ANNUAL **REPORT 2019**

STRONG TODAY
STRONGER TOMORROW

Guardian Group

Guardian Holdings Limited

CONTENT

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

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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%)	Laevulose Inc Limited (100%)
Guardian Life Limited (100%)	Guardian General Insurance Jamaica Limited (100%)	Guardian Asset Management and Investment Services Limited (100%)	RGM Limited (33.33%)
Fatum Life Insurance N.V. (100%)	Fatum General Insurance N.V. (100%)		Tobago Plantations Limited (25%)
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 Insurance (OECS) Limited (59%)		
	Fidelity Insurance (Cayman) Limited (68%)		
	RoyalStar Holdings Limited (26%)		

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Patrick Hylton (Chairman)
Mr. Henry Peter Ganteaume (Deputy Chairman)
Mr. Ravi Tewari (Group CEO)
Mr. Imtiaz Ahamad
Mr. Robert Almeida
Mr. Dennis Cohen
Ms. Patricia Ghany
Mr. David Philip Hamel-Smith
Mr. Antony Lancaster
Mr. Michael Lee-Chin
Mr. Nicholas Lok Jack
Mr. Charles Percy
Mr. Maxim Rochester

SECRETARY

Mr. Richard Avey

REGISTERED OFFICE

1 Guardian Drive
Westmoorings
Trinidad and Tobago

REGISTRAR & TRANSFER OFFICE

Guardian Holdings Limited
1 Guardian Drive
Westmoorings
Trinidad and Tobago

AUDITORS

PricewaterhouseCoopers
11-13 Victoria Avenue
Port of Spain
Trinidad and Tobago

STANDING COMMITTEES

Audit, Compliance and Risk Committee
Mr. Maxim Rochester (Chairman)
Mr. Imtiaz Ahamad
Mr. Dennis Cohen
Mr. Henry Peter Ganteaume
Mr. Antony Lancaster
Mr. Charles Percy

Talent Development and Compensation Committee (formerly Remuneration Committee)
Mr. Henry Peter Ganteaume (Chairman)
Mr. David Philip Hamel-Smith
Mr. Patrick Hylton
Mr. Antony Lancaster
Mr. Charles Percy

Corporate Governance Committee
Mr. David Philip Hamel-Smith (Chairman)
Mr. Henry Peter Ganteaume
Mr. Antony Lancaster
Mr. Charles Percy

CONSOLIDATED FINANCIAL HIGHLIGHTS

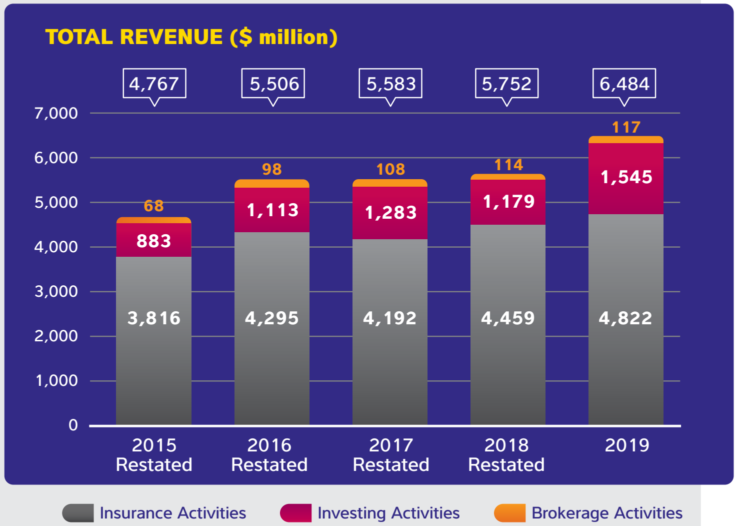
Revenue	2019	2018
Life, Health and Pensions business net written premiums	$3,541 million	$3,377 million
Property and Casualty business net written premiums	$944 million	$787 million
Revenue from insurance operations	$4,822 million	$4,459 million
Revenue from investment activities	$1,545 million	$1,179 million
Revenue from brokerage activities	$117 million	$114 million
Total revenue	$6,484 million	$5,752 million

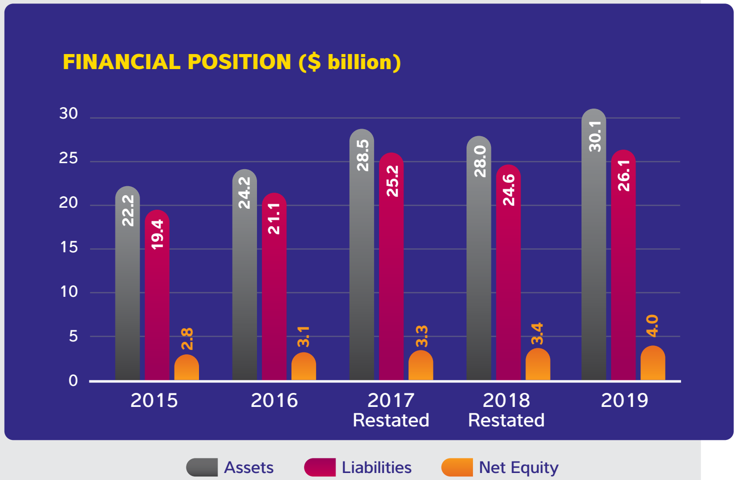
Results		
Profit attributable to equity holders of the company	$692 million	$534 million
Earnings per ordinary share	$2.98	$2.30

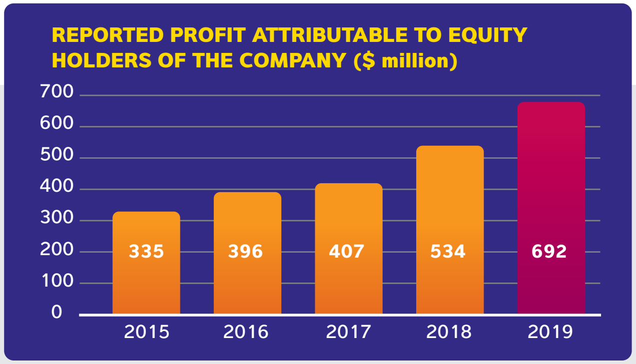
Financial position as at December 31		
Total capital & reserves	$3,964 million	$3,421 million
Shareholders´ equity	$3,940 million	$3,398 million
Net asset value per share	16.98	14.65

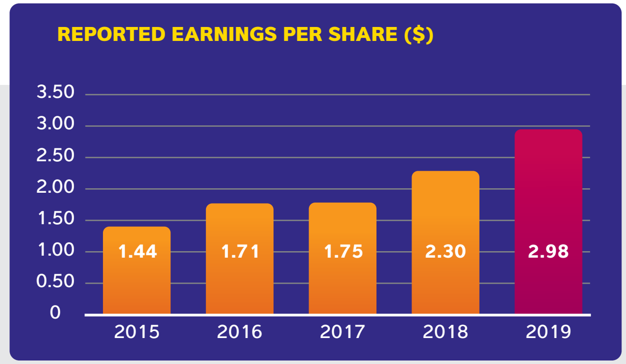
Dividend		
Total dividend for the year per ordinary share	75 cents	71 cents
Dividend cover	3.97	3.24

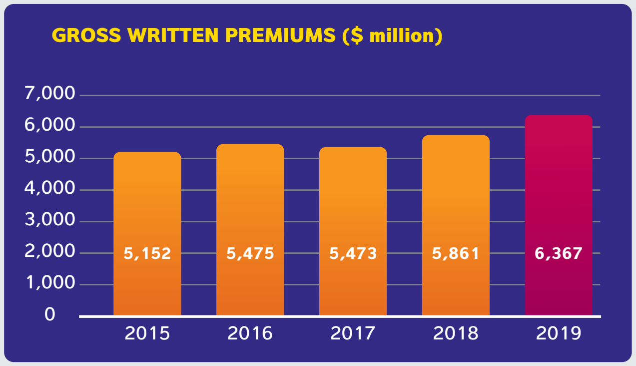
Conversion Rates	2019 Average rate	2019 Year end rate
Trinidad and Tobago dollar to one US Dollar	6.7549	6.7624
Trinidad and Tobago dollar to one British Pound	8.8776	9.0965
Trinidad and Tobago dollar to one Euro	7.7714	7.7677
Trinidad and Tobago dollar to one Jamaican Dollar	0.0500	0.0503
Trinidad and Tobago dollar to one Netherlands Antillean Guilder	3.7737	3.7778

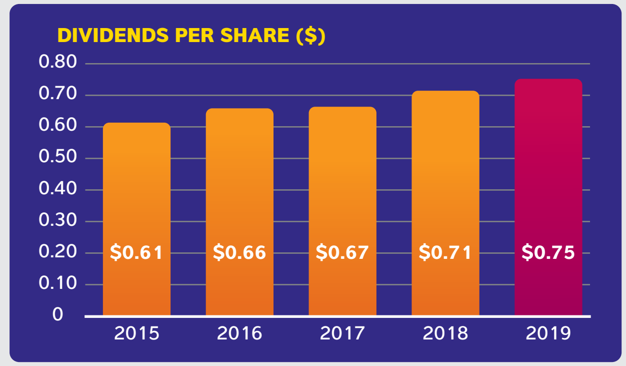






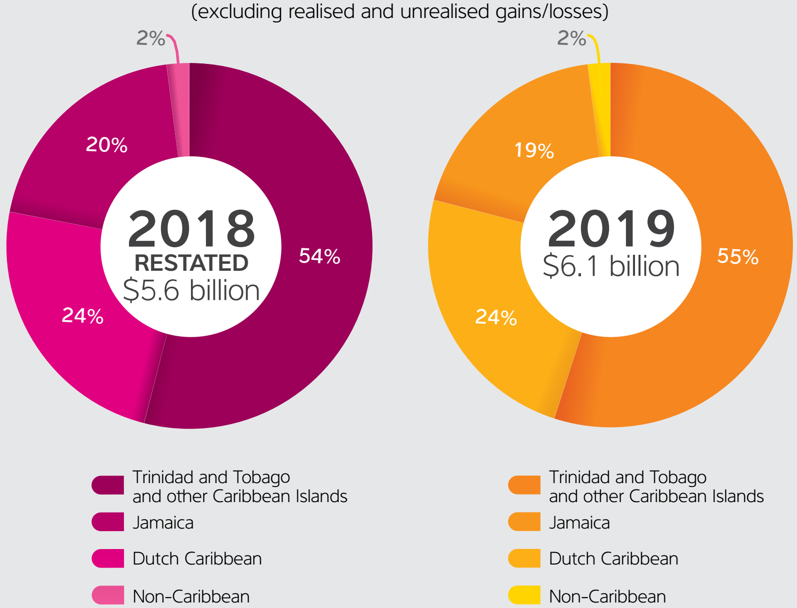




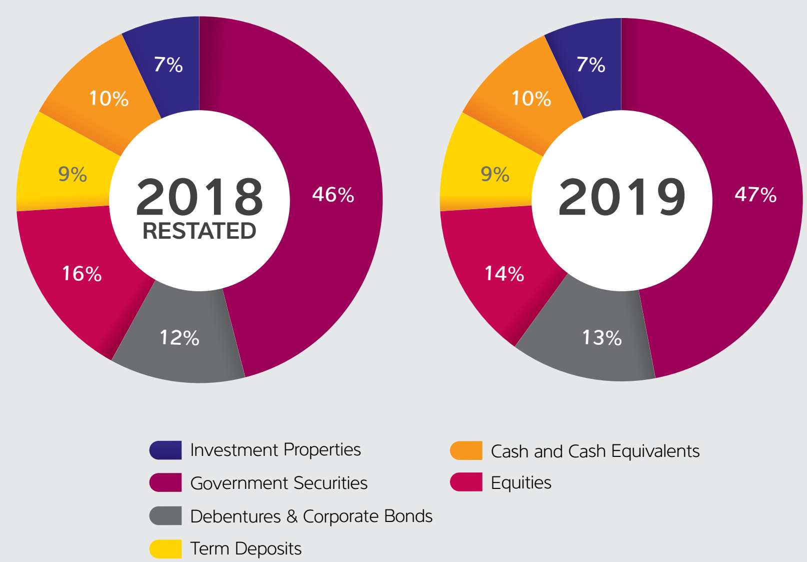


Geographic Distribution of Revenue

(excluding realised and unrealised gains/losses)



Consolidated Investment Mix



Having established a strong trajectory of growth and consistency with our parent company, the NCB Financial Group, we now look forward to deploying our new strategy to transform Guardian Group into a truly world-class insurance, wealth management and investment-banking group.

