession plans for senior executive positions within the Group. Following consideration of these matters, recommendations were made by the Committee and approved by the Board to adjust directors' fees of some subsidiaries.

The Committee is satisfied that the remuneration of Directors and senior management is fair, reasonable and competitive.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

COMMITTEE STRUCTURE

The Committee comprises four Non-Executive Directors, three of whom also meet the criteria specified for independence in the Company's By-Laws. The members of the Committee are:

- Mr. David Philip Hamel-Smith (Chairman)
- Mr. Henry Peter Ganteaume
- Mr. Antony Lancaster
- Mr. Arthur Lok Jack

The Board is satisfied that as currently composed, the Committee demonstrates the required level of independent thought in its deliberations.

MEETINGS

The Committee held six meetings during 2018, at which the Committee conducted its regular business including:

- Reviewing the composition of board and committees of GHL and those subsidiarie
- Consideration of nominations for appointment to all boards within the Group
- Recommendation to the board, that Mr. Charles Percy be appointed as a new Independent, Non– Executive Director to the Board of Guardian Life of the Caribbean and Guardian Holdings Limited
- Reviewing the results of succession planning exercises undertaken during the year
- Receiving a report of a training program to develop internal talent
- Reviewing and updating Group Policies and Procedures

APPENDIX TO THE CORPORATE GOVERNANCE REPORT

FRAMEWORK FOR EFFECTIVE GOVERNANCE

The Board acknowledges its collective responsibility for the long-term success of the Company and has adopted a number of policies and procedures to support its effective discharge of this responsibility.

Prominent among these policies is the Corporate Governance Policy, which has established a formal mandate for stewardship of the Company including oversight of:

- Strategy and the achievement of its strategic plans
- Succession planning, training and induction programme for Board members and senior management
- Risk management
- Internal controls
- Material transactions
- Corporate governance
- Financial reporting
- Compliance
- Stakeholder communication

Specific responsibilities and authorities are delegated by the Board to the CEO. The primary objectives of the role of the CEO are to lead the management of the Company's business and affairs and to lead the implementation of the resolutions and policies of the Board of Directors.

ADOPTION OF TRINIDAD AND TOBAGO CORPORATE GOVERNANCE CODE

As a company with public accountability as defined in the Trinidad and Tobago Corporate Governance Code, GHL has adopted the Code on an "apply or explain basis" and its adherence to the Code is outlined in this report.

BOARD INFORMATION AND DECISION MAKING

The Corporate Governance policy sets the standard for information provided to directors. The policy requires that such information is relevant, concise, timely, well organised and supported by the necessary background which informs directors of the material aspects of the Company's business, performance and prospects. In order to allow directors to adequately prepare for meetings, information must be provided in due time to encourage thoughtful reflection and meaningful participation.

The Board is expected to meet at least quarterly to deal with routine business. Meetings are convened as necessary for special business matters such as strategic planning or major transactions. The Company is committed to managing its lines of business in a socially conscious way, while maintaining ethical corporate governance practices in all territories in which it operates. The Company also takes into account the legitimate interest and expectations of all stakeholders. During 2018, the Board held four regular board meetings and its annual shareholders' meeting. The average number of directors in attendance at board meetings was 84.2%.

COMMITMENT OF TIME

Non-Executive directors are required to sign terms of engagement, under which their commitment is acknowledged to attend Board meetings and devote such time and attention as necessary for proper discharge of duties and responsibilities as a director.

CONFLICTS OF INTERESTS

All directors and employees of the Company are subject to the GHL Conflict of Interest policy which requires full disclosure of any conflict or perceived conflict of interest and describes the process to manage that conflict. Compliance with the policy is monitored by the Corporate Governance Committee.

DIRECTOR TENURE

Directors are elected for stated terms not exceeding three years. Upon the expiration of the term of office, the performance of the director is reviewed by the Corporate Governance Committee prior to a recommendation being made on his/her nomination for re-election.

RELATIONSHIPS WITH SHAREHOLDERS

The Board has adopted a formal Disclosure Policy designed to provide accurate, timely and balanced disclosure of all material matters concerning the Company.

The Board is committed to facilitating the ownership rights of all shareholder groups, including minority and foreign shareholders and institutional investors. Provision is made for shareholders to have the opportunity to engage with the Company and participate effectively in annual and special meetings through the provision of proxies. External auditors and members of senior management and the Board are available at meetings with shareholders, to respond to shareholder questions. In addition to the statutory reporting requirements, each quarter's review is accompanied by a comprehensive report from the Chairman dealing with both the strategic and operational aspects of the Group's business.

COMMITTEES

In accordance with recognised principles of corporate governance, the Board has established standing Committees to assist in the discharge of its responsibilities. The standing Committees of the GHL Board are:

- The Audit, Compliance and Risk Committee
- The Remuneration Committee
- The Corporate Governance Committee

Each Committee is governed by a charter which sets out its responsibilities and the requirements for its composition. The composition of each Committee is reviewed on an annual basis by the Corporate Governance Committee, which makes recommendations to the Board in this regard. Each charter is reviewed annually by the relevant Committees and the Board. All Committees report periodically to the full Board and circulate Committee minutes and reports to all Directors. The authority of Committees is determined by the Board subject to any statutory prohibition against delegation.

Each Committee provides an annual report that is provided to shareholders in the Company's Annual report.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The purpose of the Audit Compliance and Risk Committee (ACRC) is to assist the Board in fulfilling its oversight responsibilities for:

- The integrity of the Group's financial statements
- The Group's external auditor's qualifications and independence
- The performance of the Group's internal audit function and its external auditors
- Establishing a sound system of risk oversight and management
- Reviewing management's recommendations on risk including risk appetite and risk profile
- Reviewing the polices, programmes and procedures to ensure compliance with all relevant legal and regulatory requirements and other relevant policies, standards and best practice
- Reviewing efforts to implement legal obligations arising from material agreements and undertakings

The ACRC's charter requires that it consists of at least three and no more than six members of the Board, a majority of whom are Non-Executive directors. The Committee is required to be chaired by a member who is a Non-Executive director. Each Committee member must be financially literate and at least one member is designated as the "financial expert", being a qualified accountant or having significant recent and relevant financial experience.

Committee members may not simultaneously serve on the audit committee of more than two public companies.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations pertaining to:

- The compensation of the Chairmen and members of the Boards of directors of all GHL Group companies
- The remuneration, performance and incentive awards of senior executives of all Group companies as identified from time to time by the Committee
- Succession programmes for GHL and its subsidiaries including the processes for recruitment, engagement, training and development and promotion of senior executives of the Group as identified from time to time by the Committee

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

The Company's Remuneration Policy is designed to provide competitive remuneration packages to attract, recruit and retain talent, taking into account market conditions and the long-term interest of the Company. This primary objective is achieved through participation in relevant compensation market surveys, at least every three years, using appropriate comparator organisations in the industry where the organisation competes for talent.

It also provides an opportunity for the organisation to recruit potential candidates both at the Director and senior executive levels, to ensure that not only academic qualifications, requisite skills, competencies supported by a proven track record be an integral part of the established criteria, but, more importantly, to ensure that there is a strategic fit.

Having attracted and successfully recruited, there must be a commitment to a system that supports continuous growth and development of talent through coaching and mentoring to ensure that incumbents remain at the cutting edge.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-Executive Directors are remunerated by means of a fixed annual retainer, with a separate annual retainer payable for service on standing Committees. Fees for service on ad hoc Committees are established at the time of formation of such Committees and consider the responsibilities and time commitments expected of Directors serving on such Committees. The Chairman of the Board and the Chairmen of Committees receive an additional annual retainer in recognition of the responsibilities attached to this office. The Board may also approve special fees, in addition to the annual retainer, for Directors who provide additional services on the Company's behalf other than the routine work ordinarily required of a Director.

The remuneration paid to Directors is determined by reference to the responsibilities and workload requirements, the size and complexity of the Group's operations and prevailing market practices.

Directors are provided with insurance cover under the Company's Directors & Officers Liability Insurance Policy and are reimbursed for expenses incurred in attending Board meetings such as airfare, accommodation and meals.

REMUNERATION OF EXECUTIVES (INCLUDING EXECUTIVE DIRECTORS)

Executive remuneration comprises fixed salary and benefits as well as variable components. The fixed salary considers standards in the market, the desired executive competencies and the needs of the Group from time to time. Standard benefits include membership of Group life, health and insurance plans as well as the provision of a motor vehicle. The variable component of the Group's executive remuneration is designed to reward and recognise excellent performance. It is linked to the achievement of specific, quantifiable, pre-established objectives that are closely aligned with the Group's strategic goals and objectives.

Executives who are Directors on the Board of GHL receive the same fees as Non-Executive Directors for such service. However, executives who serve as trustees, directors, committee members or other officers of boards, trusts, committees or other entities or organisations of the Group at the request of the Company receive no fees for such service.

CORPORATE GOVERNANCE COMMITTEE

The objectives of the Corporate Governance Committee are to develop, implement and periodically review guidelines for appropriate corporate governance of the GHL Group of Companies. The Corporate Governance Committee's (CGC) responsibilities include:

- Regularly reviewing the Corporate Governance Policy adopted by Board and recommending revisions as appropriate
- Developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees and overseeing the annual self-evaluations
- Developing, implementing and regularly reviewing an induction programme for newly appointed directors to Group Member companies
- Developing, implementing and regularly reviewing an ongoing education programme for directors of Group Member companies
- Reviewing annually the composition of the Boards of all GHL member companies and their committees and makes recommendations to the respective Boards with respect to changes thereof
- Interviewing all candidates for election or appointment as directors and making recommendations thereon to the board of respective Group companies
- Ensuring that the membership of the Board collectively provides appropriate years of experience and diversity of age as well as strong skill sets and to ensure corporate alignment of business initiatives with mission, values and long-term strategic plan

The existence of all Committees previously outlined is considered by GHL to be a key contributor to its corporate governance framework and evidence of the GHL commitment to best practice in the area of corporate governance. The Committees support the Board and essentially act in a review and advisory capacity.

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Guardian Holdings Limited for 2019 will be held at The Atrium, Guardian Group Corporate Centre, 1 Guardian Drive, Westmoorings, on May 9, 2019 at 10:00 in the morning for the following purposes:

1. To review and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2018 and the Reports of the Directors and Auditors thereon and for such purpose and (if thought fit) to pass the following resolution.

   "BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2018 and the Reports of the Directors and Auditors thereon be received and adopted"

2. To elect Directors for specified terms and for such purpose and (if thought fit) to pass the following resolutions:

   (a) That Mr. Arthur Lok Jack be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and

   (b) That Mr. Henry Peter Ganteaume be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and

   (c) That Mr. David Philip Hamel-Smith be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and

   (d) That Mr. Antony Lancaster be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1 and

   (e) That Mr. Maxim Rochester be and is hereby re-elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and

   (f) That Mr. Charles Percy be and is hereby elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and

   (g) That Ms. Patricia Ghany be and is hereby elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No.1;

3. To appoint Auditors and to authorise the Directors to fix their remuneration for the ensuing year and for such purpose and (if thought fit) to pass the following resolution.

   "BE IT RESOLVED THAT PricewaterhouseCoopers be appointed as auditors of the Company and that the Directors be authorised to fix their remuneration for the ensuing year"

By Order of the Board

Kabdulla

Corporate Secretary
March 20, 2019

NOTES TO THE NOTICE OF ANNUAL MEETING

1. MEETING REQUIREMENTS

Members are asked to observe the following requirements of the By-Laws for attendance and voting at the Annual Meeting.

Proxies

Members of the company entitled to attend and vote at the Meeting are entitled to appoint one or more proxies to attend and vote instead of them. A proxy need not also be a member. Where a proxy is appointed by a corporate member, the form of proxy should be executed under seal or be signed by its attorney, in fact.

Members who return completed proxy forms are not precluded, if subsequently they so wish, from attending the Meeting instead of their proxies and voting in person.

Representatives of Corporations

Corporate members are entitled to attend and vote by a duly authorised representative who need not himself be a member. Such appointment must be by resolution of the Board of Directors of the corporate member.

Delivery to the Company

Any instrument appointing a proxy (including an instrument evidencing the authority pursuant to which it is executed) or evidencing the authority of a representative of a corporate member, must be completed and deposited with the Secretary at the Company's Registered Office, 1 Guardian Drive, Westmoorings, Trinidad and Tobago not less than 48 hours before the time for holding the meeting or adjourned meeting.

Proof of Identity

Members are also reminded that the By-Laws provide that the Directors may require that any member, proxy or duly authorised representative provide satisfactory proof of his identity before being admitted to the Annual Meeting.

Persons Entitled to Notice

In accordance with section 110(2) of the Companies Act Ch. 81:01 the Directors of the Company have fixed March 18, 2019 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. Only shareholders on record at the close of business on March 18, 2019 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

2. DIRECTORS' CONTRACTS

There are no contracts during or at the end of the year ended December 31, 2018 in which a director of the company is or was materially interested and which is or was significant in relation to the company's business.

There are no service contracts between a director and the company or any subsidiary company which has a term of 10 years or more and cannot be determined without payment of compensation.

Ride for Roses, Curaçao

COMPANY
FINANCIALS

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matters	How our audit addressed the key audit matter
Estimates used in the calculation of Insurance Contracts' Liability	
The Group has significant insurance liabilities of TT$16.9 billion representing 71% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgment and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short term insurance contracts. Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long term insurance contracts. For short term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience. The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data or the design or application of the models.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, investment returns, policy maintenance and administrative expenses, inflation and tax rates. • Recalculation of technical provisions produced by the models on a sample basis. • An assessment of the internal controls regarding the maintenance of the policyholder database and the completeness and accuracy of the data underlying the valuations. • An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. • We considered whether the Group's disclosures in Notes 2, 4 and 20 of the consolidated financial statements in relation to insurance contract liabilities were compliant with the relevant accounting requirements.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)	How our audit addressed the key audit matter (continued)
Fair value measurement of investments, freehold properties and investment properties and related disclosures	
The Group invests in various asset classes, of which 46% or TT$12.5 billion is carried at fair value in the statement of financial position. Of these assets, 70% or TT$8.7 billion are related to investments for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets in Note 42 within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosures are complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 and Level 3 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. External valuators are involved in the valuation of freehold and leasehold properties and investment properties.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guideline. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. With respect to the valuation of freehold properties and investment properties, our valuation experts considered the objectivity, independence and expertise of the external appraisers. They also assessed the correctness of the property-related data used as input for the valuations, analyzed the valuations and challenged the underlying assumptions. We further evaluated the adequacy of the disclosures on the valuation of freehold properties and investment properties included in notes 2.5, 2.6, 5 and 6 of the consolidated financial statements. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk in notes 3 (d) and 42.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)	How our audit addressed the key audit matter (continued)
IFRS 9 Financial Instruments and related disclosures	
The Group adopted IFRS 9, Financial Instruments effective 1 January 2018. The standard introduced a new classification and measurement approach for financial instruments. Financial instruments are classified as follows on the basis of their contractual cash flows and the business model under which they are held: - At fair value through profit or loss (FVPL), or - Amortised cost, or - Fair value through other comprehensive income (FVOCI) The standard changes the evaluation of credit losses from an incurred approach to an expected credit loss ("ECL") model which requires management judgment and incorporation of forward-looking information. IFRS 9 requires the Group to record an allowance for ECLs on all financial instruments not carried at FVPL. This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. The areas of significant judgment include: - Determining the criteria for a significant increase in credit risk - Techniques used to determine probability of default (PD) and loss given default (LGD); and - Selection of forward-looking macroeconomic scenarios These areas of judgment required a new IFRS 9 methodology to be established and new models to be built and implemented to measure expected credit losses. Differences between previously reported and new carrying amounts of financial instruments as a result of the implementation of the new ECL model as at 1 January 2018 of TT$276.7 million have been recognized in opening retained earnings.	We obtained an understanding of the Group's business models and for a sample of investments ensured that the financial instruments were classified in accordance with the approved business models. We used our valuation experts to assess the reasonableness of the IFRS 9 ECL Methodology implemented by the Group. Particularly our valuation experts assessed the Group's approach regarding significant increase in credit risk criteria, techniques used to determine PDs and LGDs and the incorporation of forward-looking information. We also compared the Group's IFRS 9 ECL Methodology to the requirements of the standard. We assessed the opening retained earnings adjustments as at 1 January 2018 in relation to the adoption of the new standard. We tested the ECL model by performing the following: - Verified the PDs, LGDs, Exposure at Default (EAD) and key data input fields such as nominal amount, credit ratings, effective interest rates, financial statement values, maturity dates and issue dates to source documents. - Recalculated the 12-month and Life-Time ECL for a sample of instruments to ensure that they were in accordance with the approved IFRS 9 Group Methodology. - Tested that the threshold for a significant increase in credit risk was appropriately applied. - Obtained an understanding of the forward looking macroeconomic assessment and ensured that any adjustments to credit ratings were appropriately applied in the ECL models. - Tested the completeness of the amounts assessed for impairment. Finally, we assessed the disclosures included in notes 2.9, 2.11, 4.2.3(e), 49 and 50 of the consolidated financial statements considering whether they satisfy the requirements of IFRSs.

Report on the Audit of the Consolidated Financial Statements (continued)

Other information included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit, Compliance and Risk Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

The Audit, Compliance and Risk Committee is responsible for overseeing the Group's financial reporting process.

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit, Compliance and Risk Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner in charge of the audit resulting in this independent auditor’s report is Adrienne D’Arcy.

Ernst & Young

Port of Spain,

TRINIDAD:

28 February 2019

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018 | Expressed in Trinidad and Tobago Dollars

	Notes	2018 $'000	2017 $'000
Assets			
Property, plant and equipment	5	620,384	602,744
Investment properties	6	1,477,465	1,454,364
Intangible assets	7	512,490	528,985
Investment in associated companies	8	232,041	220,844
Investment securities	9	17,107,289	16,640,755
Investment securities of mutual fund unit holders	9	1,079,888	1,011,404
Loans and receivables	10	2,121,715	2,302,980
Properties for development and sale	11	104,115	103,475
Pension plan assets	12	67,655	82,957
Deferred tax assets	13	61,311	40,130
Reinsurance assets	14	1,396,965	2,211,824
Deferred acquisition costs	15	98,061	92,615
Taxation recoverable		129,592	163,179
Cash and cash equivalents	16	2,084,426	2,059,318
Cash and cash equivalents of mutual fund unit holders	16	213,810	371,062
Total assets		27,307,207	27,886,636
Equity and liabilities			
Share capital	17	1,992,656	1,993,473
Reserves	18	(439,603)	(395,592)
Retained earnings		1,845,006	1,701,933
Equity attributable to owners of the parent		3,398,059	3,299,814
Non-controlling interests in subsidiary	19	22,573	23,071
Total equity		3,420,632	3,322,885

	Notes	2018 $'000	2017 $'000
Liabilities			
Insurance contracts	20	16,928,454	17,132,813
Financial liabilities	21	2,327,404	2,347,739
Investment contract liabilities	22	1,989,373	1,989,472
Third party interests in mutual funds	23	1,021,592	1,177,879
Pension plan liabilities	12	69,994	130,208
Post-retirement medical benefit obligations	24	121,245	105,804
Deferred tax liabilities	13	314,730	273,352
Provision for taxation		68,032	58,026
Other liabilities	25	1,045,751	1,348,458
Total liabilities		23,886,575	24,563,751
Total equity and liabilities		27,307,207	27,886,636

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

On 28 February 2019, the Board of Directors of Guardian Holdings Limited authorised these consolidated financial statements for issue.