Patrick Hylton (Chairman)

CHAIRMAN AND CEO´S STATEMENT

Dear Shareholder,

Introduction

The 2019 financial year has been a very significant year for your Group as it caps a very successful four-year period and heralds our bold future.

Our 2019 performance has been very satisfactory with Profit Attributable to Equity Holders at TTD692 million. This is a 30% growth over our 2018 performance of TTD534 million. This performance was achieved even after incurring an TTD86 million loss due to Hurricane Dorian which unfortunately ravaged The Bahamas in August 2019. Of note, all lines of business showed good growth in revenue and profit over their 2018 performance.

Since 2015 all of our key measures have grown robustly. Profit Attributable to Equity Holders has grown by 107% from TTD335 million in 2015 and Equity has grown by 44% from TTD2.75 billion in 2015 to TTD3.96 billion in 2019. However, of even greater significance than the numbers themselves, is that they reflect our deliberate strategy to exponentially improve our operating performance and materially remove volatility from our results.

Over the past four years we have made our business more resilient to adverse underwriting losses and investment volatility by evolving our reinsurance programme and deepening the match between our assets and our liabilities. We have also focused on stabilising Pointe Simon, our property investment in Martinique, which had been a source of profit volatility in the past. We did these corrections to our business parallel to deploying our strategy of streamlining our operations and creating the digital infrastructure to propel even further growth.

Having established a strong trajectory of growth and consistency with our parent company, the NCB Financial Group, we now look forward to deploying our new strategy to transform Guardian Group into a truly world-class insurance, wealth management and investment-banking group.

Henry Peter Ganteaume
(Deputy Chairman)

Financial Highlights

Our Gross Written Premium (GWP) continues to develop in a very encouraging fashion. GWP has grown by 9% from TTD5.9 billion in 2018 to TTD6.4 billion in 2019. Of significance is that there has been growth in all business-units, all lines-of-business and all geographies. Guardian General has been successful in strongly growing its business in the Northern Caribbean market. Our Life companies have all had strong sales. In particular, we have seen the impact of the resurgent Jamaican economy reflected in the best ever sales year in our Jamaican life company. Fatum, our composite insurer in the Dutch-speaking Caribbean, has been very successful in growing its low-volatility European general insurance business. Our brokerage line-of-business, although still relatively small, continues to perform well and shows steady growth.

Our strong sales performance, coupled with improvements in the profitability of our products, has led to a 7% growth in Net Results from Insurance Activities from TTD899 million in 2018 to TTD959 million in 2019. Of note is that both our Life and our Property & Casualty lines-of-business showed growth. This growth in our Property & Casualty line-of-business, despite an TTD86 million loss from Hurricane Dorian, is illustrative of our strategy of leveraging the scale of our group, such that catastrophic losses in one geographical segment can be strongly compensated by profits from other geographical segments.

Our asset book continues to perform well. Net Income from Investing Activities increased by TTD357 million or 35% from TTD1.01 billion in 2018 to TTD1.37 billion in 2019. This was driven by improvements in investment income as well as the strong performance of the Jamaican and US stock market. Towards the end of 2019, we took a decision to rebalance our portfolio and significantly reduced our exposure to international equities. Our improvement in investment performance was partly eroded by an TTD87 million increase in our Net Impairment Loss on Financial Assets consistent with the application of International Financial Reporting Standard 9, Financial Instruments.

Operating Expenses have increased by TTD173 million or 14% from TTD1.20 billion to TTD1.37 billion. A number of temporary factors are driving the high percentage growth. These are (1) costs associated with becoming compliant with IFRS 17 (discussed below), (2) continued investments in our digital and operating infrastructure and (3) the development of our new strategic plan. The latter two categories of costs are investments that will redound to future increases in profitability.

Our Strategic Direction

The past four years have created a strong foundation of growth. This led us to consider the next phase of our strategic journey. We are already the leading insurer in the Caribbean Region, operating in fourteen (14) territories, but we note that we cannot be complacent as the financial services landscape is rapidly changing due to sharp increases in computing power, digital connectivity and changing customer behaviour. We see this changing financial services landscape as a significant opportunity for Guardian Group. Our strategic goal is, by 2024, to become a world-class insurance, wealth-management and investment banking powerhouse. For clarity, by world-class we mean that we will hold ourselves to the best international standards in how we deliver financial performance to our shareholders, how we treat our customers, how we treat our employees and how we positively impact the markets where we operate.

We realize that there are significant gaps to close in delivering our objectives. Having engaged McKinsey & Company as advisors, we have already mapped out our plan and started to form our transformation team. We are particularly excited by the creativity, dedication and energy of our staff in general and the hundreds of staff in particular who are directly involved in this exercise.

Acquisition of Shares by NCB Financial Group

As discussed in our 2016 Annual Report, during 2016, NCB Financial Group acquired 29.99% of the shares of Guardian Holdings Limited thereby becoming our largest shareholder. On 13th May, 2019 they acquired 74,230,750 additional shares which increased their shareholding to 61.971% and as such made Guardian Holdings Limited a subsidiary of NCB Financial Group. We welcome this as an extremely positive development, as we have gained a dynamic and reputable majority shareholder with a vision entirely consistent with that of Guardian Group. Being part of a larger financial ecosystem offers us tremendous opportunities that would not otherwise have been available to us.

Major Future Change in Accounting Policy

As discussed in the previous Annual Report, the International Accounting Standard Board (IASB) has issued a new accounting standard (IFRS 17) for the insurance industry globally. At the time of writing, its effective date was deferred to 1st January, 2023.

Major Future Change in Accounting Policy (continued)

This accounting standard will introduce very significant changes to the financial statements of all insurers and precipitate significant changes to how insurers are managed and the number of data-points that go into the financial statements. Conforming to IFRS 17 is a massive exercise for even the largest global insurers. We have been proactive in securing resources to lead the regional industry in conforming to this standard, and see it as a significant opportunity to cement our position as regional leader and garner a competitive advantage.

Social Responsibility

As the Group continues its journey in the many diverse communities we serve, we are determined to foster our relationships and create value by leaving a footprint of enrichment, pride and resilience. Our social investment throughout the English and Dutch Caribbean is rooted in health and wellness, innovation, entrepreneurship, national service and youth development. With an objective to create a sustainable future for our beneficiaries, Guardian Group continued to expand its social architecture, embracing the responsibility to lead by example.

With a heavy focus on health and wellness, the Group continued to host its annual charity races in Trinidad and Tobago, Jamaica and the Dutch Caribbean. The SHINE 5K and 10K Charity Walk and Run celebrated a 5 year milestone and increased its support to 50 children's charities throughout Trinidad and Tobago, as compared to 30 in the previous year. Our Keep It Alive Night Run in Jamaica, with over 14,000 participants, took to the streets of New Kingston and Montego Bay, all in an effort to support the purchase of life saving medical equipment to the benefitting medical institutions. In the Dutch Caribbean significant strides were also made, with thousands of persons joining together to promote the importance of an active lifestyle.

For the second year, Guardian Group sponsored the National Secondary School Entrepreneurship Competition (NSSEC), a business education simulation platform that educates secondary school pupils in Trinidad and Tobago on real world business practices and decisions. The Group also sponsored a candidate to attend the WeExchange Conference, held in Paraguay, which offers Latin American and Caribbean women entrepreneurs in the field of Science, Technology, Engineering and Mathematics (STEM), the opportunity to expand their network, access mentors and investors.

In Jamaica, the Guardian Group Foundation partnered with the Jamaica Cancer Society and Reach to Recovery, to host "Pink Day" at all Guardian Life branches island-wide, with an objective to increase awareness about breast cancer to the public and staff. The Foundation also partnered with Bossman Campaign on several activities to bring awareness of Prostate Cancer.

In the sphere of sports and youth development, Guardian Group Barbados, affirmed its sponsorship of the Barbados Football Association's youth football tournament and the Herman Griffith 2019 Primary Schools' Cricket competition, both meaningful initiatives that advocate healthy and active lifestyles amongst the youth.

In Curaçao, we continued our long-standing commitment, to fight alongside cancer patients, by sponsoring the Ride for Roses, which encourages participants to use cycling as a means to engage in sporty, healthy and fun avenues to support the fight against cancer.

Outlook and Dividends

At the time of writing, we are in the midst of the unprecedented COVID-19 Pandemic and the world is likely to slip into recession. As a good corporate citizen, we are committed to being a bastion of strength and service to our customers and to play a significant role in helping the markets where we operate to recover as swiftly as possible.

While most global equity markets have precipitously declined, our equity exposure is lower than our average levels due to a rebalancing of our portfolio that occurred before the decline. This will serve us well to take advantage of investment opportunities as the situation improves. We are also comfortable that our reserves and reinsurance provide deep resilience to the adverse exposure to deaths and illness. We are very excited that our strategic direction will continue to improve the performance of your Group. Based on the performance of 2019 your Board has approved a final dividend of 51 cents which will bring the total dividend for the 2019 financial year to 75 cents, a 4 cents increase over the prior year.

Our Group's success is based on the trust and confidence of our shareholders and the energy, dedication and creativity of our staff. We would like to express our deepest thanks to shareholders and employees. Together with our staff, your Board looks forward to transforming your Group into a world-class company that is a source of inspiration for the Caribbean Region.

CHAIRMAN

GROUP CHIEF EXECUTIVE OFFICER

CORPORATE SOCIAL RESPONSIBILITY

STRENGTHENING TIES WITH OUR COMMUNITIES

OUR CARIBBEAN COMMUNITY

INTRODUCTION

In 2019 Guardian Group continued to increase its social footprint in the communities and territories in which we serve. Our Corporate Social Responsibility journey is one that is rooted in supporting our thriving communities, ensuring that they are equipped to enjoy a sustainable future through our responsible business practices. As a leader in this industry, we understand that it's our responsibility to help set industry standards and create solutions which deliver better results for everyone, by maximising our social impact and helping to build a stronger regional front. Our approach to Corporate Social Responsibility practices is continuously balancing our business priorities with our social, economic and environmental responsibilities. These efforts align with and support the company's higher purpose of making the journey as smooth and as pleasant as possible for customers, employees and stakeholders. As such, we consistently thrive to support projects and programmes that potentially have the most stakeholder impact, thus changing the lives of those involved. It is for this reason that we must continuously review, measure and evaluate the impact our Corporate Social Responsibility projects have on the social fabric of our region.

HEALTH AND WELLNESS

SHINE - Securing Hope for those In Need

Aerial view of the starting line

Guardian Group Trinidad and Tobago celebrated the 5th anniversary of the SHINE (Securing Hope for those In Need) 5k and 10K Charity Walk and Run on Saturday 30th November, 2019 at the Nelson Mandela Park, St. Clair. This charity event is Guardian Group's flagship charity fundraiser in Trinidad and Tobago and attracted over 5,000 participants. The dual distances within one event sought to engage both the serious athletes and leisure walkers/runners. This satisfied participants' personal desire to give back to the less fortunate, and Guardian Group's objective of making a meaningful contribution to children's charities. The event also raised public awareness and engagement in a family and fun-based Health and Wellness event which is central to Guardian Group's Corporate Social Responsibility.

Eco-Friendly Fireworks to commemorate 5 years of Shining bright

Ravi Tewari - Group CEO, Guardian Group (L) and Keston Nancoo - Senior Advisor in the Office of the Group CEO (R) with legendary cricketer, Deryck Murray

To commemorate its 5th anniversary and to increase the impact this race has on both the participants as well as the recipient charities, 100% of race proceeds, totaling over TTD500,000.00 was distributed to fifty (50) children's homes across Trinidad and Tobago.

The money received by these charities makes a significant difference in the lives of thousands of children and we are thankful to all our staff members, partners, sponsors, the media and most importantly the participants for their support.

HEALTH AND WELLNESS *(continued)*

Keep It Alive 5K Night Runs

Participants get ready to run for a cause at the starting line of the Keep It Alive 5K Night Runs in Montego Bay

As Guardian Group Jamaica's premier annual event, the Keep It Alive 5K Night Runs, were staged in New Kingston on May 2019 and in Montego Bay on June 2019 with over 14,000 participants. These events successfully raised approximately JMD22.5 million, which assisted with the purchase of life saving medical equipment to the benefitting medical institutions: The University Hospital of the West Indies (UHWI), Mandeville, St. Ann's Bay, Cornwall Regional Hospital and the Kingston Public Hospital. The Foundation

Eric Hosin, President – Guardian Life Limited, congratulates a Keep It Alive 5K participant as he crosses the finish line.

also partnered with several schools and service organisations where the proceeds were used to assist with the financing of several projects.

Fatum Walk & Run

Fatum Walk & Run Aruba

Fatum, which includes business operations across Aruba, Bonaire, Curaçao, Sint Maarten and the Netherlands, celebrated 35 years of its annual Walk & Run race. Formerly known as the Fatum Loop, it is now recognised as the premier race in the Dutch Caribbean and boasts of both local and international participants who take part for recreational and competitive purposes. The Race is opened to everyone who sees the importance of living healthy and active, in a safe environment.

Fatum Walk & Run Aruba

Keep It Moving

Michael Phillips of Phillips Promotion (M) receives a cheque from Kele Ransome, Corporate Communications Officer - CSR & Events, Guardian Group (L) and Ayesha Boucaud-Claxton, Senior Manager, Group Corporate Communications (R)

For the second year, Guardian Group was proud to partner with Phillips Promotion Company Limited for the Keep It Moving Family & Fitness Sundays. Keep It Moving is a community wellness and physical activity programme that utilises a closed-off section of the Diego Martin Highway on Sunday mornings, creating an avenue for families and avid fitness enthusiasts to use the thoroughfare for running, biking and general fitness activities.

Breast Cancer Awareness Month

Guardian Life Limited staff members and clients show their support by wearing pink for 'Pink Day' as part of the Guardian Group Foundation's activities for Breast Cancer Awareness Month

In October 2019, the Guardian Group Jamaica Foundation partnered with the Jamaica Cancer Society and Reach to Recovery to host 'Pink Day' at all Guardian Life branches island-wide. The objective was to increase awareness about breast cancer among staff and the public. Activities included encouraging staff members to wear pink, the distribution of cupcakes to staff and clients and addresses by Ms. Yulit Gordon, Executive Director of the Jamaica Cancer Society and Dr. Hugh Anthony Roberts, Consultant General Surgeon at the University Hospital of the West Indies.

Prostate Cancer Awareness Month

(L-R): Eric Hosin, President Guardian Life Limited, Nikhil Asnani, Assistant Vice President – Actuarial and Meghon Miller-Brown, Vice President – Finance, share some lens time with Dr. the Honorable Christopher Tufton, Minister of Health, to encourage prostate cancer screening

The Guardian Group Jamaica Foundation, through sponsorship of the Bossman Campaign, partnered on several activities to bring awareness about Prostate Cancer to both clients and staff. Prostate Cancer Awareness Month culminated on September 2019 with Boss-up/Wear Blue Day, where all Guardian Life Jamaica branches were encouraged to wear blue. Dr. William Aiken, Consultant Urologist, addressed staff and clients on the topic of prostate cancer.

The Foundation donated a total of JMD5.5 million to both initiatives.

Ride for Roses

Participants at the Ride for Roses event.

Guardian Group Fatum affirmed its commitment to fight alongside cancer patients with its sponsorship of 'Ride for Roses'. Cancer is one of the most prevalent non-communicable diseases in the Caribbean and with corporate support, patients will have assistance with their recovery. The 'Ride for Roses Events' is a series of recreational sports organised and managed by volunteers to generate funds to assist the Princess Wilhelmina Foundation in their efforts to assist cancer patients.

YOUTH AND SPORT DEVELOPMENT

Youth Football Tournament

West Coast Youth Soccer Academy – The U9s Champions of the Guardian Group Youth Football Tournament.

Guardian Life of The Caribbean - Barbados once again sponsored for the 4th consecutive year, the Barbados Football Association's (BFA) youth football tournament. This tournament is another nursery for developing talent through sport and solidifies our commitment to the positive development of youth. The tournament spanned 12 weeks and over 85 teams representing several football clubs across Barbados, participated in the Under 9, 11, 13, 15 and Under 17 divisions all named after Guardian Life products.

Herman Griffith Primary Schools' Cricket

Bayley's Primary celebrating their fourth consecutive victory in the Guardian Group Herman Griffith Primary Schools' Cricket Competition.

The Guardian Group Barbados Herman Griffith 2019 Primary Schools' Cricket competition celebrated a significant year, as 2019 signalled the 21st year that Guardian General Insurance Limited sponsored this legacy tournament. Through the solid partnership with the National Sports Council the company remained steadfast in pledging to support initiatives which advocate positive, healthy and active lifestyles amongst the youth. There was a remarkable response to the competition with 45 primary schools registering and eagerly displaying their talents while contesting the coveted championship title. The Finals of the competition saw a perennial winner Bayley's Primary School securing their fourth title.

In The Winners' Circle

Chairman of 'The Winners' Circle' is being presented with the sponsorship cheque by Lora Toppin, Underwriting Manager.

Guardian Group Barbados reaffirmed its sponsorship of the 'In The Winners' Circle' initiative for the sixth year. In collaboration with the Criminal Justice Research and Planning Unit, we partnered to deploy a nationwide programme for new secondary school entrants to be educated on topics such as bullying, puberty, wandering, conflict resolution and Drug Awareness Resistant Education (DARE), including the hosting of seminars to educate parents on coping with their children's transition into adolscence.

YOUTH AND EDUCATIONAL DEVELOPMENT

National Secondary School Entrepreneurship Competition – NSSEC

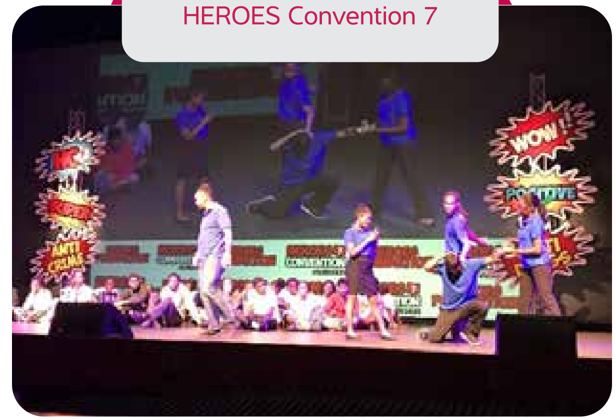
In October 2019, Guardian Group, for the second year, sponsored the National Secondary School Entrepreneurship Competition (NSSEC) which boasted a participation of 110 teams nationwide. The NSSEC programme, a business education simulation platform, uses the Market Place Live software, an online environment for business simulation. The competition specifically targets the youth of Trinidad and Tobago through the secondary school system. The competition was held over a 6-week period where students from participating schools were challenged to manufacture and sell a product in a virtual environment that has all the same challenges as the real-world marketplace.

Ayesha Boucaud-Claxton - Senior Manager, Group Corporate Communications, presents the sponsorship cheque to Dr. Christian Stone of 3Stone Ltd

Ayesha Boucaud-Claxton - Senior Manager, Group Corporate Communications with overall 1st place winners Bishop Anstey, POS

Ayesha Boucaud-Claxton - Senior Manager, Group Corporate Communications with overall 2nd place winners Cowen Hamilton, Moruga

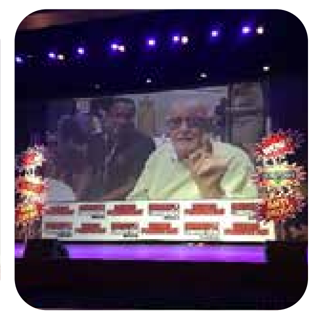
HEROES Convention 7



Students perform skit on bullying

In October 2019, Guardian Group sponsored The Heroes Foundation as they celebrated their 7th Heroes Convention entitled 'Heroes for Life' at the National Academy for the Performing Arts, Trinidad and Tobago. The Heroes Convention is the flagship event for the Foundation which provides an opportunity for the nation's youth, stakeholders and other collaborative entities to showcase their involvement/contribution towards youth development. The Convention was well attended by secondary school students from across Trinidad and Tobago.

'Hero' was one of the many books produced by the Heroes Foundation and distributed to young people at the Convention



Phillip Julien - Chairman of Heroes Foundation with Stan Lee, legendary comic writer.

YOUTH AND EDUCATIONAL DEVELOPMENT *(continued)*

Money and Business Camp

Leon Ramdeen, Vice President - Operations & Technology presents one of the participants with a certificate of completion

During the July/August school vacation period, Guardian Asset Management and Investment Services Limited (GAMSIL) partnered with Shane Ram - Executive Coach and Educator, on the Money and Business Camp geared towards teaching teenagers 13 to 19 years, about the importance of money and business management. The camp was held at three locations across Trinidad and Tobago over a three-week period with approximately one hundred teenagers in attendance. At the end of the camp, the teens would have gained knowledge and skills on how to save and invest, which included current and future trends; the ability to identify profitable business opportunities and build an effective business plan, develop discipline, leadership skills, tenacity, innovation, success mindset, networking and presentation skills.

Kimbly Pierre-Samai, Manager - Marketing at Guardian Asset Management with teenagers during the budgeting game at the Money and Business Camp

Guardian Group Dutch Caribbean supports the Kids Council

Guardian Group Dutch Caribbean supports the Kids Council

Guardian Group - Fatum understands the importance of granting children opportunities to foster the critical thinking process, particularly as it relates to business corporations. As part of Guardian Group's drive to develop innovation and create new career avenues for people in the Caribbean, this Council allows us to promote non-traditional thinkers and spurs future employees and business owners to challenge the status quo.

The Kids Council (Dutch: Raad van Kinderen) is an initiative from The Missing Chapter Foundation in The Netherlands, which triggers and fuels young minds while fostering future thinkers. Guardian Group Fatum continues to support this initiative in an effort to produce the leaders of tomorrow.

COMMUNITY SUPPORT AND VOLUNTEERISM

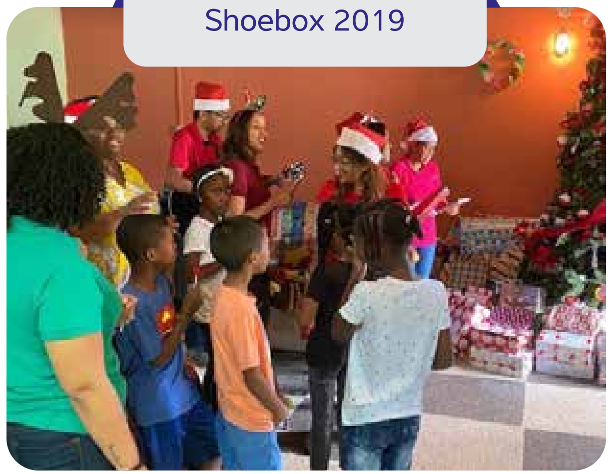
National Day of Caring

Guardian Group's employees, family and friends volunteered to enhance the learning environment for 275 students and teachers of the Brazil Roman Catholic Primary School

Guardian Group Trinidad and Tobago employees embraced one of the company's core values of serving people, by giving back to the Brazil Roman Catholic Primary School. This endeavour was part of a wider national initiative associated with the call for a National Day of Caring on Sunday 26th May, 2019.

Employees, family and friends volunteered to enhance the learning environment for 275 students and teachers of the Brazil Roman Catholic Primary School, by refurbishing the school's library and painting the building's interior and exterior. Supplies including books, puzzles and stationery were also donated to the school.

Shoebox 2019



Toys delivered to one of the recipient's home in Trinidad and Tobago

The Shoebox Project continues to be one of the Group's major staff volunteer programmes across all our territories. For 2019, Guardian Group partnered with the NCB Global Finance family to help bring the joy of the Christmas season to as many children as possible within the territories we operate.

Shoebox is Guardian Group's toy collection drive for the benefit of the less fortunate children in various communities. Shoebox is one of our core CSR initiatives to engage staff in an activity that epitomises one of the Group's core values, serving people. The Shoebox project occurs during the months of November and December annually in keeping with the sentiment of giving during the Christmas season. Since 2012 the charity project has received full support from staff members who are willing to go above and beyond to be champions of the cause. Friendly competition is encouraged among staff/departments to collect the most gifts.

One of the beneficiaries that received gifts

Staff of NCB Global Finance joins Guardian Group to bring the joy of the Christmas season to the children of our communities

COMMUNITY SUPPORT AND VOLUNTEERISM *(continued)*

International Coastal Clean-Up Day

Foundation volunteers celebrated a job well done at the Palisadoes Go-Kart Ring in Kingston for International Coastal Clean-Up Day

In September 2019, the Guardian Group Jamaica Foundation participated in International Coastal Clean-Up Day which demonstrated the Group's commitment to the environment. Staff members participated by engaging in two beach clean-up activities at Barmouth Beach in St Catherine and Palisadoes Go-Kart Ring in Kingston. A total of 85 volunteers supported the initiative.