Director: Director:

Consolidated Statement of Income

FOR THE YEAR ENDED 31 DECEMBER 2018 | Expressed in Trinidad and Tobago Dollars

	Notes	2018 $´000	2017 $´000
Insurance activities			
Insurance premium income	26 (a)	5,822,692	5,447,404
Insurance premium ceded to reinsurers	26 (b)	(1,669,844)	(1,528,838)
Reinsurance commission income		305,888	273,790
Net underwriting revenue		4,458,736	4,192,356
Policy acquisition expenses	27	(720,877)	(683,427)
Net insurance benefits and claims	28	(2,874,559)	(3,105,830)
Underwriting expenses		(3,595,436)	(3,789,257)
Net result from insurance activities		863,300	403,099
Investing activities			
Investment income	29	903,824	876,092
Net realised gains on financial assets measured at amortised cost	30	14,966	–
Net realised gains on other assets	31	32,487	14,899
Net fair value (losses)/gains	32	(11,693)	245,573
Fee income	33	54,648	53,355
Other income	34	50,908	68,418
Investment contract benefits		(63,572)	(67,380)
Net income from investing activities		981,568	1,190,957
Fee and commission income from brokerage activities		150,003	138,311
Net income from all activities		1,994,871	1,732,367
Net impairment losses on financial assets	35	(1,329)	(5,750)
Operating expenses	36	(1,170,560)	(1,096,155)
Finance charges	37	(135,522)	(128,893)
Operating profit		687,460	501,569
Share of after tax profits of associated companies	8	17,045	18,646
Profit before taxation		704,505	520,215
Taxation	38	(164,632)	(109,924)
Profit after taxation		539,873	410,291
Profit attributable to participating policyholders	20.1(d)	(4,693)	(1,142)
Profit for the year		535,180	409,149
Profit attributable to non-controlling interests		(1,269)	(2,540)
Profit attributable to equity holders of the parent		533,911	406,609
Earnings per share			
- Basic	39	$ 2.30	$ 1.75

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

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018 | Expressed in Trinidad and Tobago Dollars

	Notes	Other reserves 2018 $'000	Other reserves 2017 $'000	Retained earnings 2018 $'000	Retained earnings 2017 $'000	Non-controlling interests 2018 $'000	Non-controlling interests 2017 $'000	Total 2018 $'000	Total 2017 $'000
Profit for the year		–	–	533,911	406,609	1,269	2,540	535,180	409,149
Other comprehensive (loss)/income									
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations		(67,415)	153,357	–	–	126	(316)	(67,289)	153,041
Net fair value losses on debt securities at fair value through other comprehensive income		(58,819)	–	–	–	–	–	(58,819)	–
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income	35	3,085	–	–	–	–	–	3,085	–
Net losses on disposal of debt securities at fair value through other comprehensive income		(14,314)	–	–	–	–	–	(14,314)	–
Taxation relating to components of other comprehensive income		1,014	–	–	–	–	–	1,014	–
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss		(136,449)	153,357	–	–	126	(316)	(136,323)	153,041
Items that will not be reclassified subsequently to profit or loss:									
Losses on property revaluation		(3,057)	(3,073)	–	–	–	–	(3,057)	(3,073)
Remeasurement of pension plans	12	–	–	45,753	(81,742)	–	–	45,753	(81,742)
Remeasurement of post-retirement medical benefit obligations	24	–	–	(10,634)	(12,025)	–	–	(10,634)	(12,025)
Other reserve movements		–	–	(1,540)	(29,916)	–	–	(1,540)	(29,916)
Taxation relating to components of other comprehensive income		(482)	(447)	(1,349)	1,360	–	–	(1,831)	913
Net other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss		(3,539)	(3,520)	32,230	(122,323)	–	–	28,691	(125,843)
Other comprehensive (loss)/income for the period, net of tax		(139,988)	149,837	32,230	(122,323)	126	(316)	(107,632)	27,198
Total comprehensive income/(loss) for the period, net of tax		(139,988)	149,837	566,141	284,286	1,395	2,224	427,548	436,347

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

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018 | Expressed in Trinidad and Tobago Dollars

	Attributable to equity holders of the parent					
	Share capital $´000	Reserves (Note 18) $´000	Retained earnings $´000	Total ordinary shareholders´ equity $´000	Non-controlling interests $´000	Total equity $´000
Balance at 1 January 2018	1,993,473	(395,592)	1,701,933	3,299,814	23,071	3,322,885
Impact of initial application of IFRS 9 (Note 49)	–	95,358	(276,663)	(181,305)	(595)	(181,900)
Balance at 1 January 2018 - restated	1,993,473	(300,234)	1,425,270	3,118,509	22,476	3,140,985
Unallocated shares movement	11,078	–	–	11,078	–	11,078
Total comprehensive income/(loss)	–	(139,988)	566,141	426,153	1,395	427,548
Transfer to/from retained earnings	–	619	(619)	–	–	–
Share option scheme:						
- value of lapsed options (Note 17)	(11,895)	–	11,895	–	–	–
Dividends (Note 40)	–	–	(157,681)	(157,681)	(1,298)	(158,979)
Balance at 31 December 2018	1,992,656	(439,603)	1,845,006	3,398,059	22,573	3,420,632
Balance at 1 January 2017	2,032,282	(547,186)	1,556,032	3,041,128	22,467	3,063,595
Unallocated shares movement	(11,145)	–	–	(11,145)	–	(11,145)
Total comprehensive income	–	149,837	284,286	434,123	2,224	436,347
Transfer to/from retained earnings	–	1,757	(1,757)	–	–	–
Share option scheme:						
- value of lapsed options (Note 17)	(6,127)	–	6,127	–	–	–
- repurchased vested options (Note 17)	(21,537)	–	12,618	(8,919)	–	(8,919)
Dividends (Note 40)	–	–	(155,373)	(155,373)	(1,620)	(156,993)
Balance at 31 December 2017	1,993,473	(395,592)	1,701,933	3,299,814	23,071	3,322,885

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

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2018 | Expressed in Trinidad and Tobago Dollars

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before taxation		704,505	520,215
Adjustment for specific items included on the accruals basis:			
- Finance charges		135,522	128,893
- Investment income		(918,327)	(890,823)
Adjustment for non-cash items	41	79,204	(259,300)
Interest received		808,436	831,049
Dividends received		111,032	90,285
Operating profit before changes in operating assets/liabilities		920,372	420,319
Net (decrease)/increase in insurance liabilities		(446,546)	2,475,337
Net decrease/(increase) in reinsurance assets		814,859	(1,421,027)
Net (decrease)/increase in investment contracts		(99)	177,711
Purchase of investment securities		(5,470,369)	(5,226,716)
Proceeds from sale of investment securities		5,200,953	4,328,699
Purchase of/additions to investment properties		(56,901)	(64,386)
Proceeds from sale of investment property		–	14,500
Additions to properties for development and sale		(1,092)	(2,978)
Proceeds from sale of properties for development and sale		–	7,144
Net increase in loans and receivables		(153,559)	(326,061)
Net (increase)/decrease in other operating assets/liabilities		(343,009)	374,127
Cash provided by operating activities		464,609	756,669
Interest paid		(150,644)	(138,757)
Net taxation paid		(93,888)	(108,775)
Net cash provided by operating activities		220,077	509,137

	Notes	2018 $'000	2017 $'000
Cash flows from investing activities			
Acquisition of subsidiaries		–	(13,498)
Purchase of property, plant and equipment	5	(75,584)	(61,194)
Proceeds on sale of property, plant and equipment		2,320	6,177
Purchase of intangible assets	7	(4,944)	(3,782)
Net cash used in investing activities		(78,208)	(72,297)
Cash flows from financing activities			
Repurchase of vested options		–	(8,919)
Proceeds from borrowings		225,111	250,290
Repayments of borrowings		(244,390)	(78,810)
Dividends paid to equity holders of the parent	40	(157,681)	(155,373)
Dividends paid to non-controlling interests		(1,298)	(1,620)
Net (redemptions from)/subscriptions to mutual funds		(109,181)	69,753
Net cash (used in)/provided by financing activities		(287,439)	75,321
Net (decrease)/increase in cash and cash equivalents	16	(145,570)	512,161

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

1. INCORPORATION AND PRINCIPAL ACTIVITIES OF THE GROUP

Guardian Holdings Limited (the 'Parent' and ultimate parent) was incorporated in Trinidad and Tobago on 8 November 1982. It is a public limited liability holding company. The address of its registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

Guardian Holdings Limited and its subsidiaries (the 'Group') constitute a diversified financial services group engaged in underwriting all classes of long-term and short-term insurance business, insurance brokerage operations, the provision of pension and asset management services, and property development. The Group conducts its operations through subsidiaries and associated companies.

The ordinary shares of the Parent are listed on the Trinidad and Tobago Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, except as described below.

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS'). They have been prepared under the historical cost convention, except for the following classes of assets which are stated at fair value in compliance with the relevant IFRS: land and buildings, investment properties and financial assets at fair value through profit or loss or other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

(a) New standards and amendments/revisions to published standards and interpretations effective in 2018

The following amendments to published standards and interpretations are mandatory for the Group's accounting periods beginning on or after 1 January 2018:

IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

- ***Classification and measurement of financial assets and liabilities***

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. Under IFRS 9 entities initially measure a financial asset at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction cost.

Debt instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost (AC) or fair value through other comprehensive income (FVOCI). Equity instruments are generally measured at FVPL. However, entities have an irrevocable option, on an instrument-by-instrument basis, to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. For financial liabilities designated at FVPL, the change in fair value that is attributable to changes in credit risk is presented in OCI and the remaining amount of change in the fair value is presented in profit or loss.

- ***Impairment***

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. The new impairment model applies to debt instruments measured at AC or FVOCI, most loan commitments, financial guarantee contracts, lease receivables and to contract assets.

Entities are required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL is the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For trade receivables, a simplified approach may be applied whereby the lifetime ECL is always recognised on initial recognition.

- ***Hedge accounting***

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, that is, fair value hedges, cash flow hedges and net investment hedges. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2018 (continued)

- ***Hedge accounting (continued)***

Retrospective assessment of hedge effectiveness is no longer required.

The Group has adopted IFRS 9, which resulted in fundamental changes to accounting for its financial assets. Hedge accounting is not applicable to the Group. There are no changes to the Group's classification of nor accounting for financial liabilities.

The changes in accounting and disclosures that resulted from the adoption of IFRS 9 are described in Notes 2.9 and 2.11(a), and the impact of the initial application is disclosed in Note 49.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all previous revenue requirements in IFRS (IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services) and establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, unless the contracts are in the scope of other standards. Its requirements also provide a model for the recognition and measurement of gains and losses on disposal of certain non-financial assets, including property, plant and equipment and intangible assets.

The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 must be applied using a five-step model:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. IFRS 15 also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

IFRS 15 does not have a material impact on the Group's existing accounting policies and did not require retrospective adjustments.

Amendments to IAS 40 Investment Property: Transfers of Investment Property

The amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

The amendments had no impact on the Group's consolidated financial statements.

International Financial Reporting Interpretations Committee (IFRIC) 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for the item has been paid or received in advance in a foreign currency, which resulted in the recognition of a non-monetary asset or a non-monetary liability (e.g. non-refundable deposit or deferred revenue).

The interpretation specifies that the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, an entity must determine a date of the transactions for each payment or receipt of advance consideration.

The adoption of this interpretation did not have a material impact on the Group.

Annual Improvements to IFRSs 2014 - 2016 Cycle

Amendments to IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss on an investment-by-investment basis

IAS 28 allow venture capital organizations, mutual funds, unit trusts and similar entities (including investment-linked insurance funds) to elect measuring their investments in joint ventures and associates at fair value through profit or loss. The amendments clarify that this election can be made on an investment-by-investment basis, upon initial recognition.

The amendments also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2018 (continued)

Annual Improvements to IFRSs 2014 - 2016 Cycle (continued)

Amendments to IAS 28 Investments in Associates and Joint Ventures - Measuring investees at fair value through profit or loss on an investment-by-investment basis (continued)

becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments had no impact on the Group's consolidated financial statements.

(b) New standards and amendments/revisions to published standards and interpretations effective in 2018 but not applicable to the Group

The following new IFRS amendments that have been issued do not apply to the activities of the Group:

- Amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRSs 2014 - 2016 Cycle:
    - IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters

(c) New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Group

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2018 and have not been early adopted by the Group. For all standards, interpretations and amendments effective 1 January 2019, the Group is currently evaluating the impact, if any, of adoption. It is not expected that they will have a material impact on the consolidated financial statements.

Effective 1 January 2019:

- IFRS 9 Financial Instruments - Amendments - Prepayment Features with Negative Compensation
- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.
- IFRS 16 Leases
- IAS 19 Employee Benefits - Amendments - Plan Amendment, Curtailment or Settlement
- IAS 28 Investment in Associates and Joint Ventures - Amendments - Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRSs 2015 - 2017 Cycle:
    - IFRS 3 Business Combinations - Previously held interests in a joint operation
    - IFRS 11 Joint Arrangements - Previously held interests in a joint operation
    - IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity
    - IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective 1 January 2020:

- Conceptual Framework for Financial Reporting

Effective 1 January 2022:

- IFRS 17 Insurance Contracts

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see Note 2.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of income.

All intra-group transactions and balances are eliminated on consolidation. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

A listing of the Group's principal subsidiaries is set out in Note 46.

(b) Associated companies

The Group's investment in associated companies is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in associates is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. The consolidated statement of income reflects the share of the results of operations of the associates. When there has been a change recognised directly in the equity of the associates, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity.

The financial statements of the associates are prepared for the same reporting period as the Parent. Where necessary, adjustments are made to bring their accounting policies in line with the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each consolidated statement of financial position date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the amount in the consolidated statement of income.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale.

A listing of the Group's associates is set out in Note 46.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Mutual funds

The Group manages a series of mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. These funds invest mainly in equity securities, debt securities and cash and cash equivalents.

As at the consolidated statement of financial position date, the Group has determined that it controls, as defined in note 2.2 (a), specific funds. Similar to the Group's consolidation of its subsidiaries, the assets and liabilities of these funds have been consolidated in the financial statements on a line-by-line basis. The carrying value of the total investments and cash held by the funds are recorded as investment securities of mutual fund unit holders and cash and cash equivalents of mutual fund unit holders respectively on the consolidated statement of financial position. Interests held by external parties in the funds that are consolidated are recorded as third party interest in mutual funds on the consolidated statement of financial position.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments. For management purposes, the Group is organised into business units based on their products and services and has three main reportable operating segments:

(i) Life, health and pension;

(ii) Property and casualty (including insurance brokerage); and

(iii) Asset management.

All other activities of the Group that do not fall into the segments above are aggregated and reported under 'Other including consolidation adjustments'. These activities include the following: the Group's property development in Martinique, the Group's investment in RGM Limited, the Group's shared services subsidiary and the activities of the Parent.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to those with third parties. Segment income, expenses and results will include those transfers between segments, which will then be eliminated on consolidation.

2.4 Foreign currency translation

(a) Translation of transactions in foreign currencies

The financial results of Guardian Holdings Limited, its subsidiaries and associates are prepared in the currency in which they conduct their ordinary course of business, which is referred to as functional currency.

Transactions occurring in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income.

(b) Translation to the presentation currency

In preparing the consolidated financial statements, the results and financial position of all the Group entities are translated from their respective functional currencies to Trinidad and Tobago dollars, the presentation currency, as follows:

(i) Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each consolidated statement of income are translated at average exchange rates; and

(iii) All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, liquidated or wound up, such exchange differences are recognised in the consolidated statement of income as part of the gain or loss on sale.

2.5 Property, plant and equipment

Freehold properties comprise mainly offices occupied by the Group and are shown at fair value, based on periodic, but at least triennial, valuations by external independent appraisers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged to the consolidated statement of comprehensive income. All other decreases are charged to the consolidated statement of income.

Land is not depreciated. Depreciation on other assets is charged over the estimated useful lives of the assets using the following rates and methods:

Freehold building	-	straight-line method, 2% per annum
Leasehold property	-	over the period of the lease
Air-conditioning equipment	-	declining balance method, 20% per annum
Motor vehicles	-	straight-line method, 20% per annum and reducing balance basis, 25% per annum
Other plant, machinery, office furniture & equipment	-	straight line method, 10 - 40% per annum

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income. When revalued assets are sold, the amounts included in the revaluation surplus account are transferred to retained earnings.

2.6 Investment properties

Freehold or leasehold properties held for long-term rental yields that are not occupied by the Group are classified as investment properties. Investment properties comprise freehold land and buildings. They are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is based on active market prices, adjusted as necessary, for any difference in the nature, location or condition of the specified asset. Fair value is determined annually by external independent appraisers. Investment properties are not subject to depreciation. Any appreciation or diminution in value is recognised in the consolidated statement of income.

If investment properties become owner-occupied, they are reclassified as property, plant and equipment, and their fair value at the date of reclassification becomes its cost for subsequent accounting periods. Alternatively, where properties classified as held for use become investment properties because of a change in use, these properties are accounted for as investment properties and any differences arising between the carrying amount and the fair value of these items at the date of transfer are recognised in the consolidated statement of comprehensive income. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of income.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Upon disposal, any surplus previously recorded in the property revaluation reserve in equity is transferred to retained earnings.

Properties under construction that are intended for sale, are classified as properties for development and sale. These balances are carried at the lower of cost and net realisable values (Note 2.8).

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the acquisition date. Goodwill on acquisition of subsidiaries is reported in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investments in associates. Goodwill has an indefinite useful life and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(b) Customer-related intangibles

Customer-related intangibles comprise renewal rights and relationships when a business is acquired. They are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, customer-related intangibles are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the intangibles over their useful lives, which range between 7 and 18 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(c) Brands

Brands acquired through direct purchase are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives, which is 11 years.

(d) Computer software and website development costs

Acquired computer software licenses and website development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and which will probably generate economic benefits exceeding costs beyond one year, are also recognised as intangible assets. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

2.8 Properties for development and sale

Properties for sale or under construction that are intended for sale, are classified as properties for development and sale. These balances are carried at the lower of cost and net realisable values. These properties include offices, retail shops and residential units.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated selling expenses. An external valuation specialist was engaged in determining the net realisable value for the office and retail shops, and a discounted cash flow model was used as there is a lack of comparable data because of the nature of the properties. For the residential units, data from binding sales transactions are used to assess the net realisable value.

Impairment losses on properties for development and sale are recognised in the consolidated statement of income when the net realisable value is lower than cost. Subsequently, where cost is less than the net realisable value, a reversal of any prior impairment losses is recognised in the consolidated statement of income. This cannot exceed original cost.

Reclassification to investment properties are made when the Group enters into an operating lease with a third party. Transfers are done at fair value.

2.9 Financial assets (Policy applicable from 1 January 2018)

(a) Initial recognition and measurement

Financial assets are recognised when Group entities become a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of income.

The Group's financial assets include cash and short-term deposits, investment in debt and equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Classification and subsequent measurement

Debt instruments

Subsequent to initial recognition, the Group's debt instruments are measured in accordance with the business models determined by the Group's respective business units for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classified its debt instruments:

(i) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowance recognised. In addition to certain debt securities, the Group's loans and receivables are carried at amortised cost.

(ii) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss.

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the consolidated statement of income in the period in which it arises. The Group may, on initial recognition, irrevocably

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (Policy applicable from 1 January 2018) (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

The Group reclassifies debt instruments when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be infrequent.

Business model assessment

The Group's business units determine their business models at the level that best reflects how it manages groups of financial assets to achieve its business objective. Factors considered by the business units in determining the business model for a group of assets include:

- the stated policies and objectives for the group of assets and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets with the duration of any related liabilities or expected cash outflows or realising cash flows through sale of the assets;
- how performance of the group of assets is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

If cash flows after initial recognition are realised in a way that is different from original expectations, the business units do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets.

The solely payment of principal and interest (SPPI) test

`Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount). `Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and other basic lending risks and costs, as well as a profit margin.

Where the business model is to hold assets and collect contractual cash flows or to collect contractual cash flows and sell, the Group's business units assesses whether the financial assets' cash flows represent solely payments of principal and interest. In making this assessment, the business units considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. the definition of interest. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

Subsequent to initial recognition, the Group measures all equity investments at fair value, and changes in the fair value of equity instruments are recognised in the consolidated statement of income.

(c) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a `pass-through' arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (Policy applicable from 1 January 2018) (continued)

(c) Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received is recognised in the consolidated statement of income. In addition, on derecognition of an investment in a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to the consolidated statement of income.

(d) Modifications of financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different from that of the original asset. If the terms are substantially different, the Group derecognises the original financial asset and recognises a new financial asset at fair value. The date of modification is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the modification was driven by the debtor being unable to make the originally agreed payments.

If the cash flows of the modified asset are not substantially different, the modification does not result in derecognition of the financial asset. The Group recalculates the gross carrying amount of the financial asset based on revised cash flows, discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income.

2.10 Financial assets (Policy applicable prior 1 January 2018)

(a) Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, or held-to-maturity investments as appropriate. The Group determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the settlement date.

The Group's financial assets include cash and short-term deposits, debt securities, equity securities, interest receivable, receivables arising from insurance contracts and reinsurance contracts and other loans and receivables.

(b) Investment securities at fair value through profit or loss

Investment securities at fair value through profit or loss include investment securities held-for-trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held-for-trading. The Group's subsidiaries, with the exception of its asset management company, do not engage in trading investment securities. For investments designated at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the consolidated statement of income.

(c) Held-to-maturity investment securities

Non-derivative investment securities with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold until maturity. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. After initial measurement, held-to-maturity investment securities are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets (Policy applicable prior 1 January 2018) (continued)

(d) Loans and receivables (continued)

cost, using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(e) Derecognition of financial assets

A financial asset (or when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risk and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.11 Impairment of assets

(a) Financial assets (Policy applicable from 1 January 2018)

At each reporting date, the Group assesses, on a forward-looking basis, the expected credit losses (ECL) associated with its financial assets measured at amortised cost and fair value through other comprehensive income (excluding equity instruments).

The Group measures loss allowances on its debt instruments at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial asset, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date.

For receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Loss allowances for ECL are presented in the consolidated financial statements as follows:

- Financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets in the statement of financial position. Movement in ECL is recognised in the consolidated statement of income.
- Debt instruments measured at fair value through other comprehensive income: the loss allowance is recognised in the consolidated statement of income with the corresponding entry recognised in other comprehensive income.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

The quantitative assessment to identify whether a significant increase in credit risk has occurred for an exposure is performed by comparing:

- the remaining lifetime probability of default as at the reporting date; with
- the remaining lifetime probability of default for this point in time that was estimated at the time of initial recognition of the exposure.

The qualitative assessment to identify whether credit risk has increased significantly since initial recognition takes into account the following:

- Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of assets (continued)

(a) Financial assets (Policy applicable from 1 January 2018) (continued)

- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrated otherwise.

Despite the aforementioned, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt instruments carried at fair value through comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the debtor or issuer;
- A breach of contract, such as a default or past due event;
- The disappearance of an active market for a financial asset because of financial difficulties;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- Rating agencies' assessments of creditworthiness.

Definition of default

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the debtor is past due more than 90 days unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

In assessing whether a debtor is in default, the Group considers indicators that are qualitative, quantitative and based on data developed internally and obtained from external sources.

Write-off

The Group writes off financial assets, either partially or in full, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasing enforcement activity and where the Group's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

(i) Probability of default - an estimate of the likelihood of default over a given time horizon;

(ii) Loss given default - an estimate of the loss arising in the case where a default occurs at a given time; and

(iii) Exposure of default - an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Group includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organization for Economic

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of assets (continued)

(a) Financial assets (Policy applicable from 1 January 2018) (continued)

Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

Expected credit losses are measured as the present value of all cash shortfalls i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The mechanics of the expected credit losses method are summarised below:

- A financial instrument that is not credit-impaired on initial recognition, a 12-month ECL allowance is calculated. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the twelve months following the reporting date. The expected 12-month default probability is applied to a forecast exposure at default and multiplied by the expected loss given default, and discounted by the original effective interest rate.
- When a financial instrument has shown a significant increase in credit risk since initial recognition, the Group records an allowance for life-time ECL. The mechanics are similar to 12-month ECL calculation on a financial instrument that is not credit-impaired on initial recognition, but default probability and loss given default are estimated over the life of the instrument.
- A financial instrument that is credit-impaired, but is not a purchased or originated credit-impaired financial instrument, the Group records an allowance for lifetime ECL calculated similar to lifetime ECL on a financial instrument that has shown a significant increase in credit risk since initial recognition.
- Purchased or credit-impaired financial assets are assets that are credit-impaired on initial recognition. ECL on these assets are always measured on a lifetime basis, discounted by a credit adjusted effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the basis of shared risk characteristics that include: instrument type; credit risk ratings; nature, size and industry of debtors; collateral type; and geographic location of the debtor.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

(b) Financial assets carried at amortised cost (Policy applicable prior 1 January 2018)

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the loss is recognised in the consolidated statement of income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each consolidated statement of financial position date.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(c) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined on an individual asset basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Impairment of assets (continued)

(c) Impairment of non-financial assets (continued)

The Group bases its impairment calculations on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. For longer periods, a long-term growth rate is applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill and intangible assets are tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.12 Fair value measurement

The Group measures financial instruments and non-financial assets at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in either its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market. If there is no quoted price in an active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. Assets and liabilities, with the exception of freehold and investment properties, included in level 3 are held at cost, being the fair value of the consideration paid on acquisition, and are regularly assessed for impairment. Freehold and investment properties included in level 3 are held at fair value, which is the estimated replacement value.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of certain assets such as investment properties, freehold and leasehold properties and properties for development and sale. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, money market placements and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts, when they arise, are shown within borrowings in current financial liabilities on the consolidated statement of financial position.

Cash and cash equivalents are carried at amortised cost on the consolidated statement of financial position except for cash and cash equivalents allocated to unit-linked insurance contracts, which are carried at fair value through profit or loss.