EMPOWERMENT THROUGH ENTREPENUERSHIP

IDB WeXchange Conference

Middle:- Deidre Lee Kim co-founder of 'Dingole'

Georgina Terry Cowan, BPD Associates Limited receives cheque from Ayesha Boucaud-Claxton, Senior Manager, Group Corporate Communications, Guardian Group

In October 2019, Guardian Group was proud to sponsor Deidre Lee Kim, co-founder of `Dingole', to attend the Exchange Conference which was held in Paraguay during the period 13th - 14th November, 2019. This annual forum offers Latin American and Caribbean women entrepreneurs in the field of Science, Technology, Engineering and Mathematics (STEM), the opportunity to expand their networks, access mentors and investors and participate in the Pitch Competition, a business contest that rewards the most dynamic and innovative entrepreneur in the region.

LEADERSHIP
DIRECTORS & SENIOR MANAGEMENT
NAVIGATING THE PATH OF EXCELLENCE

BOARD OF DIRECTORS

Henry Peter Ganteaume
(Deputy Chairman)

Patrick Hylton
(Chairman)

Ravi Tewari
(Group Chief Executive Officer)

Imtiaz Ahamad

Robert Almeida

Dennis Cohen

Patricia Ghany

David Philip Hamel-Smith

Antony Lancaster

Michael Lee-Chin

Nicholas Lok Jack

Charles Percy

Maxim Rochester

GROUP EXECUTIVES

Ravi Tewari
Group Chief Executive Officer

David Maraj
Group Chief Financial Officer

Richard Avey
Group General Counsel/Corporate Secretary

Brent Ford
Group Chief Investment Officer/Group President, Asset Management

Alan Sadler
Group Vice President, Insurance Operations

Paul Traboulay
Group Chief Risk Officer

Anand Pascal
President, Guardian Life of The Caribbean Ltd.

Dean Romany
President, Guardian General Insurance Ltd.

Eric Hosin
President, Guardian Life Ltd.

Karen Bhoorasingh
President, Guardian General Insurance Jamaica Ltd.

Diego Frankel
President, Fatum

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report for the year ended 31st December, 2019.

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

	2019 **$'000**	**2018 Restated** **$'000**
Net income from insurance underwriting activities	958,579	898,925
Net income from investing activities	1,369,846	1,012,742
Fee and commission income from brokerage activities	117,052	114,378
Net income from all activities	2,445,477	2,026,045
Operating profit	836,686	687,460
Profit before taxation	854,719	704,505
Taxation	(151,006)	(164,632)
Profit for the year	694,960	535,180
Profit attributable to equity holders of the company	692,308	533,911
Total assets	30,068,087	28,024,726
Insurance contract liabilities	17,458,851	16,929,291
Equity attributable to owners of the company	3,939,879	3,398,059

DIVIDENDS

An interim dividend of twenty-four (24) cents per share was paid in 2019. At their meeting on 5th March, 2020 the Directors declared a Final Dividend of fifty-one (51) cents per share which will be paid on 2nd April, 2020 to shareholders on the Register as at 19th March, 2020. The total dividend for 2019 therefore amounts to seventy-five (75) cents per share.

DIRECTORS

Messrs. Patrick Hylton, Henry Peter Ganteaume, Ravi Tewari, Dennis Cohen, David Philip Hamel-Smith, Antony Lancaster, Michael Lee-Chin and Nicholas Lok Jack 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. Robert Almeida as a director of the company.

DIRECTORS AND SIGNIFICANT INTERESTS

These are shown on page 28 and should be read as part of this report.

AUDITORS

The Auditors, PricewaterhouseCoopers, retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Richard Avey
Corporate Secretary

Date: 5th March, 2020.

INTEREST IN SHARES OF THE COMPANY

DIRECTORS' AND SENIOR MANAGERS' INTERESTS

Name	Position	Ordinary Shares as at December 31, 2019	Ordinary Shares as at February 5, 2020
Mr. Patrick Hylton	Chairman	0	0
Mr. Henry Peter Ganteaume	Deputy Chairman	431,064	431,064
Mr. Ravi Tewari	Director/Senior Manager (CEO)	240,416	240,416
Mr. Imtiaz Ahamad	Director	9,358,621	9,358,621
Mr. Robert Almeida	Director	0	0
Mr. Dennis Cohen	Director	0	0
Ms. Patricia Ghany	Director	1,761	1,761
Mr. David Philip Hamel-Smith	Director	295,124	295,124
Mr. Antony Lancaster	Director	3,517	3,517
Mr. Michael Lee-Chin	Director	143,787,285	143,787,285
Mr. Nicholas Lok Jack	Director	11,479	11,479
Mr. Charles Percy	Director	0	0
Mr. Maxim Rochester	Director	0	0
Mr. Richard Avey	Senior Manager	68,586	68,586
Mr. Brent Ford	Senior Manager	436,070	436,070
Mrs. Karen Kelshall Lee	Senior Manager	3,075	3,075
Mr. David Maraj	Senior Manager	0	0
Mr. Alan Sadler	Senior Manager	12,363	12,363
Mr. Paul Traboulay	Senior Manager	232,170	232,170

NOTES:

* Arthur Lok Jack resigned as a Director of GHL with effect from 9th May, 2019. The obligation under Section 136 of the Securities Act 2012 to note his interest for a period of six (6) months thereafter, expired on 8th November, 2019.

** Kathryn Abdulla resigned as Secretary/Senior Officer of GHL with effect from 31st July, 2019 and the obligation under Section 136 of the Securities Act 2012 to note her interest for a period of six (6) months thereafter, expired on 30th January, 2020.

TOP TEN SHAREHOLDERS

Shareholder Name	December 31, 2019 Ordinary Shares	%	February 5, 2020 Ordinary Shares	%
1. NCB Global Holdings Limited	143,777,991	61.96%	143,777,991	61.96%
2. Tenetic Limited	15,472,611	6.66%	15,472,611	6.66%
3. Guardian Holdings ESOP Nominee Limited	4,963,058	2.14%	4,960,998	2.14%
4. RBC Trust (Trinidad and Tobago) Limited	4,029,026	1.74%	4,029,026	1.74%
5. First Citizens Asset Management Limited	3,409,276	1.46%	3,409,276	1.46%
6. Trinidad and Tobago Unit Trust Corporation	3,159,418	1.36%	3,159,418	1.36%
7. Republic Bank Limited	2,881,420	1.24%	2,881,420	1.24%
8. National Insurance Board	2,440,000	1.05%	2,440,000	1.05%
9. FirstCaribbean Barbados	1,833,271	0.79%	1,890,807	0.81%
10. Universal Investments Limited (excluding interest through Tenetic Limited)	1,613,308	0.69%	1,613,308	0.69%

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	December 31, 2019		February 5, 2020	
	Ordinary Shares	%	Ordinary Shares	%
NCB Global Holdings Limited	143,777,991	61.96%	143,777,991	61.96%

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

	December 31, 2019	February 5, 2020
Ordinary Shares held	4,963,058	4,960,998

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 Managers 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.

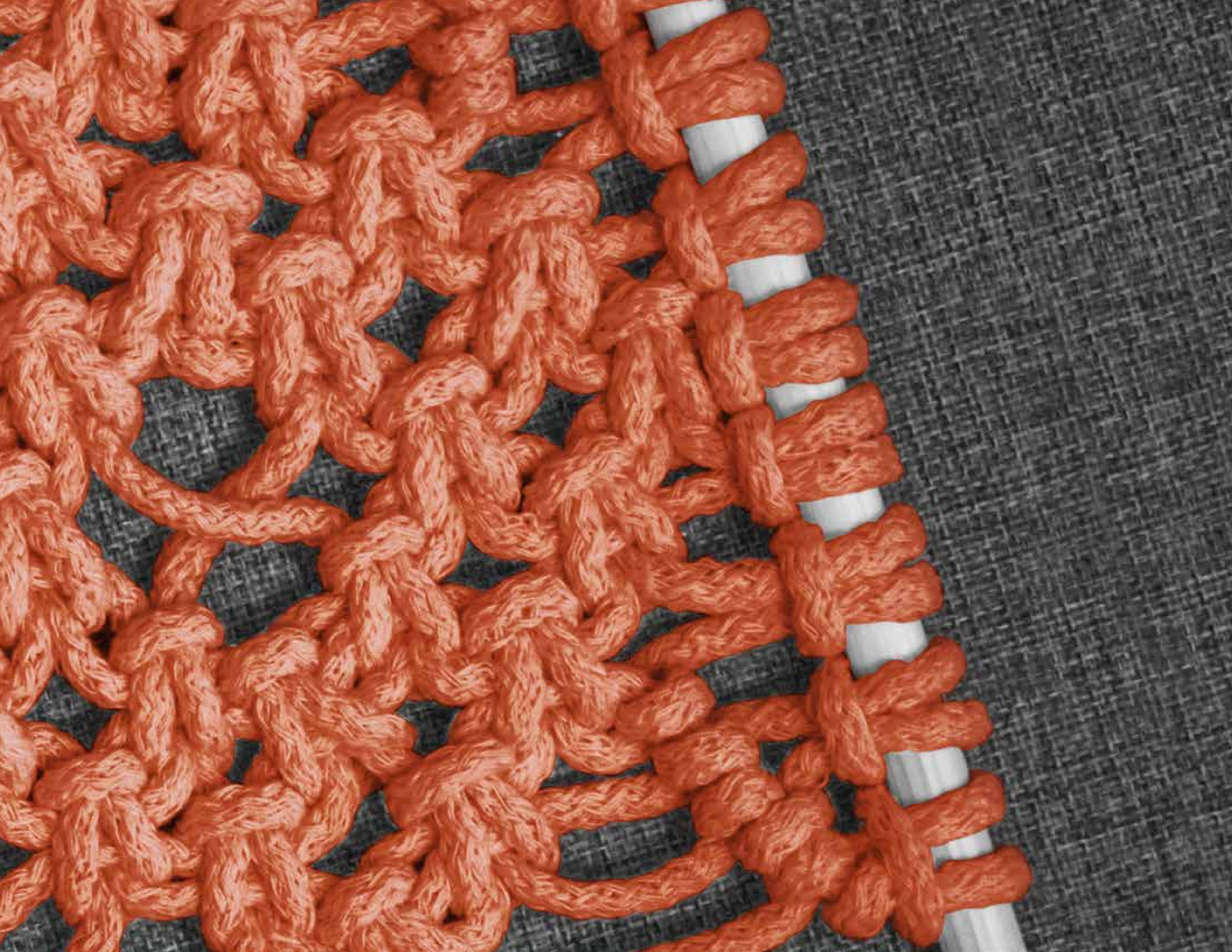
Note 5: Tenetic Limited's holding includes the holding of Lofty Trees Limited of 9,790,554 shares.

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

Note 6: Imtiaz Ahamad has a 1/3 interest in UIL.

MANAGEMENT DISCUSSION AND ANALYSIS

CRAFTING STRATEGIES FOR CONTINUED SUCCESS



MANAGEMENT DISCUSSION AND ANALYSIS

(Figures quoted in Trinidad and Tobago Dollars 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

This 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.

RESTATEMENTS AND RECLASSIFICATION

The Group made certain restatements and reclassifications to the prior period's information, which had no impact on the Group's equity or statement of comprehensive income. Details of these changes are included in Note 51 of the audited consolidated financial statements for the year ended 31st December 2019 (Page 146). All references, variances or analyses contained in the Management Discussion and Analysis relating to 2018 are based on the restated balances.

GROUP OVERVIEW

Summary Consolidated Statement of Income – $ million	2019	2018 (Restated)
Gross written premiums	6,367	5,861
Net written premiums	4,485	4,164
Net result from insurance activities	959	899
Net income from investing activities	1,370	1,013
Fee and commission income from brokerage activities	117	114
Total net income from all activities	**2,446**	**2,026**
Net impairment losses on financial assets	(88)	(1)
Operating expenses	(1,375)	(1,202)
Finance charges	(147)	(136)
Taxation and other	(144)	(153)
Profit attributable to equity holders of the company	**692**	**534**

Profit attributable to equity holders of the company amounted to TTD692 million, an increase of TTD158 million or 30% over 2018. Correspondingly, earnings per share increased to TTD2.98 from TTD2.30. This excellent growth was driven by the outstanding performance of our investment portfolios. These and other influencing factors are further explained below.