2.15 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

2.16 Insurance and investment contracts

(a) Classification

The Group issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

A number of insurance contracts contain a discretionary participation feature (`DPF'), which entitles the holder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

a) That are likely to be a significant portion of the total contractual benefits;

b) Whose amount or timing is contractually at the discretion of the Group; and

c) That are contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract;

(ii) realised and/or unrealised investment returns on a specified pool of assets held by the Group; or

(iii) the profit or loss of the Group, fund or other entity that issues the contract.

The terms and conditions of these contracts set out the basis for the determination of the amounts on which discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Group's actuary or a locally appointed actuary.

(b) Recognition and measurement

Insurance contracts are classified into four main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

(i) Short-term insurance contracts

These contracts are principally property, motor, casualty (employers' liability, public liability), marine, group life and health insurance contracts. Health insurance contracts include both group and individual health insurance.

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks.

Motor insurance contracts indemnify the Group's customers for their legal requirement under the respective country's road traffic legislation, which in certain instances stipulate unlimited coverage for third party liability. These contracts may be extended for additional coverage such as physical damage, theft and personal accident.

Casualty insurance contracts provide coverage for liability exposures that indemnify the Group's customers against actions from third parties, which are subject to the policy limits and conditions. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and employers who become liable to pay compensation to third parties for bodily harm or property damage (public liability).

Marine insurance contracts indemnify the Group's customers for loss or damage to their insured cargo, commercial hull and pleasure craft vessels. Third party coverage is also provided.

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premiums received on in-force contracts that relate to unexpired risks at the consolidated statement of financial position date is reported as an unearned premium liability. Premiums are shown before deduction of commissions payable to agents and brokers and exclude any taxes or duties levied on such premiums. Premium income includes premiums collected by agents and brokers not yet received by the Group.

Unearned premiums represent the portion of premiums written in the current year that relate to periods of insurance subsequent to the consolidated statement of financial position date, calculated using either the three hundred and sixty-fifths method or the twenty-fourths method. Unearned premiums relating to marine cargo are calculated using 180 days after the first date of sailing. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders. They arise from events that have occurred up to the consolidated statement of financial position date, even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using techniques such as the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported (‘IBNR’), and to estimate the expected ultimate cost of more complex claims that may be affected by external factors such as court decisions. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are recognised within claims expense in the current year.

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF

These contracts insure events associated with human life over a long duration. Premiums are recognised as revenue when they become payable by the policyholder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when incurred.

A liability for policyholders’ benefits that are expected to be incurred in the future is established on acceptance of the insurance risk. The liability is based on the present value of estimated amounts for projected future premiums, claims, benefits, investment income and policy maintenance expenses. The liability is based on key assumptions made with respect to variables such as mortality, persistency, investment returns and expense inflation.

The liabilities are actuarially recalculated at each consolidated statement of financial position date and the change in the liability is recognised as an expense in the consolidated statement of income.

For the Trinidad and Tobago life insurance subsidiaries, actuarial liabilities are calculated using the Caribbean Policyholder Premium Method (CPPM) outlined in draft regulations issued by the Central Bank of Trinidad and Tobago. The Jamaican life insurance subsidiary uses the very similar Policyholder Premium Method as required under the Insurance Act 2001 of Jamaica. The calculations use current best estimates of future cash flows arising from the insurance contracts in force, with additional margins for adverse deviation for each material assumption. As experience unfolds, the resulting provisions for adverse deviations will be included in future income to the extent they are no longer required to cover adverse experience.

For the Dutch Caribbean life insurance subsidiaries, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Bank of Curaçao and St. Maarten and the Central Bank of Aruba.

Unit-linked and interest-sensitive insurance contracts

The premiums paid for these contracts contain an element that covers the insured event and another which is used to accumulate cash values available for withdrawal at the option of the policyholder. These cash values earn interest.

Unit-linked insurance contracts

For the Jamaican life insurance subsidiary, where the insurance contracts prescribe fixed and guaranteed terms and without DPF, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium that accumulates a cash value for the policyholder is recorded as a liability and is credited to the account of the policyholder in the respective segregated fund to which the contract is linked.

The liabilities arising from the unit-linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders’ liability balance, while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds’ liability balance. The Group bears no risk in relation to segregated funds’ liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms and without DPF (continued)

Unit-linked and interest-sensitive insurance contracts (continued)

The Group does not recognise in its consolidated financial statements the segregated funds' assets and liabilities in these unit-linked contracts.

The change in the liability arising from the insurance risk is recognised as an expense in the consolidated statement of income.

Interest-sensitive insurance contracts

The Jamaican life insurance subsidiary issues interest-sensitive policies for which the entire premium is recorded as premium income and there is no unbundling of the premium receipt between the insurance and investment components. The liability for the interest-sensitive policies is determined as the sum of the liability for the insured risk (as determined above for unit-linked policies) and the liability for the accumulated cash values. The entire liability for the interest-sensitive policies is recorded in insurance contracts.

The change in the overall liability for the interest-sensitive policies is recognised as an expense in the consolidated statement of income.

(iii) Long-term insurance contracts without fixed terms

Unit-linked insurance contracts

For the Trinidad and Tobago life insurance subsidiary, where the insurance contracts prescribe no fixed terms, the entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are actuarially calculated using the CPPM based on the expected future cash flows from these contracts. Some of the unit-linked annuity contracts contain guarantees that entitle the holders to a minimum guaranteed crediting rate over the life of the policy and provide for minimum annuity purchase rates. These guarantees are allowed for in the liability calculations.

(iv) Long-term insurance contracts with fixed and guaranteed terms and with DPF

In addition to death or life benefits, these contracts contain a DPF that entitles the holders to a bonus or dividend declared from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities. The actuarial calculations make allowance for future expected policyholder bonuses and dividends. Any changes in the total benefits due are recognised as charges in the consolidated statement of income and form part of increases in reserves for future benefits of policyholders.

(v) Investment contracts

The Group issues investment contracts including deposit administration contracts and individual deferred annuity contracts. Insurance premiums are recognised directly as liabilities. These liabilities are increased by credited interest or change in the unit prices and are decreased by policy administration fees, mortality and surrender charges and any withdrawals. Revenue consists of investment income and interest credited is treated as an expense.

(c) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included with claims expense in the current year.

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

Death and disability claims and surrenders are recognised in the consolidated financial statements in the year in which they have been notified.

Differences between the estimated claims and subsequent settlements are recognised in the consolidated statement of income in year of settlement.

(e) Deferred acquisition costs ('DAC')

Commissions paid to agents and brokers for property, casualty and short-duration life insurance contracts that are related to securing new contracts and renewing existing contracts are expensed over the terms of the policies as premium is earned. All other costs are recognised as expenses when incurred.

(f) Liability adequacy test

At each consolidated statement of financial position date, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate, the deficiency is recognised in the consolidated statement of income and the amount of the relevant insurance liabilities is increased.

(g) Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Insurance and investment contracts (continued)

(g) Reinsurance contracts held (continued)

Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and amounts advanced by reinsurers to settle claims arising from catastrophic events.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of income.

(h) Receivables and payables related to insurance contracts and investment contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of income.

(i) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). The estimated cost of claims includes a deduction for the expected value of salvage and other recoveries.

2.17 Borrowings

Borrowings are recognised initially at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the consolidated statement of income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the consolidated statement of income.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised.

2.18 Taxation

Taxation in the consolidated statement of income comprises current and deferred income tax.

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted or substantively enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the consolidated statement of income, except where it relates to items charged or credited to the consolidated statement of comprehensive income, in which case, deferred tax is also dealt with in the consolidated statement of comprehensive income.

2.19 Employee benefits

(a) Pension plans

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the relevant Group companies after taking account of the recommendations of the external qualified actuaries.

The plans are governed by trust/fund deeds and rules and are administered in accordance with the laws of the jurisdiction in which the plan resides. Responsibility for the governance of the plans, including investment strategies, lies with the Board of Trustees/Foundation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Employee benefits (continued)

(a) Pension plans (continued)

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The asset or liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the consolidated statement of financial position date less the fair value of plan assets. Plan assets exclude any insurance contracts issued by the Group.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the consolidated statement of income so as to spread the regular cost over the service lives of employees in accordance with the advice of a qualified actuary, who carries out full valuations of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses and the return on plan assets (excluding interest), are recognised immediately through other comprehensive income in the consolidated statement of comprehensive income.

The defined benefit plans mainly expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

The Group's contributions to the defined contribution pension plans are charged to the consolidated statement of income in the year to which they relate.

(b) Post-retirement medical benefit obligations

The Group's subsidiaries in Trinidad and Tobago and the Dutch Caribbean provide post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognised immediately through other comprehensive income in the consolidated statement of comprehensive income. External qualified actuaries carry out a valuation of these obligations.

(c) Long-term performance incentive plan

The Group operates a cash-based long-term performance incentive plan for eligible executives. Accruals are made annually based on the ultimate expected payments to eligible executives.

(d) Employee share ownership plan ('ESOP')

The employees of subsidiaries incorporated in Trinidad and Tobago have the option to receive their bonuses in cash and/or ordinary shares of the parent company purchased on the open market, in accordance with the terms outlined in the Trust Deed governing an approved ESOP. The Group recognises an expense within staff costs when bonuses are awarded.

(e) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obligated or where there is a past practice that has created a constructive obligation.

2.20 Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, for which it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is small.

2.21 Revenue recognition

Revenue comprises the fair value for services rendered after eliminating revenue within the Group. Revenue is recognised as follows:

(a) Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.16.

(b) Investment income

Interest income is recognised using the effective interest method. Interest income is calculated by applying the effective interest rate method to the gross carrying amount of financial assets, except for:

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition (continued)

(b) Investment income (continued)

- Purchased or originated credit-impaired financial assets, for which the credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- Financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost i.e. net of the expected credit loss provision.

Dividend income is recognised when the right to receive payment is established.

(c) Rental income

Rental income is recognised on an accrual basis.

(d) Realised and unrealised investment gains and losses

Realised and unrealised gains and losses on investments measured at amortised cost or fair value through profit or loss are recognised in the consolidated statement of income in the period in which they arise.

Unrealised gains and losses on investment securities measured at fair value through other comprehensive income are recognised in other comprehensive income. On derecognition, debt securities gains and losses accumulated in other comprehensive income are reclassified to the consolidated statement of income.

(e) Commission income

Commissions are recognised on the accrual basis.

(f) Fee income

Fees are earned from the management of the assets of the segregated funds and deposit administration funds and from general policy administration and surrenders. Fees are recognised in the period in which the services are rendered.

For the asset management companies in the Group, portfolio, asset management fees and other management advisory and service fees are recognised based on the applicable service contracts over the period in which the service is provided. Management fees and commissions arising from negotiating, or participating in the negotiation of a transaction for a third party are recognised on completion of the underlying transaction.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

2.23 Dividend distributions

Dividend distributions to the Parent's shareholders are recognised as an appropriation in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's Board of Directors.

2.24 Finance charges

Finance charges are recognised as an expense in the period in which they are incurred except to the extent that they are capitalised when directly attributable to the acquisition, construction or production of an investment property or in developing properties for sale.

2.25 Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the period.

2.26 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Such assets under management represent the managed funds administered by the Trust company.

2.27 Subscriptions and redemptions on mutual funds portfolio

(a) Subscriptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements could be subscribed based on the net asset value per unit of the underlying funds determined on each business day.

(b) Distributions - The net income and net realised capital gains of the various pools of mutual funds are calculated and accrued to the investor daily and distributed monthly. Investors have the option either to receive a cash distribution or to reinvest income distributions into units at the prevailing subscription price as at the date of distribution.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.27 Subscriptions and redemptions on mutual funds portfolio (continued)

(c) Redemptions - Units relating to the various pools of mutual funds consolidated in the Group's financial statements are redeemed at a price per unit based on the net asset value of the underlying funds published on the date that the request is made.

2.28 Comparative information

Where necessary, comparative data have been adjusted to conform to the presentation in the current year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that may affect the reported amounts of assets and liabilities during the succeeding financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims, in particular, for claims arising from motor, casualty and health insurance contracts. At 31 December 2018, the carrying amount of short-term insurance contracts (claims) was $1.7 billion (2017: $2.5 billion).

(b) Estimate of future benefit payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of future mortality, morbidity, administrative expenses, investment income and the variability in contract holder behaviour. Estimates are made as to the expected number of deaths, voluntary terminations and other events giving rise to cash flows for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard actuarial tables adjusted where appropriate to reflect the Group's own experience or expectations. Although the pattern of future cash flows may be close to that indicated by past experience, some deviation in that pattern is probable.

The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics and wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions may result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on historic yield patterns and current market returns as well as expectations about future economic and financial developments. See Note 4.1.4(d) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

The carrying amount of long-term insurance contracts as at 31 December 2018 was $14.4 billion (2017: $13.8 billion).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Group's business units in determining the business model for a group of assets are disclosed in Note 2.9(b).

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2018, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $6.6 billion (2017: $4.1 billion).The following table shows the effect on the profit or loss and fair value reserve to changes in the market yields.

	Effect on fair value reserve 2018		Effect on consolidated income 2018		Effect on consolidated income 2017	
	$'000	$'000	$'000	$'000	$'000	$'000
For the Trinidadian subsidiaries:						
Decrease/(increase) in market yields (+ / - 1%)	(28,010)	28,010	(11,105)	11,694	(43,197)	43,856
For the Jamaican subsidiaries:						
Decrease/(increase) in market yields (+ / - 2%)	(63,475)	63,475	(45,996)	45,996	(67,226)	67,226
For the Dutch Caribbean subsidiaries:						
Decrease/(increase) in market yields (+ / - 1%)	(72,509)	72,509	–	–	(67,953)	67,953

(e) Impairment losses on financial assets

The measurement of expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's expected credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the expected credit loss models that are considered accounting judgements and estimates include:

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

(e) Impairment losses on financial assets (continued)

- Development of ECL models, including the various formulas and the choice of inputs
- Selection of forward-looking macroeconomic scenarios to derive the economic inputs into the expected credit loss models
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default, exposure at default and loss given default

The Group regularly reviews its internal models in the context of actual loss experience and adjusts when necessary. The carrying amounts of expected credit loss allowance on financial assets are disclosed in Note 4.2.3(e).

(f) Impairment losses on loans and receivables (Critical accounting estimates and judgment prior 1 January 2018)

Prior to 1 January 2018 the Group followed the IAS 39 guidelines. The Group reviewed its asset portfolios to assess impairment on a periodic basis. In determining whether an impairment loss should be recognised in the consolidated statement of income, the Group made judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the underlying portfolios. The methodology and assumptions used for estimating both the amount and timing of future cash flows were reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of impairment provisions on loans and receivables as at 31 December 2017 was $123 million.

(g) Taxation

The Group is subject to income taxes in numerous jurisdictions. Estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(h) Held-to-maturity investments (Critical accounting estimates and judgment prior 1 January 2018)

Prior to 1 January 2018 the Group followed the IAS 39 guideline on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held-to-maturity. This classification required significant judgment. In making this judgment, the Group evaluated its intention and ability to hold such investments to maturity. If the Group failed to keep these investments to maturity other than for specific circumstances, for example, selling an insignificant amount close to maturity, it would be required to reclassify the entire category. The investments would therefore be measured at fair value, not at amortised cost. The carrying amount of held-to-maturity investments as at 31 December 2017 was $9.2 billion. If the entire class of held-to-maturity investments was tainted, the carrying value would have increased by $634 million as at 31 December 2017 with a corresponding entry in consolidated statement of income.

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from approved budgets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of impairment provisions on non-financial assets as at 31 December 2018 was $88 million (2017: $97 million).

(j) Post-employment benefits

In conducting valuation exercises to measure the effect of all post-employment benefit plans throughout the Group, the Group's external actuaries use judgment and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Note 12 and Note 24.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

4.1.1 Casualty insurance risks

(a) Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The Group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (subrogation).

The Group's reinsurance arrangements include non-proportional excess of loss placements on a per claimant and a per occurrence basis.

(b) Sources of uncertainty in the estimation of future claim payments

Claims on casualty contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a large element of the claims provision relates to claims incurred but not reported (IBNR). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted. The compensation paid on these contracts is the monetary awards granted for bodily injury suffered by employees (for employer's liability cover) or members of the public (for public liability cover). Such awards are lump-sum payments that are calculated as the present value of the lost earnings and rehabilitation expenses that the injured party will incur as a result of the accident.

The estimated cost of claims includes direct expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the consolidated statement of financial position date.

In calculating the estimated cost of unpaid claims (both reported and IBNR), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insurer until many years after the event that gave rise to the claims has happened. For casualty contracts, the IBNR proportion of the total liability is high and will typically display greater variability between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.1 Casualty insurance risks (continued)

(b) Sources of uncertainty in the estimation of future claim payments (continued)

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Note 20.2 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

4.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

Short-duration life insurance contracts are contracts that are typically of a short tenure, with the tenure being often determined by the length of an individual's time in employment. These contracts are mainly issued to employers to insure their commitments to their employees. The risk is affected by the nature of the industry in which the employer operates. The risk of death and disability will vary by industry.

The Group attempts to manage this risk through its underwriting and claims handling. Additionally, there is reinsurance on short-duration life insurance contracts.

(b) Sources of uncertainty in the estimation of future claim payments

There is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. The Group currently does so using conservative assumptions.

(c) Changes in assumptions

The Group's assumptions in respect of short duration life insurance contracts have not significantly changed from the prior year.

4.1.3 Property insurance contracts

(a) Frequency and severity of claims

For property insurance contracts, climatic changes give rise to more frequent and severe extreme weather events (for example, flooding and hurricanes) and their consequences (for example, subsidence claims). For certain contracts, the Group has also limited the number of claims that can be paid in any policy year or introduced a maximum amount payable for claims in any policy year.

The Group has the right to re-price the risk on renewal. It also has the ability to impose deductibles and reject fraudulent claims. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claims payment limits are always included to cap the amount payable on occurrence of the insured event. The cost of rebuilding properties, of replacement or indemnity for contents and the time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm or flood damage. The Group analyses the property exposures using in-house and external modelling tools and purchases sufficient reinsurance protection to cover its perceived liabilities.

The Group's reinsurance arrangements include proportional quota share and surplus arrangements and non-proportional excess of loss placements on a per claimant and a per occurrence basis.

(b) Sources of uncertainty in the estimation of future claim payments

Property claims are analysed separately for subsidence and non-subsidence claims. The development of large losses/catastrophes is analysed separately. Non-subsidence claims can be estimated with greater reliability, and the Group's estimation processes reflect all the factors that influence the amount and timing of cash flows from these contracts. The shorter settlement period for these claims allows the Group to achieve a higher degree of certainty about the estimated cost of claims and relatively little IBNR is held at year end. The longer time needed to assess the emergence of a subsidence claim makes the estimation process more uncertain.

4.1.4 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as in eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.

At present, these risks do not vary significantly in relation to the location of the risk insured by the Group. However, undue concentration could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

The Group manages these risks through its underwriting strategy and reinsurance arrangements. Medical selection is included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants. The Group uses excess of loss reinsurance contracts with retention limits that vary by product.

The table below presents the concentration of insured benefits across five bands per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. These tables do not include annuity contracts, for which a separate analysis is reported further below.

For the Trinidadian life insurance subsidiaries:

	2018 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	22,129,609	28.8%	21,503,424	38.6%
251 - 500 (TT$)	23,595,771	30.7%	19,274,653	34.6%
501 - 1,000 (TT$)	18,396,695	23.9%	11,200,542	20.1%
1,001 - 3,000 (TT$)	8,523,219	11.1%	3,165,062	5.7%
3,001 and over (TT$)	4,234,863	5.5%	515,289	1.0%
Total	76,880,157	100.0%	55,658,970	100.0%

	2017 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	21,927,030	30.0%	21,249,673	41.6%
251 - 500 (TT$)	22,276,889	30.5%	17,609,284	34.4%
501 - 1,000 (TT$)	17,161,558	23.5%	9,433,158	18.5%
1,001 - 3,000 (TT$)	7,838,300	10.7%	2,240,231	4.4%
More than 3,000 (TT$)	3,911,327	5.3%	592,898	1.1%
Total	73,115,104	100.0%	51,125,244	100.0%

The concentration risk in the respective bands has not changed from last year.

For the Jamaican life insurance subsidiary:

	2018 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	13,015,220	83.7%	12,639,976	89.9%
J$5,001 - 10,000 (TT$350 - TT$699)	1,445,185	9.3%	1,061,011	7.5%
J$10,001 - 15,000 (TT$699 - TT$1,049)	348,289	2.2%	166,956	1.2%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	243,986	1.6%	89,924	0.6%
J$20,001 and over (TT$1,398 and over)	499,501	3.2%	106,002	0.8%
Total	15,552,181	100.0%	14,063,869	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

	2017 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	12,471,835	84.9%	12,419,594	89.9%
J$5,001 - 10,000 (TT$350 - TT$699)	1,296,904	8.8%	1,079,607	7.8%
J$10,001 - 15,000 (TT$699 - TT$1,049)	306,273	2.1%	158,163	1.1%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	209,962	1.4%	75,559	0.5%
J$20,001 and over (TT$1,398 and over)	398,577	2.8%	76,807	0.7%
Total	14,683,551	100.0%	13,809,730	100.0%

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Dutch Caribbean life insurance subsidiaries:

Benefits assured per life $'000	2018 – Total benefits insured Before reinsurance TT$'000	%	After reinsurance TT$'000	%
NAF$0 - 500 (TT$0 - TT$1,769)	10,906,426	84.9%	10,657,959	89.8%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	1,320,521	10.3%	878,962	7.4%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	327,996	2.6%	204,713	1.7%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	170,689	1.3%	100,192	0.8%
More than NAF$2,000 (TT$7,075)	115,931	0.9%	32,970	0.3%
Total	12,841,563	100.0%	11,874,796	100.0%

The risk is concentrated in the lower value bands. This has not changed from last year.

Benefits assured per life $'000	2017 – Total benefits insured Before reinsurance TT$'000	%	After reinsurance TT$'000	%
NAF$0 - 500 (TT$0 - TT$1,769)	11,895,772	86.3%	11,654,884	90.9%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	1,320,974	9.6%	873,675	6.8%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	339,671	2.5%	189,968	1.5%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	113,260	0.8%	63,552	0.5%
More than NAF$2,000 (TT$7,075)	116,916	0.8%	42,457	0.3%
Total	13,786,593	100.0%	12,824,536	100.0%

The following tables for annuity insurance contracts illustrate the concentration of risk based on five bands that group these contracts in relation to the amount payable per annum, as if the annuity were in payment at the year end. The Group does not hold any reinsurance contracts against the liabilities carried for these contracts.