Gross written premiums increased handsomely to TTD6,367 million in 2019 from TTD5,861 million in 2018, an increase of TTD506 million or 9%. This growth was led by the Property and Casualty (P&C) segment with a TTD335 million increase over 2018 principally from the acquisitions of portfolios in the North Caribbean islands and organic growth throughout the region. The Life, Health and Pensions (LHP) segment achieved a TTD170 million increase over 2018 mainly in the Trinidad and Tobago market, but with satisfactory increases in all territories. These increases were attributable to improved persistency and sales, mainly in the Life and Pensions business, combined with improved customer centric processes.

Net written premiums increased to TTD4,485 million in 2019 from TTD4,164 million in 2018, an increase of TTD321 million or 8%. Both segments contributed to this increase with the LHP segment growing by TTD164 million and the P&C segment growing by TTD156 million. The relatively lower increase in Net written premiums when compared to the increase in Gross written premiums for the P&C segment is a reflection of the Group's risk management philosophy evidenced by its reinsurance programme, derived from a scientific quantitative approach which continues to protect the interest of policyholders and shareholders alike.

Net result from insurance activities increased to TTD959 million in 2019 from TTD899 million in 2018, an increase of TTD60 million or 7%. The LHP business segment achieved a 4% increase over the prior year and the P&C business segment recorded a 10% increase over

GROUP OVERVIEW (continued)

the prior year in spite of the fact that the Group booked a net reserve of TTD86 million before tax for claims arising from Hurricane Dorian which affected the Caribbean Basin during August and September of 2019. These results are a testimony to the strength of Guardian Group's reinsurance programme discussed above.

A more in-depth analysis of these segments is presented in their respective sections of this report.

Net income from investing activities increased to TTD1,370 million in 2019 from TTD1,013 million in 2018, an increase of TTD357 million or 35%. This increase was generated by a TTD299 million increase in net fair value gains, originating from the recovery of the US stock market and the continuing excellent performance of the Jamaican stock market. Equity markets are inherently volatile and any appreciation or depreciation in values registered during the year cannot reasonably be predicted to be recurring. The Group continues to rebalance its investment portfolios to strike a cautious equilibrium between risk and reward while maintaining regulatory compliance. Arising out of this exercise, the Group was able to increase investment income by TTD50 million and achieved TTD21 million in realised gains. The Group was also able to increase its rental income from investment properties and benefitted from favourable foreign exchange movements. During 2019, the Group booked Net impairment of TTD88 million, mainly on receivables, as prescribed by IFRS 9 – Financial Instruments. This standard prescribes the creation of a provision for inter alia receivables irrespective of the likelihood of multi part recovery.

Operating expenses increased to TTD1,375 million in 2019 from TTD1,202 million in 2018, an increase of TTD173 million or 14%. This increase arose as a result of the Group's continued focus on its strategy to implement the mechanisms or IT based systems required to advance our competitive edge through efficiency, commitment to customer ease, product innovation and technological supremacy. Returns on these investments have already begun to be experienced as evidenced by the increases in Premium Income achieved during the year. Apart from these growth strategies, there is the inherent increase in expenses due to organic and inorganic growth. Additionally, the Group has started to incur costs associated with the implementation of IFRS 17 – Insurance contracts which is no small undertaking, and this is further explained in the Accounting Developments section of this report. Despite these increases in cost, the Group continues to meet its targetted technical ratios which are strictly managed to achieve optimal results.

Finance charges increased to TTD147 million in 2019 from TTD136 million in 2018, an increase of TTD11 million or 8%. This increase was partially driven by the Group's financing activities, explained under the Summary Consolidated Statement Of Financial Position comments and by the impact of adopting IFRS 16 – Leases, further explained under Accounting Developments (page 35).

The effective taxation rate for the Group fell to 18% in 2019 from 23% in 2018, mainly due to a greater proportion of tax exempt income earned within the Group.

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 TTD1.9 billion to TTD23.3 billion in 2019 from TTD21.4 billion in 2018, principally led by net inflows of premium income from in-force policies partially offset by fair value losses and impairment provisioning as prescribed by IFRS 9.

Summary Consolidated Statement of Financial Position – $ million	**2019**	**2018 (Restated)**
Investment securities, investment properties and cash	23,333	21,380
Reinsurance assets	1,284	1,397
Other assets	5,451	5,248
Total assets	**30,068**	**28,025**
Insurance contracts	17,459	16,929
Financial liabilities	2,531	2,327
Investment contract liabilities	2,789	2,718
Reinsurance liabilities	352	229
Other liabilities	2,973	2,401
Equity	3,964	3,421
Total equity and liabilities	**30,068**	**28,025**

Reinsurance and other assets increased by TTD90 million in total. Significant for 2019 was the adoption of IFRS 16, explained further in the Accounting Developments section of this report (page 35), which required the capitalisation of leased assets resulting in the addition of TTD113 million in this category.

Insurance contracts comprise obligations to holders of long-term and short-term insurance policies which are estimated carefully in compliance with prudent actuarial and accounting principles. Overall, the Group increased Insurance contract liabilities by TTD0.6 billion to TTD17.5 billion in 2019 from TTD16.9 billion in 2018. Insurance contract liabilities associated with the Group's long-term insurance contracts accounted for this increase and this is directly linked to the increased activity and improved persistency in that segment.

The Group's capital base consists of both shareholders' equity (issued share capital and reserves) and borrowings. The Group increased equity by TTD0.5 billion to TTD4.0 billion in 2019 from TTD3.5 billion in 2018, arising from the profit for the year and other comprehensive income less dividend payments made. Financial liabilities increased TTD0.2 billion from TTD2.3 billion to TTD2.5 billion as a result of the Group's financing and repayments activities during 2019. Most significant, is the issuance of a TTD0.65 billion unsecured two-year loan note in December 2019 which was used partly to repay a TTD0.517 billion secured five-year loan note that matured in December 2019. Arising out of the adoption of IFRS 16, discussed previously, the Group was also required to create a lease liability which added TTD117 million to liabilities at the end of 2019. Despite the increase to Financial liabilities and the inclusion of the lease liabilities, the Group was able to maintain its equity and debt as a proportion of total capital at 60% and 40% respectively.

Comprehensive income attributable to shareholders includes the reported profit for the year, together with Other Comprehensive Income (OCI) which are items of income and expense that are not permitted by accounting standards to form part of profit in the statement of income. Examples are property revaluation gains, exchange differences on translating foreign operations, fair value differences or impairment provisions for debt securities that are primarily held for interest income and actuarial reserve movements for post-employment benefits. Similarly, to Insurance contracts, the Group maintains prudent actuarial reserves for future post-employment benefits obligations to employees. These actuarial reserves are mainly impacted by changes to interest rates, mortality and morbidity rates and experience adjustments.

The Group's OCI increased by TTD122 million to an income of TTD14 million from a loss of TTD108 million. This movement was driven by net gains on debt securities held primarily for interest income and property valuation gains from owner occupied buildings. These positive movements were partially offset by exchange differences on translating foreign operations as the Jamaican Dollar, Netherlands Antilles Guilder and EURO all depreciated against the Trinidad and Tobago Dollar during 2019, actuarial losses on post-employment benefits as the interest rates used to discount the liability decreased by 40 bases points for the Trinidad and Tobago plans and 100 bases points for the Fatum plan, and the relating tax charges.

The Group significantly increased Shareholder's value as earnings per share steadily increased from TTD1.75 in 2017 to TTD2.30 in 2018 and then to TTD2.98 in 2019 which represented a 30% increase year on year. During this period, dividends per share also increased TTD0.67 in 2017 to TTD0.71 in 2018 and then to TTD0.75 in 2019 which represented a 6% increase year on year.

Shareholder Metrics – $ million	2019	2018	2017
Profit for the year attributed to equity holders of the Company	692	534	407
Comprehensive income attributed to equity holders of the Company	706	426	434
	2019	**2018**	**2017**
Earnings per share	$2.98	$2.30	$1.75
Dividends per share declared	$0.75	$0.71	$0.67
Book value per share	$16.98	$14.65	$14.23
Market value per share (year-end)	$21.65	$18.10	$17.03

ACCOUNTING DEVELOPMENTS

IFRS 16 – Leases, became effective on 1st January 2019, replacing IAS 17 – Leases. The new standard eliminates the classification of leases as either operating leases or finance leases, as was required by IAS 17. Instead, it introduces a single accounting model where leases generally result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. There were no significant changes to lessor accounting.

While the application of these new requirements on 1st

GROUP OVERVIEW (continued)

ACCOUNTING DEVELOPMENTS (continued)

January 2019 resulted in the introduction of a right of use asset and lease liability into the Group's financial statement, the standard's transition provisions did not require the restatement of comparative figures, with no net impact on equity at initial application. The new accounting policies and impact of initial application are disclosed in the notes to these consolidated financial statements. Because comparatives were not restated and are therefore still accounted for using IAS 17, the Group's results in each period are not strictly comparable.

No other new reporting standards became effective in 2019, and several amendments to existing standards did not have a material impact on the Group's financial statements.

The Group also actively monitors developments and changes in accounting standards from the IASB and is currently evaluating the impact of adopting the forthcoming standards. The Group is also evaluating any elections available on transition.

IFRS 17 - Insurance Contracts

IFRS 17, which is effective from 1st January 2023, 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 fulfilment cash flows and for revenue to be recognised as the service is provided over the coverage period. With this new standard, the IASB aims to achieve increased transparency and consistency of insurance accounting within the insurance industry and across jurisdictions.

The Group has started the process for implementation of IFRS 17 which will result in modifications to our technological suite, enhancements to existing accounting systems, improvements to data management and changes to the financial statements close process. Incidental and consequential changes are expected to product pricing and product development. This is an enormous and costly undertaking and the Group is closely managing the process to ensure readiness for the 1st January 2023 cut over.

Further analysis of the Group's performance by operating segment is provided as follows:

LIFE, HEALTH & PENSIONS

GHL's Life, Health and Pensions (LHP) segment consists of the following six entities. Our geographic span includes most of the English-speaking and Dutch Caribbean:

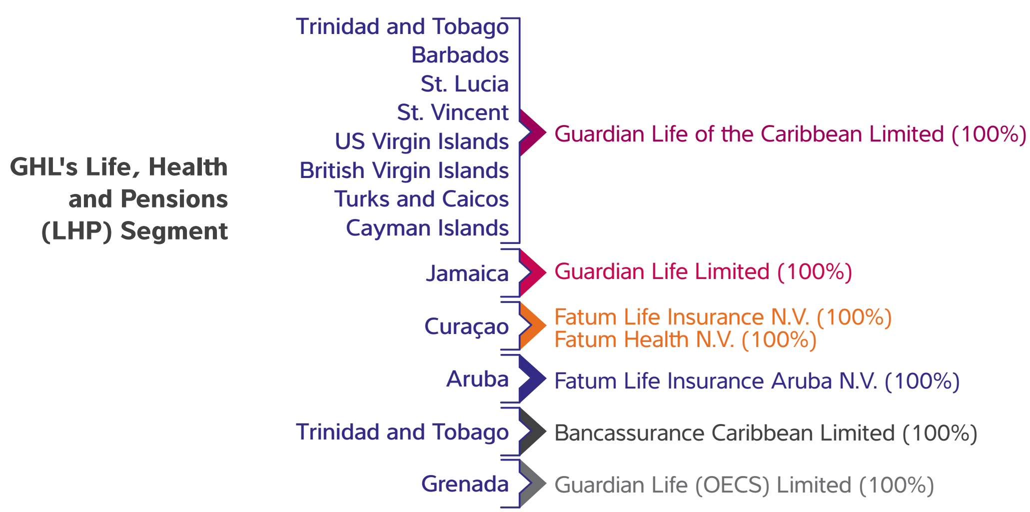
All operating entities had significantly improved performances, as measured in a number of different dimensions, during 2019 when compared to the prior year.

DISTRIBUTION

Our primary distribution channel measured by either Annualised Premium Income (API) or new policy applications is our tied field force. At the end of 2019, the LHP segment had just under 1,000 agents. The salesforce complement is broken down as follows:

GLOC	Trinidad	625
GLL	Jamaica	288
Fatum	Curaçao	51

Our Salesforce remains a significant component in the success of our operations. Our focus remains on implementing tools and systems that support and improve the operating efficiency of our sales teams and their interaction with the administrative arms of the operations. During the year we implemented a number of improvements to the existing applications that our salesforce uses to manage their client portfolios



and submit applications. This resulted in the sales team of Guardian Life of The Caribbean Limited (GLOC) and Guardian Life Limited (GLL) achieving their highest returns in new API written. We also expect to build on these new technologies to improve our application processes dramatically during 2020. We are on a mission to improve the way that our salesforce, customers and clients interact with Guardian Group to ensure that the customer is at the centre of everything we do.