Insurance risk for contracts disclosed in this note is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. As a result, the amount of insurance risk is also subject to contract holder behaviour.

For the Trinidadian life insurance subsidiaries:

Annuity payable per annum per life	Total annuities payable per annum 2018 TT$'000	%	2017 TT$'000	%
0 - 5,000 (TT$)	6,578	4.1%	5,707	3.9%
5,001 - 10,000 (TT$)	20,933	13.2%	18,679	12.6%
10,001 - 20,000 (TT$)	36,632	23.0%	33,664	22.8%
More than 20,000 (TT$)	94,871	59.7%	89,741	60.7%
Total	159,014	100.0%	147,791	100.0%

The greatest concentration remains at the highest band, which is consistent with the prior year.

For the Jamaican life insurance subsidiary:

Annuity payable per annum per life	Total annuities payable per annum 2018 TT$'000	%	2017 TT$'000	%
J$ 0 - 200,000 (TT$0 - TT$13,980)	96,096	27.7%	89,391	29.1%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	34,344	9.9%	30,105	9.8%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	30,065	8.7%	26,964	8.8%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	22,261	6.4%	18,990	6.3%
More than J$500,000 (More than TT$34,950)	164,402	47.3%	141,286	46.0%
Total	347,168	100.0%	306,736	100.0%

The greatest risk concentration remains at the highest band and lowest band, which is consistent with the prior year.

For the Dutch Caribbean life insurance subsidiaries:

Annuity payable per annum per life	Total annuities payable per annum 2018 TT$'000	%	2017 TT$'000	%
NAF$0 - 10,000 (TT$0 - TT$35,900)	33,626	31.4%	31,792	30.9%
NAF$10,001 - 20,000 (TT$35,900 - TT$71,700)	24,023	22.4%	23,773	23.1%
NAF$20,001 - 30,000 (TT$71,700 - TT$107,600)	14,743	13.8%	14,360	13.9%
NAF$30,001 - 40,000 (TT$107,600- TT$143,400)	8,489	7.9%	8,248	8.0%
NAF$40,001 - 50,000 (TT$143,400 - TT$179,300)	6,686	6.2%	6,039	5.9%
More than NAF$50,001 (TT$179,300)	19,527	18.3%	18,833	18.2%
Total	107,094	100.0%	103,045	100.0%

The risk is spread over all bands, which is consistent with the prior year.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(b) Process used to decide on assumptions

For long-term insurance contracts, the Group determines assumptions in relation to future deaths and other benefits, voluntary termination, investment returns, administrative expenses and other items that are appropriate to the policies, their location and the local statutory reserving requirements. In the case of Jamaica and Trinidad and Tobago, the assumptions are best estimate assumptions with appropriate provisions for adverse deviations, consistent with the use of a Policy Premium Method valuation. For other territories, the assumptions used are those appropriate for traditional net premium valuation methods.

The nature and method of determining the significant assumptions made by the Group in the computation of policyholders' liabilities are described in the following paragraphs.

- **Mortality & morbidity**

  An appropriate base table of standard mortality or morbidity is chosen depending on the type of contract. Supplemental information, such as reinsurance rates, is used where standard tables are not available. An investigation into the Group's experience in recent years is performed, and the standard actuarial tables are adjusted where appropriate to reflect the Group's own experience or expectations. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements.

- **Voluntary terminations and persistency**

  Estimates of the amounts and timings of future benefit and premium payments are based on Group experience over extended periods. Voluntary termination and variable premium assumptions vary by product type and policy duration.

- **Investment returns**

  The computation of policyholders' liabilities takes into account projected net investment income on assets supporting policyholders' liabilities and income expected to be earned or foregone on reinvestment or financing of mismatched cash flows. In the absence of robust market information, long-term yields are determined using recent asset returns, current market expectations and relevant regulatory guidelines. Other information, such as macro-economic data and projections, is considered where available.

- **Policy maintenance expense and inflation**

  Amounts are included in policyholders' liabilities to provide for the future costs of administering policies in force. The expense base is determined from a review of current, recent and expected Group expense levels and allowance is made for future expense inflation.

- **Tax**

  It has been assumed that current tax legislation and rates for long-term insurance companies continue unaltered.

(c) Change in assumptions

Changes have been made to the assumptions used to determine the value of long-term insurance liabilities of the Jamaican and Trinidadian life insurance subsidiaries. The following tables present the effect of these changes.

	2018 $'000	2017 $'000
For the Trinidadian life insurance subsidiaries:		
Changes in expense assumptions	(27,076)	(25,317)
Changes in lapse assumptions	5,657	(104,253)
Changes in investment returns	(16,969)	237,977
Changes in mortality assumptions	(16,825)	(127,666)
Decrease in liabilities	(55,213)	(19,259)
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	1,489	25,855
Changes in lapse assumptions	10,485	(13,678)
Changes in investment returns	(109,343)	(58,934)
Other assumptions	(77,790)	(7,306)
Decrease in liabilities	(175,159)	(54,063)

For the Dutch Caribbean life insurance subsidiaries:

No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(d) Sensitivity analysis

The following tables present the sensitivity of the value of insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities.

	Change in variable 2018	Change in liability 2018 $'000	Change in variable 2017	Change in liability 2017 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	27,649	+ 10.0%	17,069
Improvement of annuitant mortality	+ 0.5%	35,796	+ 0.5%	37,130
Lowering of investment returns	- 1.0%	211,585	- 1.0%	210,238
Worsening of base renewal expense level	+ 5.0%	8,460	+ 5.0%	4,209
Worsening of expense inflation rate	+ 1.0%	19,138	+ 1.0%	10,525
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	51,834	+ 10.0%	63,950
Lowering of investment returns	- 2.0%	265,469	- 2.0%	303,947
Worsening of base renewal expense level	+ 5.0%	32,658	+ 5.0%	31,317
Worsening of expense inflation rate	+ 1.0%	90,920	+ 1.0%	89,222
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	16,728	+ 10.0%	17,934
Improvement of annuitant mortality	+ 10.0%	17,322	+ 10.0%	15,984
Lowering of investment returns	- 10.0%	1,110	- 10.0%	569
Worsening of base renewal expense level	+ 10.0%	3,493	+ 10.0%	3,279

	Change in variable 2018	Change in liability 2018 $'000	Change in variable 2017	Change in liability 2017 $'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	322	+ 10.0%	331
Lowering of investment returns	- 1.0%	9,069	- 1.0%	10,733
Worsening of base renewal expense level	+ 5.0%	161	+ 5.0%	145
Worsening of expense inflation rate	+ 1.0%	321	+ 1.0%	306
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	142	+ 10.0%	70
Lowering of investment returns	- 2.0%	7,244	- 2.0%	1,625
Worsening of basis renewal expense level	+ 5.0%	653	+ 5.0%	533
Worsening of expense inflation rate	+ 1.0%	1,442	+ 1.0%	925
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	32,645	+ 10.0%	31,977
Improvement of annuitant mortality	+ 10.0%	36,304	+ 10.0%	33,353
Lowering of investment returns	- 10.0%	241,210	- 10.0%	221,579
Worsening of base renewal expense level	+ 10.0%	28,122	+ 10.0%	30,999
Long-term insurance contracts without fixed terms:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	62,003	+ 10.0%	55,458
Improvement of annuitant mortality	+ 0.5%	64,828	+ 0.5%	61,689
Lowering of investment returns	- 1.0%	557,074	- 1.0%	484,598
Worsening of base renewal expense level	+ 5.0%	31,484	+ 5.0%	26,044
Worsening of expense inflation rate	+ 1.0%	62,393	+ 1.0%	49,511

The above analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), reinsurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The components of this financial risk are interest rate risk, equity price risk, foreign currency risk, liquidity risk and credit risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Risk management is carried out by Executive Investment Committees and Actuarial departments of operating units under policies approved by the Group's Board of Directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

4.2.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk - currency risk, interest rate risk and other price risk, each of which is considered below.

(a) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Group's main operations are in the Caribbean and in the Netherlands. The main exposure to risks are in respect to the US dollar, Antillean guilder, Jamaican dollar, Euro and the British pound. The Group's strategy for dealing with foreign exchange risk is to offset, as far as possible, foreign currency liabilities with assets denominated in the same currency.

Each subsidiary has an Executive Investment Committee, which has oversight for the management of currency risk. The Trinidad and Tobago insurance subsidiaries' exposure to currency risk is also mitigated by the requirements of the Insurance Act 1980, which does not allow more than 20% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

The tables below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December. The Group's assets and liabilities at carrying amounts are included in the table categorised by currency positions expressed in TT$ equivalents.

	TT $'000	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
As at 31 December 2018								
Total assets	9,564,315	6,916,385	4,669,812	3,335,438	158,212	1,195,097	1,467,948	27,307,207
Total liabilities	11,905,811	2,273,061	6,045,009	2,385,835	131,245	331,894	813,720	23,886,575
	(2,341,496)	4,643,324	(1,375,197)	949,603	26,967	863,203	654,228	3,420,632
As at 31 December 2017								
Total assets	9,242,332	8,069,041	4,519,197	3,184,231	225,774	1,196,220	1,449,841	27,886,636
Total liabilities	11,662,182	3,508,818	5,679,217	2,514,757	186,223	289,401	723,153	24,563,751
	(2,419,850)	4,560,223	(1,160,020)	669,474	39,551	906,819	726,688	3,322,885

The analysis below is performed for reasonable possible movements in foreign currency exchange rates with all other variables held constant, showing the impact on the consolidated statement of income and equity at the reporting date.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

Change in variables	US	NAF	JMD	GBP	Euro	Other
2018	0.6%	0.6%	-4.2%	5.4%	3.9%	-3.0% to 5.3%
2017	0.8%	0.8%	-4.0%	1.8%	2.2%	-1.4% to 1.3%

	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
Impact on statement of income							
2018	50,653	–	(1,918)	365	(566)	2,271	50,805
2017	46,584	–	(1,882)	131	(200)	4,158	48,791
Impact on equity							
2018	9,900	2,918	(131,059)	1,193	29,367	11,511	(76,170)
2017	13,356	5,639	(112,309)	681	17,410	3,024	(72,199)

(b) Interest rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The major element of interest rate risk within the Group is the risk that the interest earned on the Group's investments is insufficient to meet the interest rates credited or guaranteed to policyholders. This applies to traditional life insurance policies and the deposit administration plans.

Exposure is managed largely by the use of natural hedges that arise by matching interest-sensitive assets with liabilities of a similar nature. The Group also mitigates the effect of interest rate risk of the investment portfolio through the functioning of an Executive Investment Committee and the pricing of products by the actuarial function. The investment portfolio return is continually monitored by the Investment Committees. The results of these reviews inform the pricing of products and interest rates to be credited to the respective policies and plans.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. For the sensitivity analysis, a 1% movement in interest rates was used for 2018 for the Trinidadian market (2017 - 1%), a 2% movement was used for 2018 for the Jamaican market (2017 - 2%) and a 1% movement for 2018 was used for the Dutch Caribbean (2017 - 1%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss and fair value reserve.

	Effect on fair value reserve 2018 $'000	Effect on consolidated income 2018 $'000	Effect on consolidated income 2017 $'000
Increase in interest rates	(194,044)	(79,182)	(231,339)
Decrease in interest rates	194,044	79,182	231,339

(c) Other price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position as fair value through profit or loss. The Group manages its price risk by limiting the amount of its investments in equities and by monitoring movements in equity prices.

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, a 2% movement in prices of local equities was used for 2018 for the Trinidadian market (2017 - 4%), a 10% movement in prices of local equities was used for 2018 for the Jamaican market (2017 - 10%) and a 1% movement for 2018 was used for Dutch Caribbean (2017 - 1%). The estimated effect of an increase/decrease in the above rates would result in an increase/decrease in the consolidated statement of income and equity of $124,235,000 for 2018 (2017: $136,537,000).

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions.

Certain of the Group's contracts have features that allow them to be terminated at short notice creating a potential liquidity exposure. The Group monitors liquidity on a regular basis. An internally constituted Executive Investment Committee set limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

There are no individual contracts or policyholders who have the potential to influence the withdrawal of a significant amount of liabilities.

The following tables analyse the insurance and financial liabilities of the Group into relevant maturity groupings based on the remaining period to the contractual or expected maturity date. Financial liabilities are at contractual undiscounted cash flows, and insurance contracts and investment contracts are at expected undiscounted cash flows.

			Contractual/Expected Undiscounted Cash Flows		
	Carrying amount $´000	No stated maturity $´000	Less than one year $´000	One - five years $´000	Over five years $´000
Insurance and financial liabilities					
As at 31 December 2018					
Long-term insurance contracts	14,441,745	4,964,665	355,208	2,089,321	20,919,431
Short-term insurance contracts	2,486,709	–	1,596,457	876,505	13,747
Investment contracts	1,989,373	1,950,173	39,200	–	–
Medium-term borrowings	2,242,200	–	806,119	1,954,903	–
Short-term borrowings	53,404	–	55,523	–	–
Third party interests in mutual funds	1,021,592	–	1,021,592	–	–
Interest payable	31,800	–	31,800	–	–
Other liabilities	1,045,751	–	1,045,751	–	–
Total	23,312,574	6,914,838	4,951,650	4,920,729	20,933,178

			Contractual/Expected Undiscounted Cash Flows		
	Carrying amount $´000	No stated maturity $´000	Less than one year $´000	One - five years $´000	Over five years $´000
Insurance and financial liabilities					
As at 31 December 2017					
Long-term insurance contracts	13,813,503	7,653,035	210,405	2,035,639	16,849,509
Short-term insurance contracts	3,319,310	–	2,284,279	1,023,537	11,487
Investment contracts	1,989,472	1,934,429	55,043	–	–
Medium-term borrowings	2,097,414	–	142,610	1,752,729	665,578
Short-term borrowings	216,816	–	225,014	–	–
Third party interests in mutual funds	1,177,879	–	1,177,879	–	–
Interest payable	33,509	–	33,509	–	–
Other liabilities	1,348,458	–	1,348,458	–	–
Total	23,996,361	9,587,464	5,477,197	4,811,905	17,526,574

4.2.3 Credit risk

Credit risk is defined as the potential for loss that can occur as a result of an individual, counterparty or issuer being unable or unwilling to honour its contractual obligations to the Group. Each subsidiary in the various jurisdictions has an Executive Investment Committee (EIC) that sets credit limits and monitors exposure by constraining the magnitude and tenor of the exposure to counterparties and issuers. Some of the credit risk mitigation techniques include, where appropriate, the right to require initial collateral or margin, the right to terminate transactions, and the right to obtain collateral (including guarantees) should unfavourable events occur.

Collateral held as security for mortgage loans and other loans includes physical or tangible residential and commercial edifices as well as legal rights to insurance portfolio and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(a) Assets bearing credit risk

The Group actively monitors the financial status of its reinsurers both by reference to publicly available information and the Financial Strength Ratings of A.M. Best. All of the Group's reinsurers are rated superior by A.M. Best. A rating of superior is assigned to reinsurance companies that have, in the opinion of A.M. Best, a superior ability to meet their ongoing obligations to the primary insurer.

Below is an analysis of assets bearing credit risk.

	Gross exposure $'000	Net carrying amount $'000
As at 31 December 2018		
Investment securities measured at fair value through profit or loss (excluding equity instruments)	4,757,817	4,757,817
Investment securities measured at fair value through other comprehensive income	2,776,722	2,776,722
Investment securities measured at amortised cost	7,549,495	7,474,198
Loans and receivables	2,292,693	2,121,715
Reinsurance assets	1,396,965	1,396,965
Deferred acquisition costs	98,061	98,061
Cash and cash equivalents	2,310,010	2,298,236
	21,181,763	20,923,714

Comparative information under IAS 39

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2017				
Debt securities	11,760,487	2,212	–	11,762,699
Financial assets of mutual fund unit holders	871,502	–	–	871,502
Deposits (more than 90 days)	1,793,776	–	–	1,793,776
Other financial assets	30,607	–	–	30,607
Interest receivable	229,467	615	–	230,082
Loans and receivables	2,014,116	73,988	151,572	2,239,676
Reinsurance assets	2,211,824	–	–	2,211,824
Deferred acquisition costs	92,615	–	–	92,615
Cash and cash equivalents	2,430,380	–	–	2,430,380
	21,434,774	76,815	151,572	21,663,161

(b) Credit quality of reinsurance and financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings, if available, or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's.

AAA

An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA

An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment is very strong.

A

An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

BBB

An obligation rated 'BBB' exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of reinsurance and financial assets (continued)

Below BBB

Obligations rated 'Below BBB' are regarded as having significant speculative characteristics. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification mainly includes obligations due from individuals and short-term securities.

The following tables set out the credit quality analysis for financial assets measured at amortised cost and fair value through other comprehensive income.

	12-month ECL 2018 $'000	Lifetime ECL: Not credit impaired 2018 $'000	Lifetime ECL: Credit impaired 2018 $'000	Total 2018 $'000
Investment securities measured at fair value through other comprehensive income				
AAA	134,023	–	–	134,023
AA	324,795	–	–	324,795
A	499,540	–	–	499,540
BBB	844,002	35,552	–	879,554
Below BBB	679,653	68,199	179,873	927,725
Not rated	–	11,085	–	11,085
Gross carrying amount	2,482,013	114,836	179,873	2,776,722

	12-month ECL 2018 $'000	Lifetime ECL: Not credit impaired 2018 $'000	Lifetime ECL: Credit impaired 2018 $'000	Total 2018 $'000
Investment securities measured at amortised cost				
A	57,114	–	–	57,114
BBB	5,542,167	194,963	27,046	5,764,176
Below BBB	1,514,025	123,552	–	1,637,577
Not rated	48,430	39,756	2,442	90,628
Gross carrying amount	7,161,736	358,271	29,488	7,549,495
Loss allowance	(54,275)	(18,580)	(2,442)	(75,297)
Net carrying amount	7,107,461	339,691	27,046	7,474,198
Loans and receivables				
AA	–	121	–	121
A	685	263,759	–	264,444
BBB	14,654	13,286	–	27,940
Below BBB	226,248	44,122	9,894	280,264
Not rated	505,368	1,183,141	31,415	1,719,924
Gross carrying amount	746,955	1,504,429	41,309	2,292,693
Loss allowance	(10,255)	(141,487)	(19,236)	(170,978)
Net carrying amount	736,700	1,362,942	22,073	2,121,715
Cash and cash equivalents at amortised cost				
AA	47,463	–	–	47,463
A	332,787	–	–	332,787
BBB	1,151,732	–	–	1,151,732
Below BBB	581,507	–	–	581,507
Not rated	188,016	–	–	188,016
Gross carrying amount	2,301,505	–	–	2,301,505
Loss allowance	(11,774)	–	–	(11,774)
Net carrying amount	2,289,731	–	–	2,289,731

The following table sets out the credit quality analysis for reinsurance assets and financial assets (excluding equity instruments) measured at fair value through profit or loss.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of reinsurance and financial assets (continued)

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
As at 31 December 2018							
Investment securities at fair value through profit or loss (excluding equities)	5,303	27,955	63,940	3,580,167	1,039,260	41,192	4,757,817
Reinsurance assets	–	–	1,391,243	–	–	5,722	1,396,965
Deferred acquisition costs	–	–	2,688	–	–	95,373	98,061
Cash and cash equivalents	–	–	–	–	–	8,505	8,505
	5,303	27,955	1,457,871	3,580,167	1,039,260	150,792	6,261,348

Comparative information under IAS 39

An analysis of the credit quality of reinsurance assets and financial assets (excluding equity instruments) that were neither past due nor impaired as at 31 December 2017 is as follows.

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
As at 31 December 2017							
Investment securities	80,903	585,942	927,796	8,799,801	3,865,994	425,403	14,685,839
Loans and receivables	–	58,877	253,232	15,003	284,907	1,402,097	2,014,116
Reinsurance assets	–	–	2,203,105	–	–	8,719	2,211,824
Deferred acquisition costs	–	–	4,010	–	–	88,605	92,615
Cash and cash equivalents	–	323,039	293,419	1,252,763	552,005	9,154	2,430,380
	80,903	967,858	3,681,562	10,067,567	4,702,906	1,933,978	21,434,774

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Assets that are past due but not impaired (2017 IAS 39 disclosure)

The aging of financial assets that were past due but not impaired at 31 December 2017 is as follows.

	Carrying Value $´000					
	Less than 3 months	Between 3 and 6 months	Between 6 and 9 months	Between 9 and 12 months	More than 12 months	Total
As at 31 December 2017						
Investment securities	2,322	5	–	–	500	2,827
Loans and receivables	43,276	17,261	5,150	93	8,208	73,988
	45,598	17,266	5,150	93	8,708	76,815

(d) Credit-impaired reinsurance and financial assets and collateral held

Assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below.

	Gross exposure $´000	Net carrying amount $´000	Fair value of collateral held $´000
As at 31 December 2018			
Investment securities measured at fair value through other comprehensive income	179,873	179,873	–
Investment securities measured at amortised cost	29,488	27,046	–
Loans and receivables	41,309	22,073	48,726
	250,670	228,992	48,726

Comparative information under IAS 39

	Carrying value $´000	Fair value of collateral held $´000
As at 31 December 2017		
Loans and receivables	151,572	–

(e) Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial asset. Reconciling items include the following:

- New assets originated or purchased, which reflect the allowance related to assets newly recognized during the period.
- Assets derecognised, which reflect the allowance related to assets derecognized during the period without a credit loss being incurred, including those assets that were derecognized following a modification of terms.
- Net transfer to/(from) 12-month ECL and lifetime ECL, which are presumed to occur before any corresponding remeasurement of the allowance.
- Remeasurements, which comprise the impact of changes in model inputs or assumptions, including changes in forward-looking macroeconomic conditions; changes in the measurement following a transfer between 12-month ECL and lifetime ECL; and unwinding of the time value discount due to the passage of time.

Comparative amounts (2017) represent impairment provisions for credit losses and reflect measurement basis under IAS 39.