Our distribution in the Dutch Caribbean territories has traditionally been through brokers, however, within the last 3 years, a tied field force has been introduced and this channel is growing satisfactorily.

PRODUCTS

Life Insurance

Our life insurance products consist mainly of Unit Linked Life Insurance, Term Life and Endowments. Also included within this category are products with living benefits such as critical illness. There are also Group versions targetted primarily at employer groups.

Health Insurance

Our Health Insurance plans are available for both individuals and groups. These cover both major medical along with customisable vision, dental and medical features, which are mainly offered through a provider network model. However, in Trinidad and Tobago, there is a significant portfolio that uses a reimbursement type plan.

Pensions

Unit Linked Annuities: These products offer growth potential, death benefit features and income protection features. Unit linked annuities are distributed primarily through our tied field force and brokers.

Fixed Annuities: These products include deferred annuities, immediate annuities and single premium annuities.

Savings Benefit Pension Plan: A defined contribution type of pension plan where the employer contributes a percentage of the employees' salary as a premium. This pension plan is sold in the Dutch Caribbean.

Deposit Administration Contracts and Pension Administration Services are also provided to corporate clients.

BUSINESS STRATEGY

The strategy of the LHP Segment is consistent with that of the wider Group – To put the customer at the heart of everything that we do. This requires building an operational platform that allows us to connect data stored within our core operating systems with the customer, which will help us provide innovative solutions that meet their needs.

Implementation of modern technology stacks and upgrades to key underlying systems, are critical to ensure that we deliver world-leading customer experiences. Our journey will continue during the next twelve months to enable customer portals that will provide easier methods of interacting with the Group.

We will continue to focus on serving the needs of our individual and corporate clients by leveraging our wide range of portfolio solutions. As a region, we remain heavily underinsured and the LHP Segment plays a pivotal role in increasing the awareness and education of our Caribbean population of the need for insurance to cover the financial risks assumed in daily life.

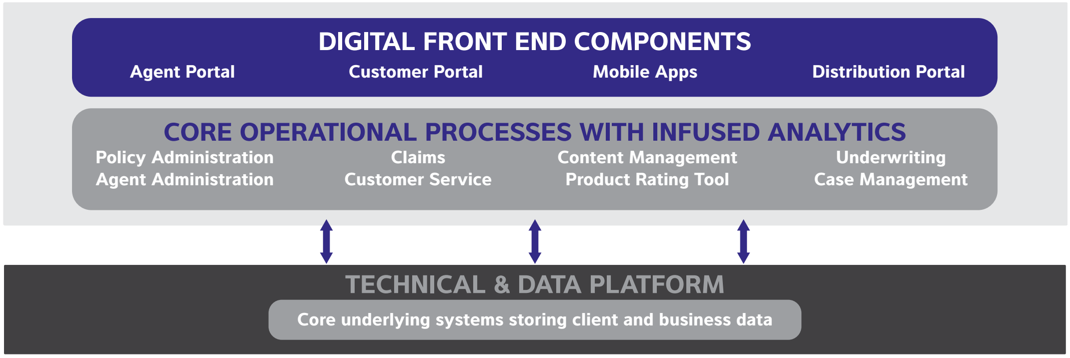
COMPETITION

We operate in a very competitive insurance landscape that has other Pan-Caribbean life insurers along with local competitors in the respective territories. In Trinidad and Tobago, Jamaica and the Dutch Caribbean there is also growing competition from banks, initially through deferred annuities, but increasingly offering limited types of life cover.

Given these trends, our strategy above, has been conceived in order to ensure our leadership position in our key markets.

Our operations in the Eastern Caribbean are also beginning to grow through Guardian Life (OECS) Limited based in Grenada.

Business Architecture Overview



LIFE, HEALTH & PENSIONS (continued)

OUTLOOK AND CHALLENGES

In our commentary on the 2018 results, we identified our key challenges as follows:

1. Sustained low interest rate environment and its impact on product pricing, new products as well as lower reinvestment 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.

Although there were some nominal improvements noted in the Caribbean investment arena during 2019, the challenges noted above remained largely the same.

During 2019, we also had to address the Barbados Debt Exchange, which had a sizeable impact on our Barbados operations, but not significantly, however, on the LHP segment as a whole.

The preceding paragraphs, have all been relegated to secondary challenges in light of the unprecedented nature of the COVID-19 virus and its global impact.

COVID-19

At the time of writing, stringent measures are being implemented in Trinidad and Tobago, The Caribbean and throughout the world with respect to the novel Coronavirus, now named COVID-19.

The implications of this are presently being felt first and foremost in the healthcare systems that have been overwhelmed by the swift transmission of the virus and the related complications, but the wider implications are also being felt in terms of economic activity. Economies are coming to terms with the dramatic slowdown in production and output as a result of restrictions in movement and congregation, but the financial markets are also trying to comprehend the expected impact on economic metrics and the expected duration of this event. The events change quickly, thus it is difficult to form a coherent conclusion on the estimated impact this scenario will have on the financial statements and operations of the LHP segment.

We do anticipate that there will be a slowdown of activity, but conversely, we have also seen increased contacts from clients attempting to ensure that their coverage is intact and covers varying scenarios. There is extreme volatility in equity markets, but as a long-term investor, the current market presents opportunities that will provide significant returns once the volatility wanes. Regarding our reserving and potential financial impacts, this is also mixed. We do anticipate that there may be increased claims on our health portfolio, however, the current treatment of COVID-19 is very similar to the flu, thus there may be large numbers of relatively small claims for the majority of our claimants. Where the cases may be more severe, we also anticipate that current reserving methods and our reinsurance programmes are appropriate.

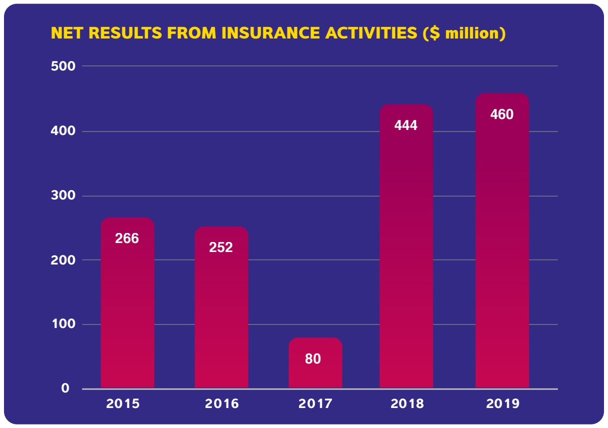
This scenario is unprecedented in modern times within the Caribbean region and the LHP segment is monitoring the status and has sufficient reserves and reinsurance programs in place given the information at hand. We will certainly update the shareholders as more information becomes available.

Legislative Changes

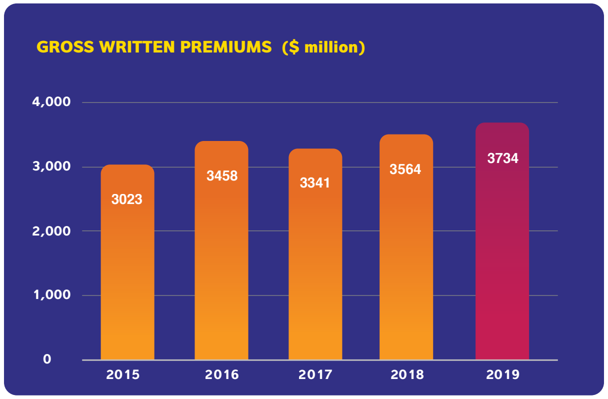
While the new Insurance Bill in Trinidad and Tobago was passed in 2018, it however, has not been proclaimed as at the time of writing. Amendments were made in early 2020 and proclamation and implementation is expected before the end of Q2 2020. The LHP segment in Trinidad and Tobago is ready in all material respects for its implementation.

FINANCIAL UPDATE

The LHP segment has continued its positive performance, posting a 24% growth in profit after tax. All business units contributed to this impressive improvement. There was consistency amongst our business units related to improvements in persistency and operational efficiency that supported the attainment of these outcomes.

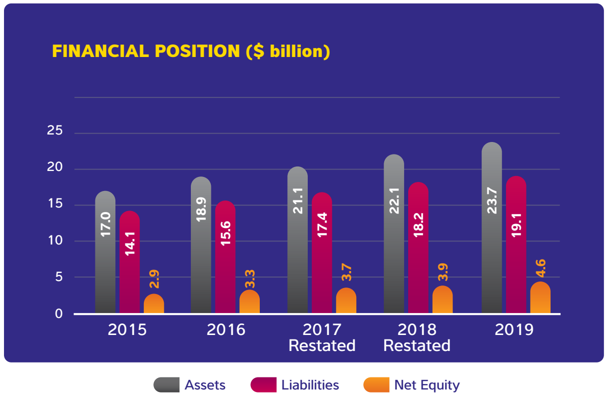


Gross Written Premiums (GWP) increased by approximately 5% to TTD3.7 billion in 2019. Trinidad and Tobago remains the Caribbean's largest LHP insurance market, but has experienced macro-economic headwinds for the past few years. Despite this, the GLOC team has been able to grow GWP by almost 6%. GLL also grew by approximately 5% and this coincides with the improving economic conditions as well.



The net result from investing activities improved sharply by TTD316 million or 34% to TTD1.2 billion. This was mainly a result of the movement in fair values of our investment portfolios. The rebound of international equity markets in 2019, plus the continued performance of the Jamaican Stock Exchange were the primary drivers. Equally as important, was the ability to improve the duration of the portfolios via the sourcing of long-term bonds within all the jurisdictions. Interest and dividend income comprise the vast majority of this component. This reflected in higher levels of investment income compared to 2018. 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.

Operating expenses and finance charges have grown by 20% over the period to TTD721 million. While core expenses have been tightly managed, we have begun a planning cycle that will create the platform for future growth initiatives. This required significant investment in technology and retention of consultancy services to support its development. The first elements of this process were rolled out during 2019 and we will begin delivering improved services and results during 2020. Overall, the LHP segment declared net profits after taxes of TTD800 million, which was a 24% increase over 2018. Our effective tax rate fell slightly due to the composition of our earnings, as unrealised gains do not attract tax charges in most of our jurisdictions.



The asset base of the LHP segment at the close of the year grew to TTD23.7 billion, a 7% increase over 2018. This was fueled by the growth in Investment Securities of 9% to stand at TTD18.3 billion. This growth came from new cash flows from the insurance portfolios.

Shareholders' equity improved by 18% to TTD4.6 billion. The LHP segment achieved a 18.9% return on average capital employed, up from 17.0% in 2018. Under the proposed legislative regime, the minimum capital for Trinidad and Tobago insurers is 150% of the regulatory capital required. GLOC ended 2019 with a ratio of 268%. 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 substantially 258%, 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 & CASUALTY

GHL's Property and Casualty (P&C) segment consists of the following nine entities with operations spanning twenty-four (24) territories collectively:

GHL's Property and Casualty (P&C) segment

- Anguilla, Antigua and Barbuda, Bahamas, Barbados, Belize, British Virgin Islands, Cayman Islands, Guyana, Montserrat, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos Islands, United States Virgin Islands — Guardian General Insurance Limited (100%)
- Jamaica — Guardian General Insurance Jamaica Limited (100%)
- Curaçao, Bonaire, St Maarten, St Eustatius, Saba, Netherlands — Fatum General Insurance N.V. (100%)
- Aruba — Fatum General Insurance Aruba N.V. (100%)
- Aruba, Curaçao — Fatum Brokers Holding B.V. (100%)
- Netherlands — Thoma Exploitatie B.V. (100%)
- Grenada — Guardian General Insurance (OECS) Limited (59%)
- Bahamas — RoyalStar Assurance Limited – Bahamas (26%)
- Guardian Re [S.A.C.] Limited (100%)

Our geographic span includes the entire English-speaking and Dutch Caribbean and the Netherlands markets.

Among the traditional products currently offered by Group P&C are Property, Motor, Casualty, Marine, Bonding & Crime, and Personal Accident business. We are also well-positioned to secure any insurance solution to any non-traditional business.

Business in the Caribbean is distributed via a growing network of brokers and agents as well as direct channels. Additionally, Fatum's business in the Netherlands is secured by managing general agents.

BUSINESS STRATEGY

Our Strategic Pillars

Focus on Fostering Relationships
Engagement of key stakeholders to develop unique experiences tailored to our clients' needs.

Sustainable and Profitable Growth
Exploration of new and profitable lines of business, geographies and emerging customer segments. Capitalise on inorganic growth opportunities and maximise synergies.

Analytical Insights
Utilise data to enhance risk selection and portfolio assessment, which facilitates robust monitoring standards for the improvement of Underwriting returns.

Reinsurance Optimisation
Group P&C cultivates strong relationships with quality Reinsurers. This protects our balance sheet from losses arising from the increasing number and intensity of catastrophic events, and the resulting severity of individual risk losses.

Claims Excellence
Our business model boasts an optimised Claims segmentation and an efficient Claims management process. This fosters improved Claims handling and reduced Claims leakages, thus enhancing the experience of our clients.

Technology & Innovation
Group P&C invests our resources into creating innovative products that add value to the lives of our clients, and our dedicated team of producers and staff.

ACHIEVEMENTS

New Relationships

Our efficient response to Hurricanes Irma and Maria in 2017 cemented Guardian Group's reputation as the leading regional insurance provider. This resulted in successful negotiations with several new corporate partners.

AARP

AARP is a non-profit organisation based in the United States with more than 38 million members worldwide. Members are aged 50 and older and are able to attract various benefits due to this association. Guardian General acts as a provider of Property, Motor and Casualty Insurance to AARP members based in the US Virgin Islands. Expected annual income from this business exceeds TTD100 million. We have had multiple visits to AARP teams and clients, and we are excited to expand this relationship even further.

Travelopia Holdings Ltd

Travelopia Holdings Limited is a global company comprising three subsidiary companies: Sunsail, The Moorings, and Leopard Catamarans. This includes a marine fleet exceeding 600 vessels in various locations throughout the Caribbean.

In 2019, Group P&C became the largest Marine Hull insurer in the region when we acquired the Travelopia portfolio. Travelopia has benefitted greatly from this partnership as we guided them to further develop their catastrophe response procedures and risk improvement measures.

AM Best Rating

AM Best reaffirmed Guardian General Insurance Limited's rating of A- (Excellent) with a Stable outlook in 2019. We continue to show our commitment to risk management, and deliver stable profits for our key stakeholders.

REFOCUS OUR BUSINESS AND REPOSITION OUR PRODUCTS

Digital Distribution Channel & Customer Engagement Center (Cec)

Guardian General Insurance Limited launched a digital portal in the Trinidad and Tobago market in addition to a new Customer Engagement Centre (CEC). This is a dedicated team of insurance Underwriters and Claims Administrators, who proactively service customers via a call centre and digital portal.

We aim to fully integrate our digital distribution channels in Trinidad and Tobago, Barbados and Jamaica in 2020. This will provide prospective clients, existing customers and our salesforce with fast web-based access to quotes and renewals of homeowners and motor business. Moreover, we are planning to introduce online claims handling in 2020.

Analytical Insights

Guardian Group introduced analytical capabilities to focus on refining pricing, creating innovative products and using data to inform client behaviour in 2019.

Suite Of Products

Group P&C, launched new products in various markets: The HOMEGUARD suite of products in Trinidad and Tobago, with customised insurance coverage for landlords, students and renters, and a new business travel product in the Dutch Caribbean.

Cross Sales

Guardian Group launched a Group Cross Sales Initiative to grow the existing customer base utilising existing relationships with the various segments. The company continues to explore opportunities to increase multi-product penetration and average customer profitability per product. Preparations are underway for product bundling in the Dutch Caribbean.

DISTRIBUTION

Bsure is a strategic alliance with the largest bank Maduro & Curiel Bank (MCB) in Curaçao, which provides bancassurance in the Dutch Caribbean. The company is planning to expand this concept in Aruba, Bonaire and St. Maarten.

Fatum is currently developing applications to facilitate straight-through-processing for new business in the Dutch Caribbean.

In the Netherlands market, there are plans to expand our reach by strengthening our brokerage network.

Climate Risk Insurance

Group P&C is exploring a partnership to facilitate the development of an event-based insurance product which will pay clients days after a significant weather event. It is believed that this product can help clients

PROPERTY & CASUALTY (continued)

who lack access to traditional insurance products. It will also play a pivotal role in safeguarding their assets.

The Impact Of Climate Change

Climate change has become a challenge for general insurers in recent years. This has been spurred by the rising unpredictability of the frequency and severity of catastrophic events, and accompanying losses.

During 2019, Group P&C experienced over USD100 million of gross losses from Hurricane Dorian in The Bahamas. These were comfortably contained within our reinsurances and continued protection remains for subsequent events. There are already early indications of rate increases in the affected areas that, if they materialise will positively impact portfolio performance. We are focused on increasing our business opportunities to capture more in these areas.

COMPETITION AND CHALLENGES

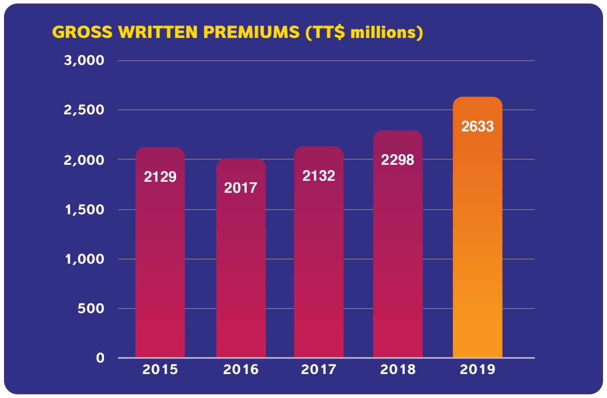
Guardian Group is at the forefront of the Caribbean insurance industry and we are a top-tier performer in almost every major market.

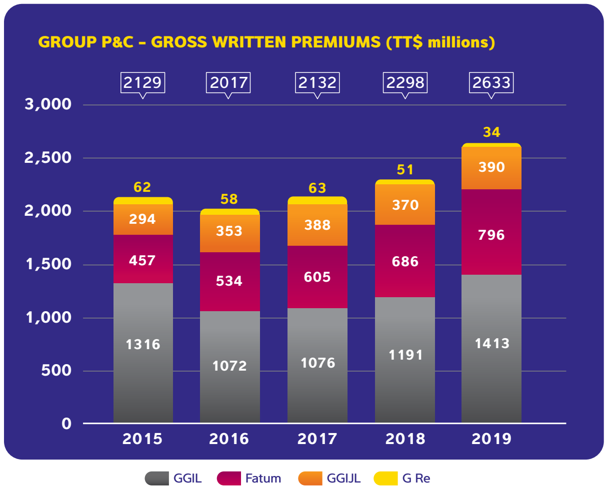
We continue to proactively innovate and employ strategies to further increase our market share. However, although our position in the industry is admirable, our ultimate goal is to bring value to the lives of our clients with excellent customer service and sustainable underwriting practices.

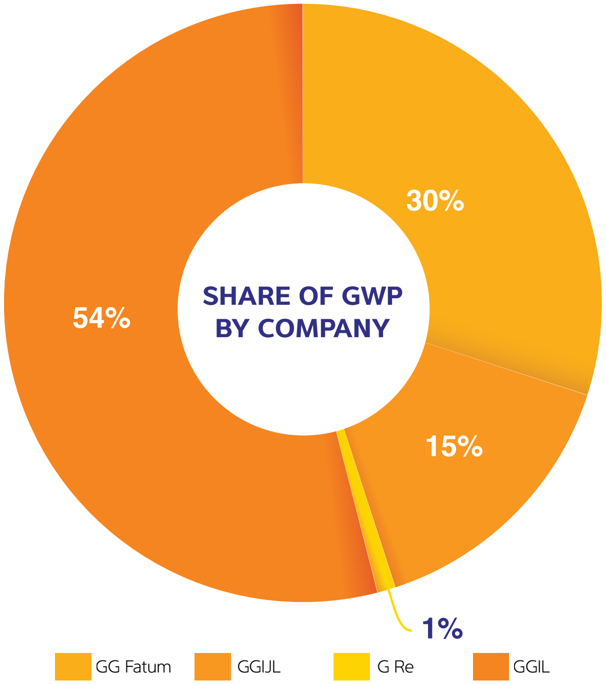
Continuous evolution to strengthen our relationships with our producers and direct clients – that is what drives Group P&C to our unwavering position as the region's premier Group of insurers.

FINANCIAL UPDATE

Total gross written premiums across Group P&C was TTD2.6 billion, representing 15% growth or an increase of TTD335 million compared to TTD2.3 billion in 2018. Growth was achieved across all primary business classes (Property, Motor and Marine). These have been the most significant areas of increase in the last five years.







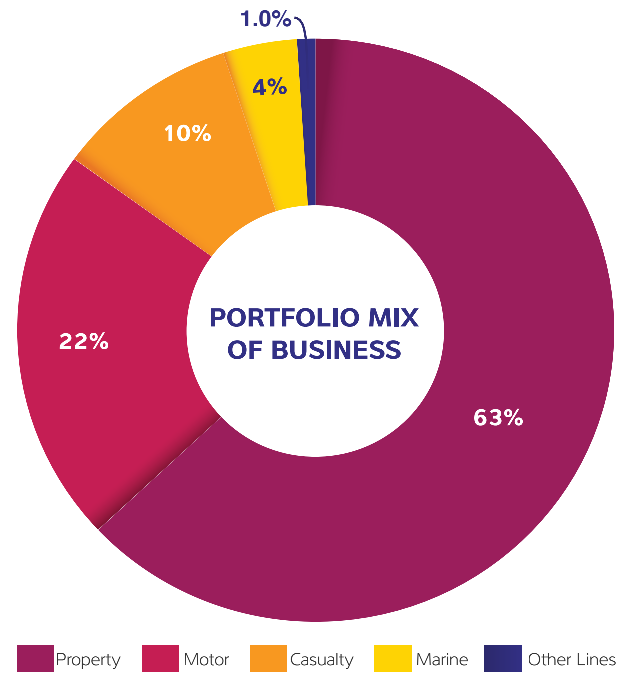
Guardian General Insurance Limited contributed the most premium 54% to the Group P&C Division, while Fatum garnered 30% and Guardian General Insurance Jamaica Limited 15%.

In terms of premium increases between 2018 and 2019, the following table shows the changes:

Company	Dec-18	Dec-19	Increase (TT$M)	Percentage Increase (%)
Guardian General Insurance Limited	1,191	1,413	222	19%
Fatum	686	796	110	16%
Guardian General Insurance Jamaica Limited	370	390	20	5%
Guardian Re	51	34	(17)	-33%
Total	2,298	2,633	335	15%

The main contributors of premium growth for Guardian General Insurance Limited were rate increases in the hurricane-affected areas, and new business through the relationships with AARP and Travelopia. Also, the portfolio mix remains predominantly Property and Motor business.

As of December 2019, our Property business covered more than TTD45 billion in aggregates, the majority of which were from Fatum.

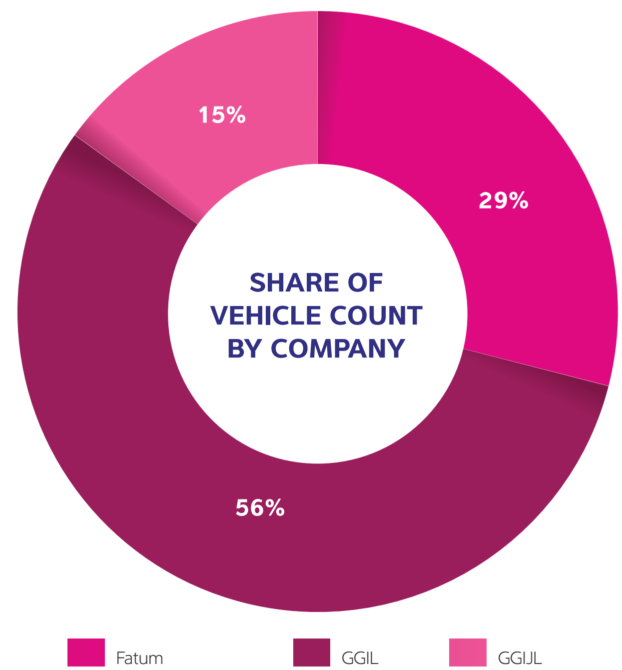


The following table shows the details of the 2019 Gross Premiums split by each company and major lines of business:

TT$M	Property	Motor	Casualty	Marine	Other	Total	Share
Guardian General Insurance Limited	963	261	96	80	13	1,413	54%
Fatum	373	243	132	27	21	796	30%
Guardian General Insurance Jamaica Limited	264	81	39	6	0	390	15%
Guardian Re	33	0	0	1	0	34	1%
Total	1,633	585	267	114	34	2,633	100%