		Lifetime ECL			
	12-month ECL 2018 $´000	Not credit impaired 2018 $´000	Credit impaired 2018 $´000	Total 2018 $´000	Total 2017 $´000
Investment securities measured at fair value through other comprehensive income					
Balance at 1 January (2018 restated)	13,138	61,723	–	74,861	–
New assets originated or purchased	2,620	1,149	–	3,769	–
Assets derecognised (excluding write-offs)	(327)	(58,957)	–	(59,284)	–
Transfer to 12-month ECL	1,443	(1,443)	–	–	–
Transfer to lifetime ECL - not credit impaired	(62)	62	–	–	–
Remeasurements	(4,474)	3,790	–	(684)	–
Balance at 31 December	12,338	6,324	–	18,662	–

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Loss allowance (continued)

		Lifetime ECL			
	12-month ECL 2018 $'000	Not credit impaired 2018 $'000	Credit impaired 2018 $'000	Total 2018 $'000	Total 2017 $'000
Investment securities measured at amortised cost					
Balance at 1 January (2018 restated)	55,850	58,166	2,656	116,672	–
Exchange rate adjustments	(744)	(529)	15	(1,258)	–
New assets originated or purchased	10,941	3,478	–	14,419	–
Assets derecognised (excluding write-offs)	(1,825)	(18,106)	–	(19,931)	–
Transfer to 12-month ECL	22,426	(22,426)	–	–	–
Transfer to lifetime ECL - not credit impaired	(378)	378	–	–	–
Remeasurements	(31,995)	(2,381)	(229)	(34,605)	–
Balance at 31 December	54,275	18,580	2,442	75,297	–
Loans and receivables					
Balance at 1 January (2018 restated)	8,206	146,186	15,687	170,079	124,089
Exchange rate adjustments	14	(495)	(110)	(591)	651
New assets originated or purchased	1,287	6,701	–	7,988	–
Assets derecognised (excluding write-offs)	(15)	–	–	(15)	–
Transfer to lifetime ECL - not credit impaired	(6)	6	–	–	–
Remeasurements	795	14,194	3,659	18,648	7,434
Amounts written-off	(32)	(25,132)	–	(25,164)	(1,673)
Amounts recovered	6	27	–	33	(7,513)
Balance at 31 December	10,255	141,487	19,236	170,978	122,988

Cash and cash equivalents

Impairment on cash and cash equivalents measured at amortised cost has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group uses a similar approach for the assessment of expected credit losses for cash and cash equivalents to those used for debt secutities.

On initial application of IFRS 9, the Group recognised an impairment allowance as at 1 January 2018 in the amount of $20,196,000. The amount of the allowance decreased by $8,422,000 during 2018.

(f) Concentrations of risks of reinsurance and financial assets with credit risk exposure

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The following table breaks down the Group's main credit risk exposure as categorised by the industry sectors of its counterparties.

	2018 $'000	2017 $'000
Financial services	5,581,148	5,456,905
Manufacturing	22,311	189,659
Real estate	1,271,841	937,058
Wholesale and retail trade	59,774	294,503
Public sector	9,733,397	9,862,937
Insurance and reinsurance	2,315,992	3,271,577
Consumers/individuals	499,751	318,374
Other industries	1,439,500	1,332,148
	20,923,714	21,663,161

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

The Group's capital includes share capital, reserves and retained earnings.

The Group's objectives when managing capital are:

- To comply with the capital requirements required by the regulators of the markets where the Group operates;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance and investment contracts commensurately with the level of risk.

In each country in which the Group operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is also subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts. The minimum required capital must be maintained at all times throughout the year. The Group monitors these requirements throughout the year to ensure compliance.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018.

The table below summarises the minimum required capital across the main territories in the Group. The Group has complied with these minimum capital requirements. These figures are an aggregate number, being the sum of the statutory capital and surplus for each insurance subsidiary in each country subject to local regulatory requirements (current or prospective), which may differ from jurisdiction to jurisdiction.

	Minimum regulatory capital	
	2018 $'000	2017 $'000
Guardian Re (SAC) Limited	43,673	29,296
Guardian General Insurance (OECS) Limited	12,544	12,473
Guardian Life (OECS) Limited	1,238	374
Guardian General Insurance Limited	70,512	62,194
Guardian General Insurance Jamaica Limited	159,919	157,313
Guardian Life Limited	346,607	326,744
Trinidad Life Insurance Companies	694,923	659,549
Dutch Caribbean Insurance Companies	408,941	375,979

The Trinidadian trust services subsidiary holds a license under the Financial Institutions Act 2008 and the Securities Industries Act 2012. Under the Financial Institutions Act, the subsidiary is required to have a minimum paid up share capital of $15 million and to transfer a minimum of 10% of its profit after tax to a Statutory Reserve Fund until the balance in the Fund is not less than the paid up capital of the subsidiary as well as the subsidiary's qualifying capital shall be no less than 8% of its risk adjusted assets. Under the Securities Industries Act 2012, the subsidiary is required to have minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with these requirements.

The Trinidadian asset management subsidiary holds a license under the Securities Industries Act 2012, and as such, the subsidiary is required to have a minimum capital of $6 million, of which at least $3 million shall be regulatory capital. The subsidiary has complied with this requirement.

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold properties $'000	Office furniture, plant and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Year ended 31 December 2018					
Balance at beginning of year	469,944	106,965	16,382	9,453	602,744
Exchange rate adjustments	(3,519)	(849)	(275)	(105)	(4,748)
Revaluation loss	(3,057)	–	–	–	(3,057)
Additions	16,844	42,256	9,748	6,736	75,584
Disposals and adjustments	(35)	(64)	(1,762)	43	(1,818)
Transfers	572	6,031	–	(6,603)	–
Re-classification from investment properties (Note 6)	286	–	–	–	286
Depreciation charge	(14,131)	(28,997)	(5,479)	–	(48,607)
Balance at end of year	466,904	125,342	18,614	9,524	620,384
At 31 December 2018					
Cost or valuation	580,063	630,671	43,291	9,524	1,263,549
Accumulated depreciation	(113,159)	(505,329)	(24,677)	–	(643,165)
Balance at end of year	466,904	125,342	18,614	9,524	620,384
Year ended 31 December 2017					
Balance at beginning of year	452,221	103,300	14,948	22,965	593,434
Exchange rate adjustments	3,802	1,539	182	162	5,685
Revaluation loss	(3,073)	–	–	–	(3,073)
Additions	30,172	17,917	7,593	5,512	61,194
Assets on acquisition of subsidiaries	–	367	112	–	479
Disposals and adjustments	–	(7,392)	(1,588)	–	(8,980)
Transfers	1,377	17,809	–	(19,186)	–
Depreciation charge	(14,555)	(26,575)	(4,865)	–	(45,995)
Balance at end of year	469,944	106,965	16,382	9,453	602,744
At 31 December 2017					
Cost or valuation	571,967	590,457	40,078	9,453	1,211,955
Accumulated depreciation	(102,023)	(483,492)	(23,696)	–	(609,211)
Balance at end of year	469,944	106,965	16,382	9,453	602,744

The following are the dates of the last valuations of property in the Group:

Guardian Life of the Caribbean Limited	-	September 2018
Bancassurance Caribbean Limited	-	September 2018
Guardian Life Limited	-	December 2018
Fatum Holding NV	-	October 2016 to October 2018
Guardian General Insurance Limited	-	September 2018
Guardian Shared Services Limited	-	September 2018

Valuations were made on the basis of open market value by external independent appraisers, who are accredited in the territory that they serve. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property.

Depreciation expense of $48,607,000 (2017 - $45,995,000) has been charged in operating expenses.

If freehold and leasehold properties were stated on a historical cost basis, the amounts would be as follows:

	2018 $'000	2017 $'000
Cost	437,027	422,407
Accumulated depreciation	(184,652)	(168,734)
Net book value	252,375	253,673

6. INVESTMENT PROPERTIES

	2018 $'000	2017 $'000
Investment properties (excluding Pointe Simon)	1,005,926	951,433
Pointe Simon	471,539	502,931
	1,477,465	1,454,364

Pointe Simon is a mixed-use commercial and residential urban re-development project in Fort de France, Martinique.

6. INVESTMENT PROPERTIES (continued)

	2018 $'000	2017 $'000
Investment properties (excluding Pointe Simon)		
Balance at beginning of year	951,433	900,318
Exchange rate adjustments	(11,114)	16,246
Additions	24,856	44,994
Fair value adjustments (Note 32)	43,565	9,306
Disposals	–	(15,393)
Re-classification to property, plant and equipment (Note 5)	(286)	–
Fair value adjustments directly related to the unit-linked funds	(2,528)	1,228
Other movements	–	(5,266)
Balance at end of year	1,005,926	951,433
Rental income	49,910	58,490
Direct operating expenses incurred in respect of investment property that generated rental income during the year	2,144	2,077
Direct operating expenses incurred in respect of investment property that did not generate rental income during the year	660	596
Pointe Simon		
Investment property	471,539	502,931
Properties for development and sale (Note 11)	104,115	103,475
	575,654	606,406
Balance at beginning of year	606,406	525,600
Exchange rate adjustments	(23,461)	72,899
Additions	33,137	22,369
Disposals	–	(7,361)
Fair value adjustment (Note 32)	(40,428)	(7,101)
Balance at end of year	575,654	606,406

The Group has both commercial and residential investment properties in the following territories: Jamaica, Barbados, Trinidad and Tobago, Grenada and Martinique.

Valuations are conducted by external valuators. All valuators are accredited in the territory that they serve, specializing in the valuation of commercial, residential and a mixed use properties.

Residential properties are mainly revalued using the comparable sales approach, which estimates the fair value based on sale prices of properties of similar nature or in similar locations with price adjustments being made for any notable differences between the sample and subject properties.

Commercial properties are primarily valued using the income and sales comparison approach, which involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to the model throughout the Group range from 6% to 7% (2017: 5% to 9%) as deemed most appropriate by the valuators in the respective territories.

No investment property in the Group is subject to any liens or mortgages and the Group has no curtailments with regard to the transfer, resale or other use of its investment properties. The Group is not under any contractual obligation with regard to significant development, enhancement, repair or maintenance of any investment properties.

7. INTANGIBLE ASSETS

	Goodwill $'000	Customer-related intangibles $'000	Other $'000	Total $'000
Year ended 31 December 2018				
Balance at beginning of year	452,267	62,222	14,496	528,985
Exchange rate adjustments	(4,255)	(563)	(79)	(4,897)
Additions	–	2,913	2,031	4,944
Transfers	(8,174)	12,777	–	4,603
Amortisation	–	(18,124)	(3,021)	(21,145)
Balance at end of year	439,838	59,225	13,427	512,490
At 31 December 2018				
Cost	440,974	149,208	32,679	622,861
Accumulated amortisation	(1,136)	(89,983)	(19,252)	(110,371)
Balance at end of year	439,838	59,225	13,427	512,490
Year ended 31 December 2017				
Balance at beginning of year	426,687	71,836	16,640	515,163
Exchange rate adjustments	13,477	3,808	130	17,415
Acquisition of subsidiaries	13,233	–	–	13,233
Additions	–	3,468	314	3,782
Impairment	(1,130)	–	–	(1,130)
Amortisation	–	(16,890)	(2,588)	(19,478)
Balance at end of year	452,267	62,222	14,496	528,985
At 31 December 2017				
Cost	453,400	175,206	33,760	662,366
Accumulated amortisation	(1,133)	(112,984)	(19,264)	(133,381)
Balance at end of year	452,267	62,222	14,496	528,985

Other intangible assets represent brand costs, computer software costs and website development costs.

Goodwill

Goodwill is assigned to the Group's cash-generating units on acquisition. In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at year end using the value-in-use method. In each case, the cash flow projections were based on financial budgets for a three-year period, approved by senior management, with a growth assumption applied for later years.

A summary of the goodwill for each cash-generating unit is presented below:

	2018 $'000	2017 $'000
Guardian General Insurance Limited	97,459	97,459
Guardian Insurance Limited	153,977	153,977
Guardian General Insurance Jamaica Limited	6,615	6,599
Thoma Exploitatie B.V.	78,120	91,028
Royal & Sun Alliance Insurance (Antilles) N.V.	26,849	26,780
Kruit en Venema Assuradeuren B.V.	18,540	18,297
Fatum Brokers Holding B.V.	58,278	58,127
	439,838	452,267

The key assumptions used for value-in-use calculations are as follows:

	Discount Rate		Growth Rate	
Cash generating unit	**2018**	**2017**	**2018**	**2017**
Guardian General Insurance Limited	9.4%	9.0%	5.0%	5.0%
Guardian Insurance Limited (Trinidad and Tobago based subsidiaries)	9.7%	9.1%	5.0%	5.0%
Guardian Insurance Limited (Jamaica based subsidiary)	9.7%	9.1%	5.0%	5.0%
Guardian General Insurance Jamaica Limited	9.4%	9.0%	5.0%	5.0%
Thoma Exploitatie B.V.	12.5%	11.1%	2.0%	1.0%
Royal & Sun Alliance Insurance (Antilles) N.V.	9.7%	9.5%	1.8%	2.0%
Kruit en Venema Assuradeuren B.V.	12.5%	11.1%	2.0%	-1.7%
Fatum Brokers Holding B.V.	10.3% - 10.9%	9.9% - 10.3%	1.8%	2.0%

Discount rates: Discount rates represent the current market assessment of the risks specific to each cash-generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

Growth rates: Rates are based on published industry research and management's expected performance of each cash-generating unit.

Based on the results of the above review, no impairment expense was required for goodwill.

8. INVESTMENT IN ASSOCIATED COMPANIES

	2018 $'000	2017 $'000
Balance at beginning of year	220,844	211,566
Exchange rate adjustments	196	176
Share of after tax profits	17,045	18,646
Dividends received	(4,389)	(8,646)
Reserve and other movements	(1,655)	(898)
Balance at end of year	232,041	220,844

The summarised financial information below, for the Group's principal associates (see Note 46), represents amounts shown in the respective associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	RoyalStar Holdings Limited		RGM Limited	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Total assets	515,789	555,405	886,752	882,828
Total liabilities	(238,333)	(290,501)	(409,674)	(429,432)
Equity	277,456	264,904	477,078	453,396
Carrying amount of investment	73,015	69,712	159,026	151,132
Revenue	218,137	182,773	170,546	175,752
Profit for the year	28,486	32,056	28,646	30,631
Other comprehensive loss	–	–	(4,964)	(2,693)
Total comprehensive income	28,486	32,056	23,682	27,938
Dividends received during the year	4,389	–	–	8,646

The associated companies had no contingent liabilities at 31 December 2018 or 2017.

RGM Limited has capital commitments in respect of investment properties in the amount of $404,000 (2017: $7,575,000). RoyalStar Holdings Limited has no capital commitments at 31 December 2018 or 2017.

9. INVESTMENT SECURITIES

	2018		2017	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Investment securities	17,107,289	17,816,139	16,640,755	17,274,945
Investment securities of mutual fund unit holders	1,079,888	1,103,983	1,011,404	1,011,404
	18,187,177	18,920,122	17,652,159	18,286,349
Investment securities measured at fair value through profit or loss (FVPL) (IAS 39)	–	–	8,491,864	8,491,864
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	7,936,257	7,936,257	–	–
Investment securities measured at fair value through other comprehensive income (FVOCI)	2,776,722	2,776,722	–	–
Investment securities measured at amortised cost (AC)	7,474,198	8,207,143	–	–
Held-to-maturity investment securities (HTM)	–	–	9,160,295	9,794,485
Total investment securities	18,187,177	18,920,122	17,652,159	18,286,349

9. INVESTMENT SECURITIES (continued)

	Carrying value			Fair value
	FVPL-M 2018 $'000	**FVOCI 2018 $'000**	**AC 2018 $'000**	**AC 2018 $'000**
Equity securities:				
- Listed	2,968,587	–	–	–
- Unlisted	209,853	–	–	–
	3,178,440	–	–	–
Debt securities:				
- Government securities	3,283,232	1,228,262	5,348,434	5,976,873
- Debentures and corporate bonds	787,163	1,474,083	677,154	705,277
	4,070,395	2,702,345	6,025,588	6,682,150
Deposits (more than 90 days)	596,143	6,781	1,378,512	1,379,598
Other	22,375	–	–	–
	618,518	6,781	1,378,512	1,379,598
	7,867,353	2,709,126	7,404,100	8,061,748
Interest receivable	68,904	67,596	145,395	145,395
Loss allowance	–	–	(75,297)	–
	7,936,257	2,776,722	7,474,198	8,207,143
Current	873,104	990,472	1,261,297	
Non-current	7,063,153	1,786,250	6,212,901	
	7,936,257	2,776,722	7,474,198	

The carrying amount of investment securities above that were pledged as collateral for liabilities was $36,981,000 (2017: $43,037,000).

	Carrying value		Fair value
	FVPL 2017 $'000	**HTM 2017 $'000**	**HTM 2017 $'000**
Equity securities:			
- Listed	2,979,871	–	–
- Unlisted	169,919	–	–
	3,149,790	–	–
Debt securities:			
- Government securities	2,727,534	7,007,499	7,607,220
- Debentures and corporate bonds	1,859,809	781,085	800,431
	4,587,343	7,788,584	8,407,651
Deposits (more than 90 days)	605,021	1,216,042	1,231,165
Other	30,607	–	–
	635,628	1,216,042	1,231,165
	8,372,761	9,004,626	9,638,816
Interest receivable	119,103	155,669	155,669
	8,491,864	9,160,295	9,794,485
Current	2,077,714	1,519,878	
Non-current	6,414,150	7,640,417	
	8,491,864	9,160,295	

10. LOANS AND RECEIVABLES

	2018 $'000	2017 $'000
Debt securities:		
- Debentures and corporate bonds	–	186,292
Premiums receivable	589,258	614,339
Deposits with/balances due from reinsurers	259,514	267,520
Mortgage loans	373,231	376,821
Policy loans	48,656	53,694
Commercial and other loans	453,773	469,277
Interest receivable	9,518	14,944
Other receivables	558,743	443,081
Loss allowance	(170,978)	(122,988)
	2,121,715	2,302,980
Current	1,377,386	1,326,778
Non-current	744,329	976,202
	2,121,715	2,302,980

The carrying amounts of loans and receivables (excluding debt securities) are reasonable approximations of their fair values. The fair value of debt securities as at 31 December 2017 amounted to $188,076,000. There were no loans and receivables pledged as collateral for liabilities at year end (2017: nil).

11. PROPERTIES FOR DEVELOPMENT AND SALE

	2018 $'000	2017 $'000
Properties for development and sale (Note 6)	104,115	103,475

Properties for development and sale comprise the Group's investment in one component of the Pointe Simon urban re-development project in Fort de France, Martinique.

The French government provides incentives for qualifying property developments in France's overseas territories. During 2013 and 2014, the Group availed itself of the programme and received funds based upon agreed valuations of twenty-five residential units in 2014 (2013 – three units). The sums received were recorded as other income.

While legal title has been transferred to third parties, the arrangement contemplates that at the expiration of a six-year period (2019 and 2020), the units will return to the Group's legal ownership, and will be available for disposal to third parties at the prevailing market price. Accordingly, the Group has not derecognised these assets, and continues to account for these units within Properties for development and sale. During 2017, properties fair valued at $88,334,000 were transferred to investment properties.

During 2014, the Group sold the hotel property to a Martinique incorporated company known as Sas Compagnie Hoteliere de la Pointe Simon (CHPS). As part of the sale negotiation, the Group acquired a 24% interest in CHPS for nominal consideration.

The Group financed the sale to CHPS and at 31 December 2018 the outstanding balance, included in loans and other receivables, was €14.4 million (2017: €15 million). The loan has three components, with terms as follows:

1. €11.1 million repayable in 20 biannual instalments of €0.4 million with a bullet at maturity of €6.2 million. Interest is fixed at 3.3%.
2. €0.6 million repayable over 3 years at 3.3% per annum.
3. €6.4 million to be repaid upon receipt of certain subsidies and tax refunds from the French government.

12. PENSION PLAN ASSETS/LIABILITIES

The following information explains the quantification of the assets and liabilities recognised in the consolidated statement of financial position and the net income for the year in accordance with the provisions of IAS 19.

	Pension plan asset		Pension plan liability		Net pension plan asset/(liability)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fair value of pension plan assets	394,401	405,495	502,509	475,325	896,910	880,820
Less: Present value of funded obligations	(326,746)	(322,538)	(571,671)	(604,662)	(898,417)	(927,200)
	67,655	82,957	(69,162)	(129,337)	(1,507)	(46,380)
Less: Present value of unfunded obligations	–	–	(832)	(871)	(832)	(871)
IAS 19 Consolidated statement of financial position assets/(liabilities)	67,655	82,957	(69,994)	(130,208)	(2,339)	(47,251)

The amount in the consolidated statement of income is made up as follows:

	2018 $'000	2017 $'000
Net interest (expense)/income	(5,145)	506
Current service cost	(25,065)	(23,585)
Past service cost	(964)	(662)
Net loss for the year (Note 34)	(31,174)	(23,741)
The remeasurement of pension plan obligation in other comprehensive income is made up as follows:		
Actuarial gains and losses arising during the period from:		
- changes in demographic assumptions	(35,308)	7,638
- changes in financial assumptions	75,689	(52,774)
- experience adjustment	5,372	(36,606)
	45,753	(81,742)

	2018 $'000	2017 $'000
The movement in the fair value of pension plan assets of the year is as follows:		
Balance at beginning of year	880,820	862,106
Exchange rate adjustments	(194)	1,242
Benefit payments	(32,857)	(34,853)
Company contributions	30,552	20,083
Contributions by plan participants	1,271	1,288
Settlements	13,253	15,284
Remeasurement arising from experience adjustment	(23,985)	(12,915)
Interest income	28,050	28,585
Balance at end of year	896,910	880,820

12. PENSION PLAN ASSETS/LIABILITIES (continued)

	2018 $'000	2017 $'000
The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	928,071	824,219
Exchange rate adjustments	56	1,018
Current service cost	25,065	23,585
Interest cost	46,387	43,325
Past service cost	964	662
Contributions by plan participants	1,271	1,288
Remeasurement arising from changes in demographic assumptions	35,308	(7,638)
Remeasurement arising from changes in financial assumptions	(75,689)	52,774
Remeasurement arising from experience adjustment	(29,357)	23,691
Benefits paid	(32,827)	(34,853)
Balance at end of year	899,249	928,071

The principal actuarial assumptions used for accounting purposes were:

	2018	2017
Discount rates	4.2% - 7.8%	3.6% - 7.8%
Future salary increases	0.0% - 5.0%	0.0% - 5.0%
Post-retirement mortality	GAM 94/ NIS 2012/ GBM/GBV2005 - 2010	GAM 94/ NIS 2012/ GBM/GBV2000 - 2005
Pre-retirement mortality	NIS 2012 / GAM 94	NIS 2012 / GAM 94
Withdrawal from service	Ignored/Yes	Ignored/Yes
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	Ignored/None	Ignored/None
Life expectation of pensioners at the age of 65 - male	17.1 to 18.3 years	15.3 to 18.3 years
Life expectation of pensioners at the age of 65 - female	20.4 to 21.9 years	19.0 to 21.9 years

The actual return on plan assets was $17,269,000 (2017: $30,944,000).

Pension plan assets are comprised as follows:

	2018		2017	
	$'000	%	$'000	%
Quoted investments				
Equity securities				
- Trinidad and Tobago	133,523	14.9%	134,002	15.2%
- Non-Caribbean	18,690	2.1%	20,601	2.3%
Government securities				
- Trinidad and Tobago	101,186	11.2%	102,640	11.7%
- Non-Caribbean	50,826	5.7%	43,471	4.9%
Corporate bonds				
- Trinidad and Tobago	60,857	6.8%	69,125	7.8%
- Non-Caribbean	113,005	12.6%	125,122	14.2%
Unquoted investments				
Government securities				
- Other Caribbean	98,234	11.0%	91,671	10.4%
Corporate bonds				
- Other Caribbean	2,361	0.3%	2,491	0.3%
Cash and cash equivalents	59,730	6.7%	34,456	3.9%
Property	19,045	2.1%	18,400	2.1%
Other	239,453	26.6%	238,841	27.2%
	896,910	100.0%	880,820	100.0%

The defined benefit plan assets as at 31 December 2018 include the Group's financial instruments of $8,809,000 (2017: $7,601,000). Included in the plan's assets is a property with a fair value of $19,045,000 (2017: $18,400,000), which is not occupied by the Group.

Contributions from the defined contribution plan are invested in a deposit administration contract. The deposit administration contract is part of a general fund, which is managed by a Group subsidiary.

The Group's expected contributions to its defined benefit pension plans for the year ending 31 December 2019 are $30,254,000.

The duration of the defined benefit plans obligation at the end of the reporting period is 13 to 24 years (2017: 14 to 24 years).

12. PENSION PLAN ASSETS/LIABILITIES (continued)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is shown below:

	Impact on the net defined benefit obligation	
	Increase	**Decrease**
1% increase/decrease in discount rate	(108,491)	143,683
1% increase/decrease in future salary increases	25,865	(26,106)
1% increase in future pension increases	45,653	(42,575)
Life expectancy increase/decrease by 1 year - male	14,702	(14,217)
Life expectancy increase/decrease by 1 year - female	3,106	(15,130)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

13. DEFERRED TAXATION

The following amounts are shown in the consolidated statement of financial position:

	2018 $´000	**2017 $´000**
Deferred tax assets:		
- To be recovered after more than 12 months	46,262	23,706
- To be recovered within 12 months	15,049	16,424
	61,311	40,130
Deferred tax liabilities:		
- Crystallizing after more than 12 months	(287,719)	(254,508)
- Crystallizing within 12 months	(27,011)	(18,844)
	(314,730)	(273,352)
Net deferred tax liability	(253,419)	(233,222)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The movement on the net deferred tax account is as follows:

	2018 $´000	**2017 $´000**
Balance at beginning of year	(233,222)	(222,437)
Exchange rate adjustments	1,710	(2,743)
Charge for the year (Note 38)	(28,958)	(8,955)
Tax charged to equity in respect of revaluation of properties	(482)	(447)
Other movements	(3,174)	1,360
Changes on initial application of IFRS 9 (Note 49)	10,707	–
Balance at end of year	(253,419)	(233,222)

13. DEFERRED TAXATION (continued)

The movement in the net deferred tax assets and liabilities during the year is attributable to the following items:

	Balance at beginning 2018 $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Changes on initial application of IFRS 9 $'000	Balance at end 2018 $'000
Future distributions	(136,849)	168	(26,734)	–	–	11,814	(151,601)
Zero coupon bonds	(3,030)	1	1,067	–	–	–	(1,962)
Pension plan assets	4,423	60	384	–	(1,392)	–	3,475
Accelerated tax depreciation	(41,388)	345	(1,387)	–	–	–	(42,430)
Tax losses carried forward	25,663	(48)	16,658	–	–	–	42,273
Investments at fair value through profit or loss	(55,377)	374	(19,461)	–	–	(6,817)	(81,281)
Investments at fair value through other comprehensive income	–	440	(38)	–	1,002	(6,923)	(5,519)
Allowance for expected credit losses	–	14	(3,712)	–	12	12,633	8,947
Intangibles	(14,893)	108	3,731	–	(2,839)	–	(13,893)
Revaluation of properties	(14,502)	259	2	(482)	–	–	(14,723)
Post-retirement medical benefit obligation	2,731	(11)	165	–	43	–	2,928
Long-term incentive scheme	–	–	367	–	–	–	367
	(233,222)	1,710	(28,958)	(482)	(3,174)	10,707	(253,419)

	Balance at beginning 2017 $'000	Exchange rate adjustment $'000	Credit / (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Balance at end 2017 $'000
Future distributions	(129,152)	(206)	(7,491)	–	–	(136,849)
Zero coupon bonds	(5,549)	–	2,519	–	–	(3,030)
Pension plan assets	3,255	(13)	(55)	–	1,236	4,423
Accelerated tax depreciation	(28,018)	(588)	(12,782)	–	–	(41,388)
Tax losses carried forward	11,322	104	14,237	–	–	25,663
Investments at fair value through profit or loss	(48,223)	(673)	(6,481)	–	–	(55,377)
Intangibles	(17,421)	(978)	3,506	–	–	(14,893)
Revaluation of properties	(13,667)	(389)	1	(447)	–	(14,502)
Post-retirement medical benefit obligation	5,016	–	(2,409)	–	124	2,731
	(222,437)	(2,743)	(8,955)	(447)	1,360	(233,222)

There are tax losses relating to subsidiaries that are available for set-off against future chargeable profits of $228,827,000 (2017 - $143,336,000). These tax losses expire over varying periods. No deferred tax asset has been recognised on tax losses carried forward of $68,196,000 (2017 - $62,728,000), due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax authorities.

14. REINSURANCE ASSETS

This represents the Group's net contractual rights under reinsurance contracts:

	2018 $'000	2017 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms	27,608	31,037
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 20.1(e))	931,340	1,733,078
Claims incurred but not reported (Note 20.1(e))	67,204	99,995
Unearned premiums (Note 20.1(f))	370,813	347,714
	1,369,357	2,180,787
Total reinsurers' share of insurance liabilities	1,396,965	2,211,824
Current	716,545	1,624,492
Non-current	680,420	587,332
Total reinsurers' share of insurance liabilities	1,396,965	2,211,824

15. DEFERRED ACQUISITION COSTS

	2018 $'000	2017 $'000
Short-term insurance contracts:		
Balance at beginning of year	92,615	88,498
Exchange rate adjustments	(788)	2,018
Increase in the year	98,381	90,593
Release in the year	(92,147)	(88,494)
Balance at end of year	98,061	92,615
Current	98,061	92,615
Non-current	–	–
	98,061	92,615

16. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash and cash equivalents	2,084,426	2,059,318
Cash and cash equivalents in mutual funds	213,810	371,062
	2,298,236	2,430,380
Cash at bank and in hand	1,740,842	1,734,233
Short-term deposits (90 days or less)	354,508	325,085
Cash and cash equivalents	2,095,350	2,059,318
Cash and cash equivalents in mutual funds	214,660	371,062
Loss allowance	(11,774)	–
Net cash and cash equivalents	2,298,236	2,430,380
At beginning of year	2,430,380	1,905,195
Exchange rate adjustments	(7,442)	11,936
Changes on initial application of IFRS 9 (Note 49)	12,659	–
Acquisition of subsidiaries	–	1,088
Net movement in loss allowance	8,209	–
	2,443,806	1,918,219
At end of year	2,298,236	2,430,380
Net (decrease)/increase in cash used in cash flow	(145,570)	512,161

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

No cash and cash equivalents are pledged as collateral for financial liabilities.

17. SHARE CAPITAL

	2018 $'000	2017 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
An unlimited number of preferred shares of no par value		
Issued and fully paid		
231,899,986 ordinary shares of no par value (2017: 231,899,986 ordinary shares)	1,992,656	1,993,473

	Number of shares (thousands)	Share capital $'000	Share option plan $'000	Total $'000
Balance at 1 January 2018	231,212	1,956,468	37,005	1,993,473
Movement in unallocated shares	684	11,078	–	11,078
Executive share option plan:				
- value of lapsed options	–	–	(11,895)	(11,895)
Balance at 31 December 2018	231,896	1,967,546	25,110	1,992,656
Balance at 1 January 2017	231,900	1,967,613	64,669	2,032,282
Movement in unallocated shares	(688)	(11,145)	–	(11,145)
Executive share option plan:				
- value of lapsed options	–	–	(6,127)	(6,127)
- repurchased vested options	–	–	(21,537)	(21,537)
Balance at 31 December 2017	231,212	1,956,468	37,005	1,993,473

Unallocated shares refer to units acquired by the Group's Employee Share Ownership Plan that are held in trust for future distribution to employees.

Performance share option plan

The current status of options, inclusive of bonus issues and stock dividends to date, is as follows (in thousands):

	2018	2017
Total shares allocated to the plan	33,890	33,890
Issued pursuant to exercise of options	(9,586)	(9,586)
Outstanding options	(3,050)	(4,603)
Remaining shares allocated to plan in respect of which options have not been granted	21,254	19,701

The movement in the number of share options outstanding for the year is as follows:

	2018 Average exercise price	2018 Options (thousands)	2017 Average exercise price	2017 Options (thousands)
At beginning of year	$ 24.00	4,603	$ 20.69	16,199
Lapsed	$ 27.05	(1,553)	$ 43.33	(634)
Repurchased vested options	–	–	$ 18.00	(10,962)
At end of year	$22.46	3,050	$24.00	4,603

Effective 1 January 2017, the Company replaced its former share-based plan with a cash-based long-term performance incentive plan. The options outstanding under the performance share option plan will continue to be exercisable until 31 March 2020.

18. RESERVES

	Fair value reserve $'000	Property revaluation reserve $'000	Statutory reserve $'000	Translation reserve $'000	Total $'000
Balance at 1 January 2018	–	204,372	18,044	(618,008)	(395,592)
Impact of initial application of IFRS 9 (Note 49)	95,358	–	–	–	95,358
Balance at 1 January 2018 - restated	95,358	204,372	18,044	(618,008)	(300,234)
Other comprehensive loss	(69,034)	(3,539)	–	(67,415)	(139,988)
Transfer to/from retained earnings	–	–	619	–	619
Balance at 31 December 2018	26,324	200,833	18,663	(685,423)	(439,603)
Balance at 1 January 2017	–	207,892	16,287	(771,365)	(547,186)
Other comprehensive income/(loss)	–	(3,520)	–	153,357	149,837
Transfer to/from retained earnings	–	–	1,757	–	1,757
Balance at 31 December 2017	–	204,372	18,044	(618,008)	(395,592)

A statutory reserve is maintained by general insurance companies in Trinidad and Tobago. This is in accordance with the provisions of Section 171 of the Insurance Act 1980 of Trinidad and Tobago, where companies are required to appropriate towards statutory reserve at least 25% of the prior year's profit until the excess of assets over liabilities equals or exceeds the reserve in respect of its unearned premiums. The general insurance companies in Trinidad and Tobago comply with this requirement.

The Financial Institutions Act 2008 requires a financial institution in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid-up capital of the institution. The trust services company in Trinidad and Tobago complies with this requirement.

19. NON-CONTROLLING INTERESTS IN SUBSIDIARY

	2018 $'000	2017 $'000
Non-controlling interests in subsidiary	22,573	23,071

At the end of the year, the non-controlling interest balance represents a 40.6% shareholding in Guardian General Insurance (OECS) Limited.

20. INSURANCE CONTRACTS

	2018 $'000	2017 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 20.1(a))	8,696,990	8,429,513
With fixed and guaranteed terms and with DPF (Note 20.1 (b))	103,626	112,220
Without fixed terms (Note 20.1(c))	5,165,677	4,796,322
	13,966,293	13,338,055
Participating policyholders' share of the surplus from long-term insurance business (Note 20.1(d))	475,452	475,448
	14,441,745	13,813,503
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses (Note 20.1(e))	1,470,115	2,319,532
Property and casualty claims incurred but not reported (Note 20.1(e))	146,571	172,868
Property and casualty unearned premiums (Note 20.1(f))	832,537	799,316
Group life (Note 20.1(g))	37,486	27,594
	2,486,709	3,319,310
Total gross insurance liabilities	16,928,454	17,132,813
Current	1,596,457	2,284,283
Non-current	15,331,997	14,848,530
Total gross insurance liabilities	16,928,454	17,132,813

20. INSURANCE CONTRACTS (continued)

20.1 Movements in insurance liabilities and reinsurance assets

	2018 $'000	2017 $'000
(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	8,429,513	7,947,787
Exchange rate adjustments	(10,714)	49,942
Changes on initial application of IFRS 9	(2,065)	–
Valuation premiums received	422,798	453,097
Liabilities released for payments on death, surrender and other terminations in the year	(318,573)	(279,213)
Accretion of interest	221,008	202,803
Cash paid for claims settled in the year	(524,007)	(172,213)
Increase in liabilities	525,389	178,037
Other movements	(46,359)	49,273
At end of year	8,696,990	8,429,513
(b) Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	112,220	111,195
Exchange rate adjustments	(668)	984
Changes on initial application of IFRS 9	(93)	–
Change in lapse rates	2,887	(367)
Change in interest rates	(1,926)	3,920
Change in expenses	(711)	(58)
Normal decrease due to the passage of time	(8,083)	(3,454)
At end of year	103,626	112,220

	2018 $'000	2017 $'000
(c) Long-term insurance contracts without fixed terms		
At beginning of year	4,796,322	4,323,422
Exchange rate adjustments	(61)	668
Changes on initial application of IFRS 9	110,395	–
Premiums received	271	366
Liabilities released for payments on death, surrender and other terminations in the year	(1,347)	(3,161)
Changes in unit prices	171	1,229
Cash paid for claims settled in the year	(532,848)	(249,987)
Increase in liabilities	612,817	269,517
Other movements	179,957	454,268
At end of year	5,165,677	4,796,322
(d) Participating policyholders' share of the surplus from long-term insurance business		
At beginning of year	475,448	473,971
Changes on initial application of IFRS 9	(3,941)	–
Surplus arising from operations	4,693	1,142
Other movements	(748)	335
At end of year	475,452	475,448

20. INSURANCE CONTRACTS (continued)

20.1 Movements in insurance liabilities and reinsurance assets (continued)

Short-term insurance contracts:

(e) Property and casualty claims and loss adjustment expenses/claims incurred but not reported

	2018			2017		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Year ended 31 December						
Notified claims	2,319,532	(1,733,078)	586,454	888,638	(366,831)	521,807
Incurred but not reported	172,868	(99,995)	72,873	135,674	(61,506)	74,168
Total at beginning of year	2,492,400	(1,833,073)	659,327	1,024,312	(428,337)	595,975
Exchange rate adjustments	(17,007)	9,060	(7,947)	1,109	(27,457)	(26,348)
Cash paid for claims settled in the year	(2,387,647)	1,369,680	(1,017,967)	(1,663,933)	747,368	(916,565)
Increase in liabilities (Note 28)	1,528,940	(544,211)	984,729	3,130,912	(2,124,647)	1,006,265
Total at end of year	1,616,686	(998,544)	618,142	2,492,400	(1,833,073)	659,327
Notified claims	1,470,115	(931,340)	538,775	2,319,532	(1,733,078)	586,454
Incurred but not reported	146,571	(67,204)	79,367	172,868	(99,995)	72,873
	1,616,686	(998,544)	618,142	2,492,400	(1,833,073)	659,327

(f) Provisions for unearned premiums

	2018 Gross $'000	2018 Reinsurance $'000	2018 Net $'000	2017 Gross $'000	2017 Reinsurance $'000	2017 Net $'000
Total at beginning of year	799,316	(347,714)	451,602	763,888	(328,075)	435,813
Exchange rate adjustments	(5,333)	4,093	(1,240)	10,187	(2,781)	7,406
Increase in the period	831,719	(370,754)	460,965	789,115	(344,957)	444,158
Release in the period	(793,165)	343,562	(449,603)	(763,874)	328,099	(435,775)
Total at end of year	832,537	(370,813)	461,724	799,316	(347,714)	451,602

(g) Group life

	2018 Gross $'000	2018 Reinsurance $'000	2018 Net $'000	2017 Gross $'000	2017 Reinsurance $'000	2017 Net $'000
Total at beginning of year	27,594	–	27,594	18,593	–	18,593
Cash paid for claims settled in the year	(41,819)	6,021	(35,798)	(36,609)	4,817	(31,792)
Increase in liabilities	52,005	(6,021)	45,984	45,027	(4,817)	40,210
Net exchange differences	(294)	–	(294)	583	–	583
Total at end of year	37,486	–	37,486	27,594	–	27,594

20. INSURANCE CONTRACTS (continued)

20.2 Claims development tables – property and casualty insurance contracts

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim), with the exception of international property and casualty claims, which is disclosed by underwriting year account.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total $'000
Insurance claims – gross	
- By accident year	1,453,860
- By underwriting year	162,826
Total liability (Note 20.1 (e))	1,616,686
Insurance claims – net	
- By accident year	553,699
- By underwriting year	64,443
Total liability (Note 20.1 (e))	618,142

Insurance claims – gross	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Accident year						
Estimate of ultimate claims costs:						
- at end of accident year	1,070,680	1,262,087	1,299,040	3,267,387	1,341,200	
- one year later	1,025,741	1,195,104	1,221,064	3,436,023		
- two years later	1,027,286	1,189,234	1,221,047			
- three years later	1,021,826	1,176,952				
- four years later	1,017,547					
Current estimate of cumulative claims	1,017,547	1,176,952	1,221,047	3,436,023	1,341,200	8,192,769
Cumulative payments to date	(964,383)	(1,101,088)	(1,144,821)	(2,700,432)	(936,720)	(6,847,444)
Liability recognized in the consolidated statement of financial position	53,164	75,864	76,226	735,591	404,480	1,345,325
Liability in respect of prior years						108,535
Total liability						1,453,860
Underwriting year						
Estimate of ultimate claims costs:						
- at end of underwriting year	35,352	27,309	22,884	23,681	18,226	
- one year later	44,076	35,876	26,094	29,002		
- two years later	40,337	32,920	24,523			
- three years later	39,265	33,308				
- four years later	38,395					
Current estimate of cumulative claims	38,395	33,308	24,523	29,002	18,226	143,454
Cumulative payments to date	(35,263)	(27,932)	(16,591)	(15,084)	(2,717)	(97,587)
Liability recognized in the consolidated statement of financial position	3,132	5,376	7,932	13,918	15,509	45,867
Liability in respect of prior years						116,959
Total liability						162,826

20. INSURANCE CONTRACTS (continued)

20.2 Claims development tables – property and casualty insurance contracts (continued)

Insurance claims – net	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	Total $'000
Accident year						
Estimate of ultimate claims costs:						
- at end of accident year	885,338	925,326	947,553	1,611,065	1,027,227	
- one year later	834,313	871,519	858,261	1,503,392		
- two years later	831,666	874,219	843,077			
- three years later	829,013	862,855				
- four years later	809,992					
Current estimate of cumulative claims	809,992	862,855	843,077	1,503,392	1,027,227	5,046,543
Cumulative payments to date	(772,330)	(814,138)	(800,008)	(1,409,594)	(777,433)	(4,573,503)
Liability recognized in the consolidated statement of financial position	37,662	48,717	43,069	93,798	249,794	473,040
Liability in respect of prior years						80,659
Total liability						553,699
Underwriting year						
Estimate of ultimate claims costs:						
- at end of underwriting year	35,352	27,309	22,884	23,681	18,226	
- one year later	44,076	35,876	26,094	29,002		
- two years later	40,337	32,920	24,523			
- three years later	39,265	33,308				
- four years later	38,395					
Current estimate of cumulative claims	38,395	33,308	24,523	29,002	18,226	143,454
Cumulative payments to date	(35,263)	(27,932)	(16,591)	(15,084)	(2,717)	(97,587)
Liability recognized in the consolidated statement of financial position	3,132	5,376	7,932	13,918	15,509	45,867
Liability in respect of prior years						18,576
Total liability						64,443

21. FINANCIAL LIABILITIES

	2018 $'000	2017 $'000
Non-current portion of financial liabilities		
Medium-term borrowings (Note 21.1)	1,686,561	2,038,043
Current portion of financial liabilities		
Medium-term borrowings	555,639	59,371
Short-term borrowings	53,404	216,816
Total current portion of borrowings (Note 21.1)	609,043	276,187
Interest payable	31,800	33,509
	640,843	309,696
Total	2,327,404	2,347,739

The fair value of medium-term borrowings amounted to $2,327,633,000 (2017: $2,235,929,000). These fair value of medium-term borrowings are determined by applying a discounted cash flow model for the remaining term to maturity using a current yield curve for a similar debt instrument. For short-term debt, the carrying amounts approximate their fair value.

The Group has not had any defaults of principal, interest or other breaches with respect to their borrowings during the year (2017 - Nil).

21.1 Borrowings

	2018 $'000	2017 $'000
Parent company	2,003,334	1,987,366
Subsidiaries	292,270	326,864
	2,295,604	2,314,230
Current	609,043	276,187
Non-current	1,686,561	2,038,043
	2,295,604	2,314,230

21. FINANCIAL LIABILITIES (continued)

21.1 Borrowings (continued)

	2018 $'000	2017 $'000
The movements in borrowings are summarised below:		
Balance at beginning of year	2,314,230	2,136,852
Exchange rate adjustments	273	2,382
Proceeds from borrowings	225,111	252,340
Repayment of borrowings	(244,390)	(78,810)
Transaction costs on new borrowings capitalised	–	(2,050)
Transaction costs expensed during the year	380	3,516
Balance at end of year	2,295,604	2,314,230

Details of major total current and non-current loans are as follows:

Parent company

Facility 1 – $1 billion

This is a fixed rate 12-year bond ending in December 2023 and comprises two series. Interest is charged at 7.975% per annum and is paid semi-annually. Series 1 principal repayments commenced on 27 July 2011 by 7 equal half-yearly installments of $3,375,000, 16 equal half-yearly installments of $18,750,000 and a final balloon installment of $576,375,000. Series 2 principal repayments commenced 27 January 2012 by 6 equal half-yearly installments of $375,000, 16 equal half-yearly installments of $2,083,333 and a final balloon installment of $64,416,667.

Facility 2 – $517 million

This is a fixed rate 5-year bond ending in December 2019. Interest is charged at 4.25% per annum and is payable in 10 half-yearly installments, which commenced June 2015. The principal is to be repaid at maturity.

Facility 3 – $450 million

This is a secured 5-year fixed rate loan ending in December 2022. Interest is charged at 5.92% per annum and is paid semi-annually. The principal is payable at maturity.

Facilities 1, 2 and 3 are secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited.

Facility 4 – $400 million

This is a 2-year fixed rate loan ending in December 2020. The loan is drawn in tranches with $200 million drawn in December 2018. Interest is charged at 4.47% per annum and is paid semi-annually. The principal is payable at maturity.

Subsidiaries

Loan 1 – US$50 million

This is an unsecured fixed rate 5-year loan ending in June 2021. Interest is fixed at 4.5% and is payable semi-annually. The principal is to be repaid at maturity.

Loan 2 – J$1.8 billion

This is an unsecured fixed rate 7-year loan ending in October 2019. Interest is charged at 8.75% and is payable quarterly in arrears. The principal is repayable by 21 equal quarterly payments of J$79,600,000 and a final payment of J$80,400,000, which commenced 31 July 2014. This loan is guaranteed by Guardian Holdings Limited.

22. INVESTMENT CONTRACT LIABILITIES

	2018 $'000	2017 $'000
The movements in the liabilities arising from investment contracts are summarised below:		
Balance at beginning of year	1,989,472	1,811,761
Premiums received	221,861	286,662
Fees deducted from account balances	(13,303)	(17,453)
Account balances paid on surrender and other terminations in the year	(262,956)	(183,496)
Interest credited through income	65,304	67,652
Other movements	4,572	2,979
Exchange rate adjustments	(15,577)	21,367
Balance at end of year	1,989,373	1,989,472

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

23. THIRD PARTY INTERESTS IN MUTUAL FUNDS

	2018 $´000	2017 $´000
Balance at beginning of year	1,177,879	1,082,711
Changes on initial application of IFRS 9 (Note 49)	(4,052)	–
Share of net income	22,115	17,295
Unrealised (losses)/gains	(51,365)	21,192
Net change in mutual fund holder balances	(109,181)	69,753
Distributions	(13,804)	(13,072)
Balance at end of year	1,021,592	1,177,879

24. POST-RETIREMENT MEDICAL BENEFIT OBLIGATIONS

	2018 $´000	2017 $´000
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of obligations	121,245	105,804
The amount in the consolidated statement of income is made up as follows:		
Interest cost	5,075	4,517
Current service cost	2,838	2,264
Expense for the year (Note 36)	7,913	6,781
The movement in the liability is as follows:		
Balance at beginning of year	105,804	89,646
Exchange rate adjustments	194	163
Remeasurement of obligation (actuarial losses)	10,634	12,025
Employer contributions	(3,300)	(2,811)
Expense as per above	7,913	6,781
Balance at end of year	121,245	105,804

	2018	2017
The principal actuarial assumptions used were as follows:		
Discount rate	4.2% - 7%	3.6% - 8%
Healthcare cost escalation	2% - 6%	2% - 8%
Retiree premium escalation:		
Existing retirees	0% - 5%	0% - 5%
Future retirees	0% - 5%	0% - 5%
Pre-retirement mortality	GBM/GBV 2005-2010	GBM/GBV 2000-2005
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 is shown below:

	Impact on the obligation	
	Increase $´000	Decrease $´000
1% increase/decrease in discount rate	(17,177)	22,055
1% increase/decrease in medical cost trend rate	21,846	(17,296)

Expected contributions to post-employment benefit plans for the year ending 31 December 2019 are $3,339,000.

25. OTHER LIABILITIES

	2018 $´000	2017 $´000
Deposits and premiums received in advance	113,551	97,301
Amount due to reinsurers	229,179	559,314
Other payables	703,021	691,843
	1,045,751	1,348,458

26. NET PREMIUM INCOME

	2018 $'000	2017 $'000
(a) Insurance premium income		
Long-term insurance contracts	2,512,874	2,352,924
Short-term insurance contracts:		
- premiums receivable	3,348,372	3,119,720
- change in unearned premium provision	(38,554)	(25,240)
	5,822,692	5,447,404
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(94,800)	(97,614)
Short-term reinsurance contracts:		
- premiums payable	(1,602,236)	(1,448,082)
- change in unearned premium provision	27,192	16,858
	(1,669,844)	(1,528,838)

27. POLICY ACQUISITION EXPENSES

	2018 $'000	2017 $'000
Commissions	665,333	628,807
Other expenses for the acquisition of insurance and investment contracts	55,544	54,620
	720,877	683,427

28. NET INSURANCE BENEFITS AND CLAIMS

	2018 $'000	2017 $'000
Insurance benefits - gross	1,979,841	2,143,680
Insurance benefits - recovered from reinsurers	(90,011)	(44,115)
Insurance claims and loss adjustment expenses - gross (Note 20.1(e))	1,528,940	3,130,912
Insurance claims and loss adjustment expenses - recovered from reinsurers (Note 20.1(e))	(544,211)	(2,124,647)
	2,874,559	3,105,830

	Gross $'000	Reinsurance $'000	Net $'000
Insurance benefits 2018			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	948,186	(32,265)	915,921
- increase in liabilities	188,510	838	189,348
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	531,784	(52,563)	479,221
- change in unit prices	257,457	–	257,457
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	1,866	–	1,866
- increase in liabilities	33	–	33
Short-term insurance contracts - life	52,005	(6,021)	45,984
Total cost of policyholder benefits	1,979,841	(90,011)	1,889,830
Insurance benefits 2017			
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	802,546	(6,347)	796,199
- increase in liabilities	400,801	907	401,708
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	482,851	(33,858)	448,993
- change in unit prices	411,291	–	411,291
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	1,844	–	1,844
- decrease in liabilities	(680)	–	(680)
Short-term insurance contracts - life	45,027	(4,817)	40,210
Total cost of policyholder benefits	2,143,680	(44,115)	2,099,565

29. INVESTMENT INCOME

	2018 $'000	2017 $'000
Interest income from:		
- Fair value through profit or loss investment securities	226,104	238,876
- Fair value through other comprehensive income investment securities	113,922	–
- Amortised cost investment securities	414,597	–
- Held-to-maturity investment securities	–	496,925
- Loans and receivables	52,044	66,783
- Cash and cash equivalents	5,017	6,597
Dividend income	106,643	81,642
Direct investment expenses	(14,503)	(14,731)
	903,824	876,092

30. NET REALISED GAINS ON FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2018 $'000	2017 $'000
Government securities	14,638	–
Debentures and corporate bonds	328	–
	14,966	–

31. NET REALISED GAINS ON OTHER ASSETS

	2018 $'000	2017 $'000
Investment securities measured at fair value through profit or loss (IAS 39)	–	15,790
Investment securities measured mandatorily at fair value through profit or loss	24,876	–
Investment securities measured at fair value through other comprehensive income	7,611	–
Other	–	(891)
	32,487	14,899

32. NET FAIR VALUE (LOSSES)/GAINS

	2018 $'000	2017 $'000
Net fair value gains on:		
- Investment securities measured at fair value through profit or loss (IAS 39)	–	260,663
- Investment securities measured mandatorily at fair value through profit or loss	7,285	–
Net loss on third party interests in mutual funds	(22,115)	(17,295)
Fair value adjustment on investment properties (Note 6)	43,565	9,306
Fair value adjustment on Pointe Simon (Note 6)	(40,428)	(7,101)
	(11,693)	245,573

33. FEE INCOME

	2018 $'000	2017 $'000
Policy administration and asset management services:		
- Insurance contracts	11,037	10,637
- Investment contracts without a discretionary participation feature	27,502	29,001
Surrender charges – insurance contracts	8,619	6,935
Other	7,490	6,782
	54,648	53,355

34. OTHER INCOME/(LOSS)

	2018 $'000	2017 $'000
Rental income	67,995	72,800
Foreign exchange losses	(6,303)	(2,734)
Net loss for the year on pension plan assets (Note 12)	(31,174)	(23,741)
Other income	20,390	22,093
	50,908	68,418

35. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	2018 $´000	2017 $´000
Investment securities measured at fair value through other comprehensive income	3,085	–
Investment securities measured at amortised cost	(20,186)	–
Loans and receivables	26,636	5,750
Cash and cash equivalents	(8,206)	–
	1,329	5,750

36. OPERATING EXPENSES

	2018 $´000	2017 $´000
Staff cost	616,514	588,475
Depreciation and amortisation	69,752	65,473
Auditors´ remuneration	14,461	11,888
Directors´ fees	9,365	8,178
Other expenses	460,468	422,141
	1,170,560	1,096,155
Staff cost includes:		
Wages, salaries and bonuses	454,936	439,384
Health and medical	17,181	15,865
Staff training	3,689	2,894
National insurance	46,372	45,702
Pension costs	24,076	22,963
Post-retirement medical benefit obligations (Note 24)	7,913	6,781
Termination benefits	18,385	5,685
Other	43,962	49,201
	616,514	588,475

37. FINANCE CHARGES

	2018 $´000	2017 $´000
Interest on borrowings	135,522	128,893

38. TAXATION

	2018 $´000	2017 $´000
Current tax	123,375	98,263
Business levy/green fund levy	9,764	6,247
Prior year taxation adjustment	2,535	(3,541)
Deferred tax (Note 13)	28,958	8,955
	164,632	109,924
The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:		
Profit before taxation	704,505	520,215
Prima facie tax calculated at domestic corporation tax rate of 30%	211,352	156,065
Effect of different tax rate of life insurance companies	(46,838)	(17,055)
Effect of different tax rate in other countries	(39,534)	(43,085)
Income not subject to tax	(327,635)	(257,210)
Expenses not deductible for tax purposes	287,730	223,022
Net adjustment to recognised and unrecognised tax losses	(4,877)	(65)
Tax reliefs and deductions	(13,538)	(17,413)
Business levy/green fund levy	9,764	6,247
Prior year taxation adjustment	2,535	(3,541)
Tax on dividend	7,213	–
Other	78,460	62,959
Tax charge for the year	164,632	109,924

39. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding at the consolidated statement of financial position date.

	2018 $´000	2017 $´000
Net profit attributable to ordinary shareholders	533,911	406,609
	Number of shares (´000)	
Weighted average number of ordinary shares in issue (thousands)	231,744	231,691
	$	$
Basic earnings per ordinary share	2.30	1.75

40. DIVIDENDS

	2018 $´000	2017 $´000
Final dividend for 2017 - 45¢ per share (2016 - 45¢ per share)	104,352	104,355
Interim dividend for 2018 - 23¢ per share (2017 - 22¢ per share)	53,329	51,018
	157,681	155,373

On 28 February 2019, the Board of Directors declared a final dividend of 48 cents per share (2017 - 45 cents), a total dividend to be paid of $111 million (2017: $104 million). These consolidated financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2019.

41. ADJUSTMENT FOR NON-CASH ITEMS IN OPERATING PROFIT

	2018 $´000	2017 $´000
Share of profit from associated companies (Note 8)	(17,045)	(18,646)
Net fair value gains on financial and other assets	(7,285)	(260,663)
Third party share of net income of mutual funds (Note 23)	22,115	17,295
Net realised gains on financial and other assets	(47,453)	(15,790)
Impairment of financial assets	1,329	5,750
Net loss for the year on post-employment benefits	39,087	30,522
Depreciation and amortisation (Note 36)	69,752	65,473
(Gain)/loss on disposal of property, plant & equipment	(502)	2,758
Change in fair value of other investment properties (Note 6)	(43,565)	(9,306)
Change in fair value adjustment on Pointe Simon (Note 6)	40,428	7,101
Loss on disposal of investment property	–	893
Foreign exchange losses/(gains)	22,343	(86,709)
Other non-cash expense	–	2,022
	79,204	(259,300)

42. FAIR VALUE MEASUREMENT

The following table provides the fair value measurement of the Group's assets and liabilities that are disclosed at fair value in the statement of financial position.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2018				
Assets measured at fair value:				
Freehold properties	–	331,413	131,080	462,493
Investment properties	–	1,473,584	3,881	1,477,465
Investment securities at fair value through profit or loss:				
Equity securities	2,963,500	31,616	183,324	3,178,440
Government securities	287,670	2,995,562	–	3,283,232
Debentures & corporate bonds	150,670	636,493	–	787,163
Deposits (more than 90 days)	–	596,143	–	596,143
Other	–	10,691	11,684	22,375
Investment securities at fair value through other comprehensive income:				
Government securities	278,657	949,509	96	1,228,262
Debentures & corporate bonds	106,543	1,367,540	–	1,474,083
Deposits (more than 90 days)	–	6,781	–	6,781
	3,787,040	8,399,332	330,065	12,516,437
At 31 December 2017				
Assets measured at fair value:				
Freehold properties	–	343,920	118,997	462,917
Investment properties	–	1,450,493	3,871	1,454,364
Investment securities at fair value through profit or loss:				
Equity securities	2,977,445	14,504	157,841	3,149,790
Government securities	836,333	1,878,799	12,402	2,727,534
Debentures & corporate bonds	257,924	1,593,910	7,975	1,859,809
Deposits (more than 90 days)	–	605,021	–	605,021
Other	3,227	15,788	11,592	30,607
	4,074,929	5,902,435	312,678	10,290,042

There were no transfers between level 1 and level 2 during the period.

42. FAIR VALUE MEASUREMENT (continued)

Reconciliation of movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

			Investment securities				
	Freehold properties $'000	Investment properties $'000	Equity securities $'000	Government securities $'000	Debentures & corporate bonds $'000	Other $'000	Total $'000
At 31 December 2018							
Balance at beginning of year	118,997	3,871	157,841	12,402	7,975	11,592	312,678
Exchange rate adjustment	295	10	453	68	46	42	914
Total gains or (losses): in profit or loss	(3,908)	–	(28)	–	–	50	(3,886)
Purchases	15,696	–	35,070	–	–	–	50,766
Sales	–	–	(5,355)	–	–	–	(5,355)
Changes on initial application of IFRS 9	–	–	(96)	(12,374)	(8,021)	–	(20,491)
Transfers out of level 3	–	–	(4,561)	–	–	–	(4,561)
Balance at end of year	131,080	3,881	183,324	96	–	11,684	330,065
At 31 December 2017							
Balance at beginning of year	119,787	4,520	69,532	12,408	11,398	11,659	229,304
Exchange rate adjustment	294	12	249	(163)	(109)	(102)	181
Total gains or (losses): in profit or loss	(3,426)	(43)	(379)	–	17	160	(3,671)
Purchases	2,342	–	93,018	16,443	6,237	–	118,040
Sales	–	(618)	(550)	(16,286)	(9,115)	(125)	(26,694)
Other movements	–	–	(250)	–	–	–	(250)
Transfers out of level 3	–	–	(3,779)	–	(453)	–	(4,232)
Balance at end of year	118,997	3,871	157,841	12,402	7,975	11,592	312,678

42. FAIR VALUE MEASUREMENT (continued)

Total gains or losses (realised and unrealised) for the year in the above table are presented in the consolidated statement of income and other comprehensive income as follows:

	2018 $'000	2017 $'000
Total gains or (losses) recognised in consolidated statement of income		
Net realised losses on other assets	–	(19)
Net fair value gains/(losses)	22	(226)
Operating expenses	(3,908)	(3,426)
	(3,886)	(3,671)

Total unrealised gains/(losses) for the period included in consolidated statement of income for assets and liabilities held at end of year:

	2018 $'000	2017 $'000
Assets measured at fair value:		
Investment securities:		
Equity securities	(28)	(404)
Debentures & corporate bonds	–	18
Other	50	160
	22	(226)

The Group does not regard that any reasonable change in the valuation assumptions of level 3 assets and liabilities will have any significant impact on the consolidated financial statements.

The following table provides the fair value measurement of the Group's assets and liabilities that are not measured at fair value in the consolidated statement of financial position but whose fair values are disclosed in the notes to the accounts.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2018				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	301,637	5,670,435	4,801	5,976,873
Debentures & corporate bonds	1,619	700,629	3,029	705,277
Deposits (more than 90 days)	–	1,379,598	–	1,379,598
	303,256	7,750,662	7,830	8,061,748
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	2,327,633	–	2,327,633
At 31 December 2017				
Assets for which fair values are disclosed:				
Held-to-maturity investment securities:				
Government securities	–	7,607,220	–	7,607,220
Debentures & corporate bonds	–	800,431	–	800,431
Deposits (more than 90 days)	–	1,231,165	–	1,231,165
Loans and receivables (debt securities)	–	188,076	–	188,076
	–	9,826,892	–	9,826,892
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	2,235,929	–	2,235,929

43. SEGMENT INFORMATION

The segment results for the year ended 31 December 2018 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2018					
Insurance activities					
Insurance premium income	3,564,506	2,258,186	–	–	5,822,692
Insurance premium ceded to reinsurers	(186,830)	(1,483,014)	–	–	(1,669,844)
Commission income	28,707	277,181	–	–	305,888
Net underwriting revenue	3,406,383	1,052,353	–	–	4,458,736
Policy acquisition expenses	(425,924)	(298,589)	–	3,636	(720,877)
Net insurance benefits and claims	(2,538,011)	(336,548)	–	–	(2,874,559)
Underwriting expenses	(2,963,935)	(635,137)	–	3,636	(3,595,436)
Net result from underwriting activities	442,448	417,216	–	3,636	863,300
Investing activities					
Investment income	815,364	55,758	75,152	(42,450)	903,824
Net realised gains on financial assets measured at amortised cost	11,346	3,620	–	–	14,966
Net realised gains/(losses) on other assets	23,029	–	17,845	(8,387)	32,487
Net fair value gains/(losses)	62,615	8,883	(34,234)	(48,957)	(11,693)
Fee income	17,454	7,954	35,926	(6,686)	54,648
Other income/(loss)	43,229	(440)	1,058	7,061	50,908
Investment contract benefits	(63,572)	–	–	–	(63,572)
Net income/(loss) from investing activities	909,465	75,775	95,747	(99,419)	981,568
Fee and commission income from brokerage activities	–	150,003	–	–	150,003
Net income/(loss) from all activities	1,351,913	642,994	95,747	(95,783)	1,994,871
Net impairment gains/(losses) on financial assets	2,544	9,928	756	(14,557)	(1,329)
Operating expenses	(583,618)	(447,205)	(50,709)	(89,028)	(1,170,560)
Finance charges	(2,809)	(7,549)	(1,169)	(123,995)	(135,522)
Operating profit/(loss)	768,030	198,168	44,625	(323,363)	687,460
Share of after tax profits of associated companies	–	7,496	–	9,549	17,045
Profit/(loss) before taxation	768,030	205,664	44,625	(313,814)	704,505
Taxation	(119,070)	(41,392)	(13,067)	8,897	(164,632)
Profit/(loss) after taxation	648,960	164,272	31,558	(304,917)	539,873
Profit attributable to participating policyholders	(4,693)	–	–	–	(4,693)
Profit/(loss) for the year	644,267	164,272	31,558	(304,917)	535,180

Inter-segment revenues are eliminated upon consolidation and reflected in the other including consolidation adjustments column.

43. SEGMENT INFORMATION (continued)

The segment results for the year ended 31 December 2017 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2017					
Insurance activities					
Insurance premium income	3,345,538	2,101,866	–	–	5,447,404
Insurance premium ceded to reinsurers	(197,211)	(1,331,627)	–	–	(1,528,838)
Commission income	39,608	234,182	–	–	273,790
Net underwriting revenue	3,187,935	1,004,421	–	–	4,192,356
Policy acquisition expenses	(419,131)	(268,112)	–	3,816	(683,427)
Net insurance benefits and claims	(2,688,719)	(417,111)	–	–	(3,105,830)
Underwriting expenses	(3,107,850)	(685,223)	–	3,816	(3,789,257)
Net result from underwriting activities	80,085	319,198	–	3,816	403,099
Investing activities					
Investment income	806,700	63,154	63,733	(57,495)	876,092
Net realised gains/(losses) on other assets	7,975	(588)	8,291	(779)	14,899
Net fair value gains/(losses)	231,435	33,344	(7,580)	(11,626)	245,573
Fee income	19,052	7,726	35,030	(8,453)	53,355
Other income/(loss)	62,958	(3,352)	2,008	6,804	68,418
Investment contract benefits	(67,380)	–	–	–	(67,380)
Net income/(loss) from investing activities	1,060,740	100,284	101,482	(71,549)	1,190,957
Fee and commission income from brokerage activities	–	138,311	–	–	138,311
Net income/(loss) from all activities	1,140,825	557,793	101,482	(67,733)	1,732,367
Net impairment losses on financial assets	(353)	(1,996)	–	(3,401)	(5,750)
Operating expenses	(566,363)	(431,490)	(49,120)	(49,182)	(1,096,155)
Finance charges	(4,583)	(16,904)	(1,268)	(106,138)	(128,893)
Operating profit/(loss)	569,526	107,403	51,094	(226,454)	501,569
Share of after tax profits of associated companies	–	8,436	–	10,210	18,646
Profit/(loss) before taxation	569,526	115,839	51,094	(216,244)	520,215
Taxation	(84,847)	(16,656)	(10,388)	1,967	(109,924)
Profit/(loss) after taxation	484,679	99,183	40,706	(214,277)	410,291
Profit attributable to participating policyholders	(1,142)	–	–	–	(1,142)
Profit/(loss) for the year	483,537	99,183	40,706	(214,277)	409,149

43. SEGMENT INFORMATION (continued)

The segment assets and liabilities are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2018					
Assets					
Intangible assets	136,957	167,508	–	208,025	512,490
Investment in associated companies	–	73,014	–	159,027	232,041
Investment securities	16,056,233	1,119,076	102,530	(170,550)	17,107,289
Investment securities of mutual fund unit holders	78,741	–	1,139,488	(138,341)	1,079,888
Loans and receivables	1,433,318	501,359	51,100	135,938	2,121,715
Properties for development and sale	–	–	–	104,115	104,115
Reinsurance assets	39,428	1,357,537	–	–	1,396,965
Deferred acquisition costs	4,487	93,574	–	–	98,061
Cash and cash equivalents of mutual fund unit holders	292,545	81,225	218,152	(378,112)	213,810
Other assets	3,342,630	991,680	212,543	(106,020)	4,440,833
Total assets	21,384,339	4,384,973	1,723,813	(185,918)	27,307,207
Liabilities					
Insurance liabilities	14,658,623	2,277,124	–	(7,293)	16,928,454
Other liabilities	2,852,370	788,194	1,520,014	1,797,543	6,958,121
Total liabilities	17,510,993	3,065,318	1,520,014	1,790,250	23,886,575
Capital expenditure	72,195	12,305	462	53,559	138,521
Year ended 31 December 2017					
Assets					
Intangible assets	137,488	177,125	–	214,372	528,985
Investment in associated companies	–	69,711	–	151,133	220,844
Investment securities	15,538,345	1,146,310	117,519	(161,419)	16,640,755
Investment securities of mutual fund unit holders	86,133	–	1,073,022	(147,751)	1,011,404
Loans and receivables	1,441,389	581,354	132,402	147,835	2,302,980
Properties for development and sale	–	–	–	103,475	103,475
Reinsurance assets	42,328	2,169,496	–	–	2,211,824
Deferred acquisition costs	3,537	89,078	–	–	92,615
Cash and cash equivalents of mutual fund unit holders	209,615	10,254	371,064	(219,871)	371,062
Other assets	3,032,780	1,438,028	83,617	(151,733)	4,402,692
Total assets	20,491,615	5,681,356	1,777,624	(63,959)	27,886,636
Liabilities					
Insurance liabilities	14,021,411	3,134,932	–	(23,530)	17,132,813
Other liabilities	2,766,044	1,095,667	1,582,452	1,986,775	7,430,938
Total liabilities	16,787,455	4,230,599	1,582,452	1,963,245	24,563,751
Capital expenditure	82,729	26,725	47	36,550	146,051

43. SEGMENT INFORMATION (continued)

Capital expenditure consists of additions of property, plant and equipment, investment properties, intangible assets, investment in associated companies and properties for development and sale.

	Total revenue from external customers		Non-current assets	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trinidad and Tobago	2,510,770	2,484,091	1,056,159	1,053,850
Jamaica	1,271,180	1,140,052	779,728	717,310
Barbados	183,889	175,655	40,353	52,031
Dutch Caribbean	1,274,828	1,419,647	334,911	323,728
Latin America	123,106	106,641	–	–
Other countries	290,106	262,918	735,344	763,493
	5,653,879	5,589,004	2,946,495	2,910,412

The total revenue information above consists of net underwriting revenue, investment income, net realised gains/losses, net fair value gains/losses, fee income, other income and commission income from brokerage activities. Revenue is based on locations of the customer and there are no transactions with a single customer that amount to more than 10% of total revenue.

Non-current assets for this purpose consist of property, plant and equipment, investment properties, intangible assets, investment in associated companies and properties for development and sale.

44. CONTINGENT LIABILITIES

Legal proceedings

Group companies are defendants in various legal actions. In the opinion of the Directors, after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss.

45. COMMITMENTS

Capital commitments

The Group has no material capital commitments for the year ended 31 December 2018 (2017: nil).

Operating lease commitments – where a Group company is the lessee

	2018 $'000	2017 $'000
The aggregate minimum lease payments under operating leases are as follows:		
Not later than one year	41,101	42,126
Later than one year and no later than five years	92,856	112,099
Over five years	8,857	12,586
	142,814	166,811

Rental expense under these leases amounted to $40,165,000 for the year ended 31 December 2018 (2017 - $37,039,000).

46. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of GHL and its subsidiaries and associated companies listed in the following table.

Principal subsidiaries	Country of Incorporation	Percentage of interest held 2018	2017
Guardian General Insurance Limited	Trinidad and Tobago	100.0	100.0
Guardian Life of the Caribbean Limited	Trinidad and Tobago	100.0	100.0
Guardian Group Trust Limited	Trinidad and Tobago	100.0	100.0
Guardian Asset Management and Investment Services Limited	Trinidad and Tobago	100.0	100.0
Bancassurance Caribbean Limited	Trinidad and Tobago	100.0	100.0
Laevulose Inc. Limited	Trinidad and Tobago	100.0	100.0
Guardian Shared Services Limited	Trinidad and Tobago	100.0	100.0
Fatum Holding N.V.	Curaçao	100.0	100.0
Fatum Accident & Health N.V.	Curaçao	100.0	100.0
Fatum General Insurance Aruba N.V.	Aruba	100.0	100.0
Fatum General Insurance N.V.	Curaçao	100.0	100.0
Fatum Life Aruba N.V.	Aruba	100.0	100.0
Fatum Life N.V.	Curaçao	100.0	100.0
Thoma Exploitatie B.V.	Netherlands	100.0	100.0
Kruit en Venema Assuradeuren B.V.	Netherlands	100.0	100.0
Guardian Life Limited	Jamaica	100.0	100.0
Guardian General Insurance Jamaica Limited	Jamaica	100.0	100.0
Guardian Resorts (Jamaica) Limited	Jamaica	100.0	100.0
Guardian Re (SAC) Limited	Bermuda	100.0	100.0
Guardian General Insurance (OECS) Limited	Grenada	59.4	59.4
Guardian Life (OECS) Limited	Grenada	100.0	100.0

Associated companies	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held 2018	2017
RoyalStar Holdings Limited	Property and Casualty Insurer	Bahamas	26.3%	26.3%
RGM Limited	Property Development & Facilities Management	Trinidad and Tobago	33.3%	33.3%
Sas Compagnie Hoteliere de la Pointe Simon	Hotel Operations	Martinique	24.0%	24.0%

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions at market rates.

	2018 $'000	2017 $'000
The following transactions were carried out with related parties:		
(a) Sales of insurance contracts and other services:		
- Key management personnel	224	260
(b) Interest income from:		
- Key associates	9,891	23,176
(c) Financial assets of:		
- Key associates	341,195	344,620
- Other related parties	805,741	641,543
(d) Key management personnel compensation:		
- Salaries and other short-term employee benefits	109,915	125,165
- Post-employment benefits	18,413	25,272

46. RELATED PARTY DISCLOSURES (continued)

	2018 $´000	2017 $´000
(e) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	36,316	35,955
Exchange rate adjustments	(2,606)	568
Loans advanced during the year	8,230	5,936
Loan repayments received	(3,269)	(6,131)
Interest charged	1,501	1,303
Interest received	(1,501)	(1,315)
Balance at end of year	38,671	36,316
Loans to key associates:		
Balance at beginning of year	126,779	116,599
Exchange rate adjustments	(5,181)	16,092
Loan repayments received	(5,334)	(5,396)
Interest charged	3,474	2,536
Interest received	(4,310)	(3,052)
Balance at end of year	115,428	126,779

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2017: Nil).

Financial assets of key associates comprise multiple corporate bonds plus interest receivable and preference shares issued by RGM to the Group. The preference shares held by the Group are cumulative, non-convertible and redeemable. The corporate bonds carry fixed interest rates and principal and interest are payable semi-annually. All bonds are secured by mortgages on various properties.

Financial assets of other related parties comprise debt, equity and other investments issued by entities controlled by related parties, in the ordinary course of business.

Loans to key management of the Group are secured and settlement occurs in cash. The details of the loan advanced to CHPS are disclosed in Note 11.

47. ASSETS UNDER MANAGEMENT

Assets under management, which are not beneficially owned by the Group, but which the Group manages on behalf of investors are listed below:

	Carrying amount	
	2018 $´000	2017 $´000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	290,680	476,593
Investments	4,319,417	3,340,024
Interest and other receivables	121,527	124,058
	4,731,624	3,940,675

48. PLEDGED ASSETS

The Group had deposited certain assets with the regulatory authorities in the countries in which it is authorised to conduct business as security for its policyholders. The type and values of these assets are in accordance with the legal requirements of the countries concerned. The carrying value of pledged assets is:

	2018 $´000	2017 $´000
Statutory deposits / funds	10,091,450	9,370,896

49. IMPACT OF INITIAL APPLICATION OF IFRS 9

The Group adopted IFRS 9 with a date of initial application of 1 January 2018, which resulted in changes to the Group's accounting policies for recognition, classification and measurement of financial assets and impairment of financial assets.

As permitted by the transitional provisions of IFRS 9, the Group did not restate comparative amounts. The cumulative retrospective impact of applying the new requirements has been reflected in the Group's opening statement of financial position as at 1 January 2018, as shown below. Also, for notes disclosure, the consequential amendments to IFRS 7 Financial instruments: Disclosures have only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

	Audited 1-Jan-18 $'000	IFRS 9 initial application adjustments 1-Jan-18 $'000	Restated 1-Jan-18 $'000
Assets			
Investment securities			
FVPL	7,480,460	104,139	7,584,599
AC	9,160,295	(1,836,345)	7,323,950
FVOCI	–	1,868,548	1,868,548
Investment securities of mutual fund unit holders			
FVPL	1,011,404	(790,987)	220,417
AC	–	93,953	93,953
FVOCI	–	760,217	760,217
Loans and receivables	2,302,980	(304,547)	1,998,433
Deferred tax assets	40,130	12,634	52,764
Cash and cash equivalents	2,059,318	13,614	2,072,932
Cash and cash equivalents of mutual fund unit holders	371,062	(955)	370,107
Other assets	5,460,987	–	5,460,987
Total assets	27,886,636	(79,729)	27,806,907

	Audited 1-Jan-18 $'000	IFRS 9 initial application adjustments 1-Jan-18 $'000	Restated 1-Jan-18 $'000
Equity and liabilities			
Share capital	1,993,473	–	1,993,473
Reserves	(395,592)	95,358	(300,234)
Retained earnings	1,701,933	(276,663)	1,425,270
Equity attributable to owners of the parent	3,299,814	(181,305)	3,118,509
Non-controlling interests in subsidiary	23,071	(595)	22,476
Total equity	3,322,885	(181,900)	3,140,985
Insurance contracts	17,132,813	104,296	17,237,109
Third party interests in mutual funds	1,177,879	(4,052)	1,173,827
Deferred tax liabilities	273,352	1,927	275,279
Other liabilities	5,979,707	–	5,979,707
Total liabilities	24,563,751	102,171	24,665,922
Total equity and liabilities	27,886,636	(79,729)	27,806,907

49. IMPACT OF INITIAL APPLICATION OF IFRS 9 (continued)

The impact of initial application of IFRS 9 on the Group's reserves and retained earnings is, as follows:

	Fair value reserve $'000	Retained earnings $'000
Audited opening balance – 1 January 2018 – IAS 39	–	1,701,933
Reclassification adjustments (before taxation):		
From FVPL to AC	–	(15,061)
From AC to FVPL-M	–	161,032
From FVPL to FVOCI	86,659	(86,659)
From AC to FVOCI	691	–
Expected credit losses adjustments (before taxation):		
Increase in provision for financial assets at AC	–	(179,554)
Increase in provision for financial assets at FVOCI	20,037	(20,037)
Other adjustments	–	(54,824)
Insurance contracts adjustments	–	(104,296)
Taxation adjustments	(12,029)	22,736
Total IFRS 9 initial application adjustments	95,358	(276,663)
Restated opening balance – 1 January 2018 – IFRS 9	95,358	1,425,270

50. IFRS 9 TRANSITION DISCLOSURES

(i) Classification and measurement of financial assets on the date of initial application of IFRS 9

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	Measurement category IAS 39	Carrying value IAS 39 $'000	Reclassifications HTM to FVPL-M $'000	HTM to FVOCI $'000	FVPL to AC $'000	FVPL to FVPL-M $'000	FVPL to FVOCI $'000	Other $'000	Re-measurement ECL $'000	Carrying value IFRS 9 $'000	Measurement category IFRS 9
Investment securities	AC	9,160,295	(3,161,923)	(5,120)	–	–	–	66,682	(63,866)	5,996,068	AC
		–	202,478	–	–	–	–	–	–	202,478	FVPL-M
	FVPL	7,480,460	–	–	(1,424,730)	(4,138,169)	(1,917,561)	–	–	–	
		–	3,243,952	–	–	4,138,169	–	–	–	7,382,121	FVPL-M
		–	–	–	1,378,183	–	–	–	(50,301)	1,327,882	AC
		–	–	5,811	–	–	1,917,561	(54,824)	–	1,868,548	FVOCI
		16,640,755	284,507	691	(46,547)	–	–	11,858	(114,167)	16,777,097	
Investment securities of mutual fund unit holders	FVPL	1,011,404	–	–	(30,770)	(220,417)	(760,217)	–	–	–	
		–	–	–	–	220,417	–	–	–	220,417	FVPL-M
		–	–	–	96,458	–	–	–	(2,505)	93,953	AC
		–	–	–	–	–	760,217	–	–	760,217	FVOCI
		1,011,404	–	–	65,688	–	–	–	(2,505)	1,074,587	
Loans and receivables	AC	2,302,980	(123,475)	–	(67,299)	–	–	(66,682)	(47,091)	1,998,433	AC
Cash and cash equivalents	AC	2,011,412	–	–	32,855	–	–	–	(19,241)	2,025,026	AC
	FVPL	47,906	–	–	–	–	–	–	–	47,906	FVOCI
		2,059,318	–	–	32,855	–	–	–	(19,241)	2,072,932	
Cash and cash equivalents of mutual fund unit holders	AC	371,062	–	–	–	–	–	–	(955)	370,107	AC
Total		22,385,519	161,032	691	(15,303)	–	–	(54,824)	(183,959)	22,293,156	

50. IFRS 9 TRANSITION DISCLOSURES (continued)

(i) Classification and measurement of financial assets on the date of initial application of IFRS 9 (continued)

The Group's accounting policies on classification of financial instruments under IFRS 9 are set out in Note 2.9. The application of these policies resulted in the reclassifications set out in the table above and explained below.

- Certain debt securities are held in a separate portfolio for long term yield. These securities may be sold, but such sales are not expected to be more infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. These assets are classified as measured at amortised cost under IFRS 9.
- Certain debt securities are held in separate portfolios to meet everyday liquidity needs. The return on these portfolios consist of collecting contractual payments as well as gains and losses from the sale of financial assets. The investment strategy often results in sales activity that is significant in value. The Group considers that under IFRS 9 these securities are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Certain securities are held in separate portfolios and are managed with an objective of realizing cash flows through sale. The Group primarily focuses on fair value information and uses that information to assess the securities performance and to make decisions. In addition, certain asset backed securities have contractual cash flows that are not solely payments of principal and interest. These assets are therefore measured at fair value through profit or loss under IFRS 9.

For financial assets that have been reclassified from the fair value through profit or loss category to the amortised cost and fair value through other comprehensive income categories, the following table shows their fair value as at 31 December 2018, interest revenue and the fair value gain or loss that would have been recognised if these financial assets had not been reclassified as part of the transition to IFRS 9.

	Financial assets reclassified from	
	FVPL to AC $'000	FVPL to FVOCI $'000
Fair value of financial assets reclassified, as at 31 December 2018	927,686	2,287,867
Fair value gain or loss that would have been recognised during 2018 in the consolidated statement of income if the financial assets had not be reclassified	(36,525)	(14,833)
Interest revenue recognised during 2018 on reclassified financial assets	39,912	110,497

(ii) Reconciliation of loss allowance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new loss allowance measured in accordance with the IFRS 9 expected credit loss model at 1 January 2018.

	FVOCI investment securities $'000	AC investment securities $'000	AC loans and other receivables $'000	AC – cash and cash equivalents $'000	Total $'000
Balance at 31 December 2017 per IAS 39	–	–	122,988	–	122,988
Remeasurement on initial application of IFRS 9	74,861	116,672	47,091	20,196	258,820
Balance as at 1 January 2018 per IFRS 9	74,861	116,672	170,079	20,196	381,808

Financials Expressed in US Dollars

31 December 2018 The Group's Consolidated Statement of Financial Position, Consolidated Statement of Income and Consolidated Statement of Comprehensive Income expressed in US dollars appears below. The purpose of this publication is to provide readers of the Group's Annual Report, a number of whom are from jurisdictions outside of Trinidad and Tobago, with a quick and convenient overview of the Group's financial performance, referenced against a major international currency. The exchange rate used for this purpose is TT$6.78045 to US$1.00.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2018 US$'000	2017 US$'000
Assets		
Property, plant and equipment	91,496	88,894
Investment properties	217,901	214,494
Intangible assets	75,583	78,016
Investment in associated companies	34,222	32,571
Investment securities	2,523,032	2,454,226
Investment securities of mutual fund unit holders	159,265	149,165
Loans and receivables	312,917	339,650
Properties for development and sale	15,355	15,261
Pension plan assets	9,978	12,235
Deferred tax assets	9,042	5,918
Reinsurance assets	206,028	326,206
Deferred acquisition costs	14,462	13,659
Taxation recoverable	19,113	24,066
Cash and cash equivalents	307,417	303,714
Cash and cash equivalents of mutual fund unit holders	31,533	54,725
Total assets	4,027,344	4,112,800
Equity and liabilities		
Share capital	293,883	294,003
Reserves	(64,834)	(58,343)
Retained earnings	272,107	251,006
Equity attributable to owners of the parent	501,156	486,666
Non-controlling interests in subsidiary	3,329	3,403
Total equity	504,485	490,069
Liabilities		
Insurance contracts	2,496,656	2,526,796
Financial liabilities	343,252	346,251
Investment contract liabilities	293,398	293,413
Third party interests in mutual funds	150,667	173,717
Pension plan liabilities	10,323	19,203
Post-retirement medical benefit obligations	17,882	15,604
Deferred tax liabilities	46,417	40,315
Provision for taxation	10,034	8,558
Other liabilities	154,230	198,874
Total liabilities	3,522,859	3,622,731
Total equity and liabilities	4,027,344	4,112,800

CONSOLIDATED STATEMENT OF INCOME	2018 US$'000	2017 US$'000
Insurance activities		
Insurance premium income	858,747	803,399
Insurance premium ceded to reinsurers	(246,273)	(225,477)
Reinsurance commission income	45,113	40,379
Net underwriting revenue	657,587	618,301
Policy acquisition expenses	(106,317)	(100,794)
Net insurance benefits and claims	(423,948)	(458,057)
Underwriting expenses	(530,265)	(558,851)
Net result from insurance activities	127,322	59,450
Investing activities		
Investment income	133,299	129,209
Net realised gains on financial assets measured at amortised cost	2,207	–
Net realised gains on other assets	4,791	2,197
Net fair value (losses)/gains	(1,725)	36,218
Fee income	8,060	7,869
Other income	7,508	10,090
Investment contract benefits	(9,376)	(9,937)
Net income from investing activities	144,764	175,646
Fee and commission income from brokerage activities	22,123	20,398
Net income from all activities	294,209	255,494
Net impairment losses on financial assets	(196)	(848)
Operating expenses	(172,638)	(161,664)
Finance charges	(19,987)	(19,010)
Operating profit	101,388	73,972
Share of after tax profits of associated companies	2,514	2,750
Profit before taxation	103,902	76,722
Taxation	(24,280)	(16,212)
Profit after taxation	79,622	60,510
Profit attributable to participating policyholders	(692)	(168)
Profit for the year	78,930	60,342
Profit attributable to non-controlling interests	(187)	(375)
Profit attributable to equity holders of the parent	78,743	59,967
Earnings per share		
- Basic	$ 0.34	$ 0.26

31 December 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2018 US$´000	2017 US$´000
Profit for the year	78,930	60,342
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(9,924)	22,571
Net fair value losses on debt securities at fair value through other comprehensive income	(8,675)	–
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income	455	–
Net losses on disposal of debt securities at fair value through other comprehensive income	(2,111)	–
Taxation relating to components of other comprehensive income	150	–
Net other comprehensive (loss)/income that may be reclassified subsequently to profit or loss	(20,105)	22,571
Items that will not be reclassified subsequently to profit or loss:		
Losses on property revaluation	(451)	(453)
Remeasurement of pension plans	6,748	(12,056)
Remeasurement of post-retirement medical benefit obligations	(1,568)	(1,773)
Other reserve movements	(227)	(4,412)
Taxation relating to components of other comprehensive income	(270)	135
Net other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss	4,232	(18,559)
Other comprehensive (loss)/income for the period, net of tax	(15,873)	4,012
Total comprehensive income for the period, net of tax	63,057	64,354
Comprehensive income attributable to non-controlling interests	(206)	(328)
Comprehensive income attributable to equity holders of the parent	62,851	64,026

Management Proxy Circular

Name of Company: GUARDIAN HOLDINGS LIMITED

Company No. G - 967 (C)

I. Particulars of Meeting:

Annual Meeting of the Company to be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings on Thursday 9th May, 2019 at 10:00 in the morning.

II. Solicitation:

It is intended to vote the proxy solicited hereby (unless the shareholder directs otherwise) in favour of all resolutions specified therein.

III. Any director's statement submitted pursuant to section 76 (2):

No statement has been received from any Director pursuant to Section 76 (2) of the Companies Act, Ch. 81:01

IV. Any auditor's statement submitted pursuant to section 171 (1):

No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of the Companies Act, Ch. 81:01

V. Any shareholder's proposal submitted pursuant to sections 116 (a) and 117 (2):

No proposal has been received from any Shareholder pursuant to Sections 116 (a) and 117 (2) of the Companies Act, Ch. 81:01

Date	Name and Title	Signature
February 28, 2019	Kathryn Abdulla Corporate Secretary	Kabdulla

Form of Proxy

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CH 81:01
[SECTION 143 (1)]

1. Name of Company: **GUARDIAN HOLDINGS LIMITED** Company No. G - 967 (C)
2. Particulars of Meeting: Annual Meeting of the Company to be held at 10:00 in the morning on Thursday May 9, 2019.

I/We (block capitals please) ______________________ being Shareholder(s) in the above Company **(or in the case of an owner whose shares are held in a Clearing Agency being authorised by the Clearing Agency to do so)** appoint (s) the Chairman of the Meeting, or failing him, ______________________ of ______________________

to be my/our Proxy to attend and vote for me/us on my/our behalf at the above meeting and any adjournment thereof as indicated below on the Resolutions to be proposed in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions referred to. If no such indication is given the Proxy will exercise his discretion as to how he votes or whether he abstains from voting:

	FOR	AGAINST
RESOLUTION 1: BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2018 and Reports of the Directors and the Auditors thereon be received and adopted		
RESOLUTION 2 (a): BE IT RESOLVED THAT Mr. Arthur Lok Jack be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and		
RESOLUTION 2 (b): BE IT RESOLVED THAT Mr. Henry Peter Ganteaume be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and		
RESOLUTION 2 (c): BE IT RESOLVED THAT Mr. David Philip Hamel-Smith be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and		
RESOLUTION 2 (d): BE IT RESOLVED THAT Mr. Antony Lancaster be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1 and		
RESOLUTION 2 (e): BE IT RESOLVED THAT Mr. Maxim Rochester be and is hereby re-elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1; and		
RESOLUTION 2 (f): BE IT RESOLVED THAT Mr. Charles Percy is hereby elected for a term of three (3) years expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1;		
RESOLUTION 2 (g): BE IT RESOLVED THAT Ms. Patricia Ghany be and is hereby elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No.1;		
RESOLUTION 3: BE IT RESOLVED THAT PricewaterhouseCoopers be appointed as auditors of the Company and that the Directors be authorized to fix their remuneration for the ensuing year		

Signature(s) ______________________ **Date:** ______________________

NOTES:

1. If it is desired to appoint a proxy other than the Chairman of the Meeting, the necessary deletion must be made and initialed and the name inserted in the space provided.
2. In the case of joint holders the signature of any holder is sufficient but the names of all joint holders should be stated.
3. If the appointor is a corporation this form must be under its common seal or under the hand of its attorney in fact.

Mail or deliver to: The Corporate Secretary
Guardian Holdings Limited
P.O. Box 88
1 Guardian Drive, Westmoorings, 110612
Trinidad and Tobago

For official use only	
Folio Number	
No. of Shares	

myGuardianGroup | myCommUnity