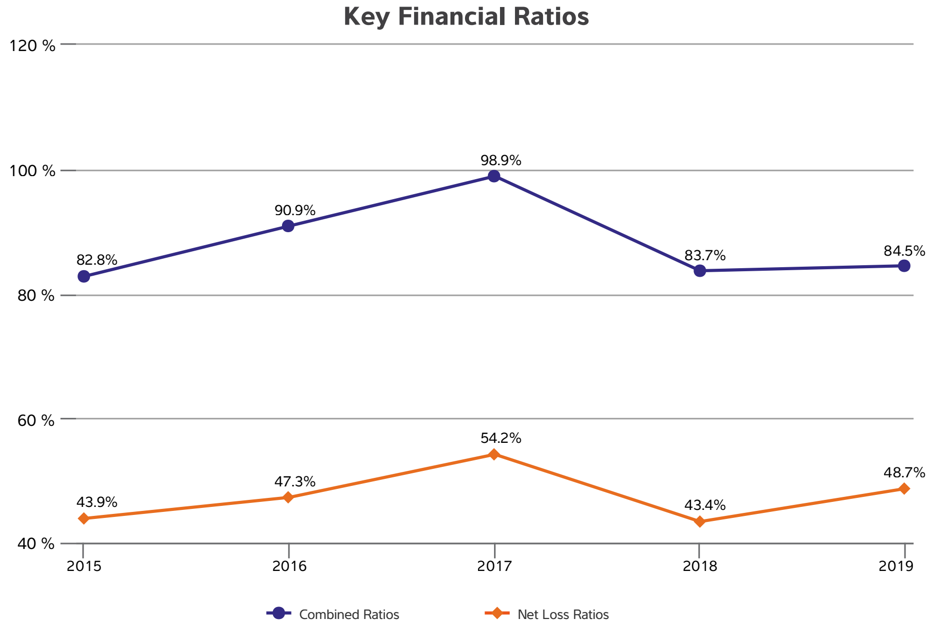
More than half of the premiums for Fatum business came from the Netherlands portfolio. By providing incentives, the company encouraged the growth of quality business by managing general agents.

At Group P&C, motor insurance coverage is provided to more than 150,000 vehicles. Guardian General Insurance Limited currently controls the largest share of the motor portfolio (56%) while Fatum scored the second largest portion of the business (29%). Trinidad and Tobago continues to be our leading motor market.

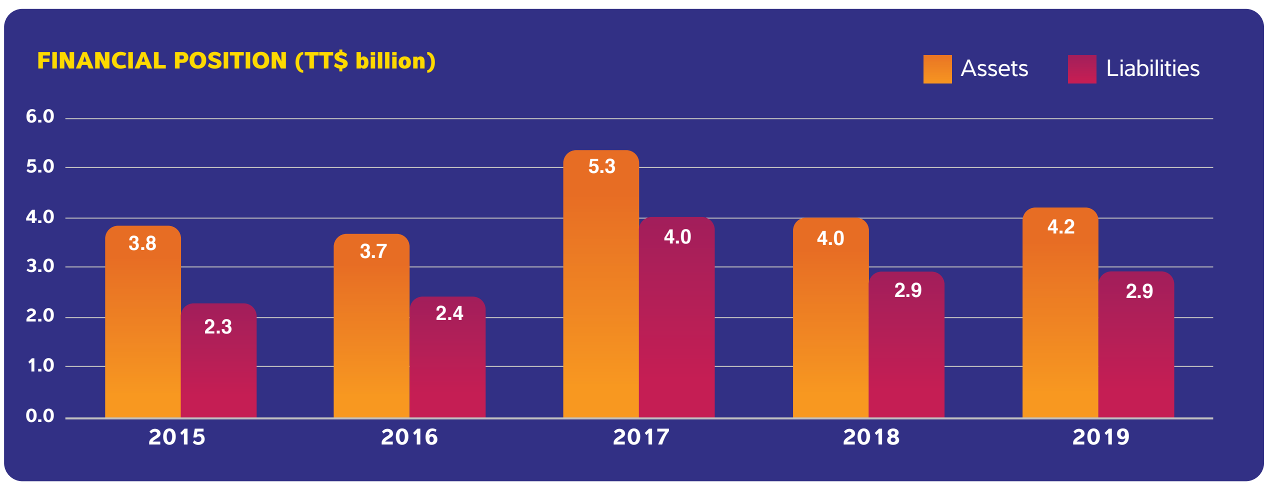


Key Financial Ratios

A review of the key financial ratios show that even after Hurricane Dorian drove our net loss ratio up by 5.3% in 2019, the Group P&C's overall combined ratio remained healthy and closed at 84.5%.



The Group P&C Balance Sheet remains stable with TTD4.2 billion in assets and approximately TTD2.9 billion in liabilities. Our use of reinsurance allows us to deploy capital in more strategic operational avenues.



OUTLOOK

Our Customers

Experience And Climate Events

Our business is exposed to the unpredictable impact of climate events because it is at these moments clients need us the most. Research continues to be done on the influence of climate change. As part of our preparations, we have adapted our detailed stress and scenario testing to ensure that we have adequate reinsurance protection in more extreme events. This will ensure that we can quickly pay our clients. Our aim is to support our customers long after the initial occurrence of catastrophes.

Business Intelligence & Technology

We are growing our analytical capabilities and using data with more granularity than in prior years as part of our new pricing and assessment projects. In 2020, we will invest in the integration of technology into our operations and create products that reach an even wider customer base. Our digital distribution channel will expand into other markets outside of Trinidad and Tobago.

In the Dutch Caribbean market, a major campaign, "Take the Next Step," was launched focusing on gathering client data and client on-boarding to assist with new sales initiatives. There are also plans to optimise, automate and integrate various systems and interfaces into the motor claims process. The result will be a reduction in cost and an increase in customer satisfaction.

Our Business Operations

Change

Guardian Group aims to thrive in this new environment where major disruptions are now commonplace. In late 2019, we engaged employees at all levels throughout the organisation to pursue initiatives to improve our customer service, organisational efficiency and innovation. We will see the benefits of these in the coming years.

Our People

Organisational Health

Improving our organisational health is key to becoming a global insurer. We aim to be the employer of choice as we create a more engaging and rewarding experience for all members of staff. As such, we continue to invest in development, training and talent acquisition. We believe that a more attractive corporate culture can only position us to better achieve our targets and serve all of our stakeholders.

ASSET MANAGEMENT

BUSINESS STRATEGY

The Asset Management Division of the Group consists of Guardian Asset Management & Investment Services Limited and Guardian Group Trust Limited which are collectively referred to as "GAM". Our goal at GAM is to create wealth for our customers and be the preferred choice for all their financial planning requirements while providing attractive returns for our shareholders. Despite the highly competitive landscape we continue to offer a wide and growing array of products and services to meet the varying needs of our customers. With our specialised mix of both Private Wealth Executive Services and our suite of Mutual Funds, GAM offers products that allow for asset allocation, diversification and frequent re-balancing of portfolios. Technology and ease of doing business continues to be a major initiative of the company and at the start of 2019, GAM launched its G-Trade online self-directed brokerage service. This service facilitates real time trading on the international capital markets at the fingertips of our clients. Additionally, GAM launched an online Robo Advisor platform – Genius, which is the first such offering in Trinidad and Tobago and the wider Caribbean Region. The platform democratises wealth creation and allows smaller investors to get the benefit of portfolio management services which were traditionally only available to the high net worth clientele, offering similar value and superior returns.

While the low interest rate environment has posed some challenges during the year, we have nonetheless continued to delight our customers ensuring that their financial goals are met with innovative products and investment solutions. Our product and portfolio returns continue to be competitive in the marketplace with some of our funds remaining as market leaders. For 2019, several of our funds posted returns in excess of 20%. We have also continued the development of the Investment Banking business unit; we successfully completed several deals in the last year mainly satisfying small and medium businesses' funding needs. Our approach to providing tailor-made funding and investment solutions has resulted in satisfied clients who are now able to fund the growth of their businesses. We view the ability to provide these types of solutions as key to the Group's ability to fully address all our client's financial needs.

DISTRIBUTION

Guardian Asset Management's Series of Mutual Funds and Private Wealth Executive Services are mainly marketed and sold by a mobile sales team comprising Investment Advisors and Wealth Managers locally. These products and services are also available through the touchpoints of Guardian Life's insurance agents. The Mutual Funds and Private Wealth Management business are serviced out of Trinidad and Tobago in GAM's Westmoorings, Chaguanas and San Fernando locations.

COMPETITION

GAM occupies a position that few other asset managers in Trinidad and Tobago hold, in that it caters to both large internal and external clients. Nonetheless, we are cognisant that there are other similarly licensed entities in the market and we continue to press ahead in securing our spot as the provider of choice in the investment services space. While we recognise that the world is becoming more and more borderless, as clients can have relationships with international managers, we view our position as key within the local environment. GAM currently offers one of the widest range of product offerings from any single provider and continues to seek out new product lines to ensure that clients have access to the entire spectrum of assets available in the market.

OUTLOOK AND CHALLENGES

The investment environment brings with it challenges and opportunities. GAM continues to focus on overcoming any challenges and capitalising on those opportunities that may present themselves.

ASSET MANAGEMENT (continued)

OUTLOOK AND CHALLENGES (continued)

Some of the key challenges in the environment would be:

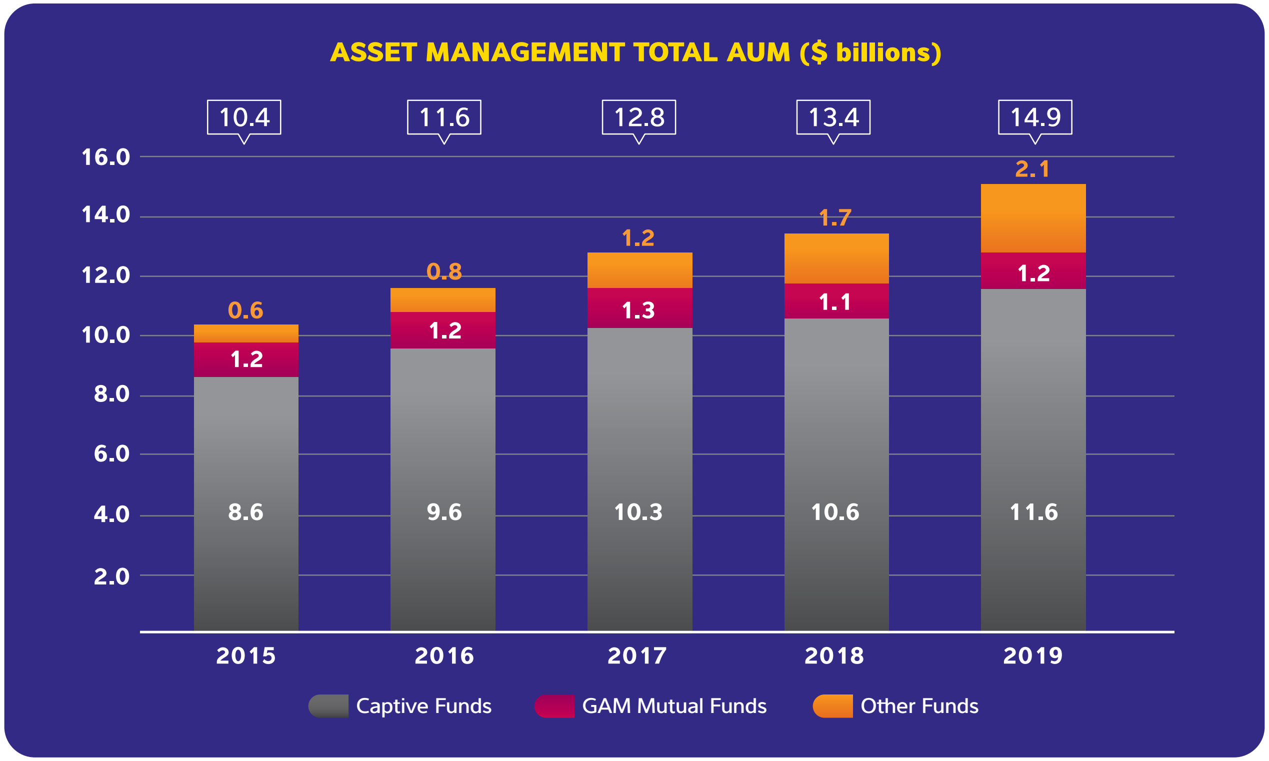
1) The inconsistent supply of TT-dollar assets to meet client needs and satisfy portfolio requirements;
2) The lack of access to US dollars for investment purposes; and
3) The sustained low interest rate environment and its impact on future wealth creation.

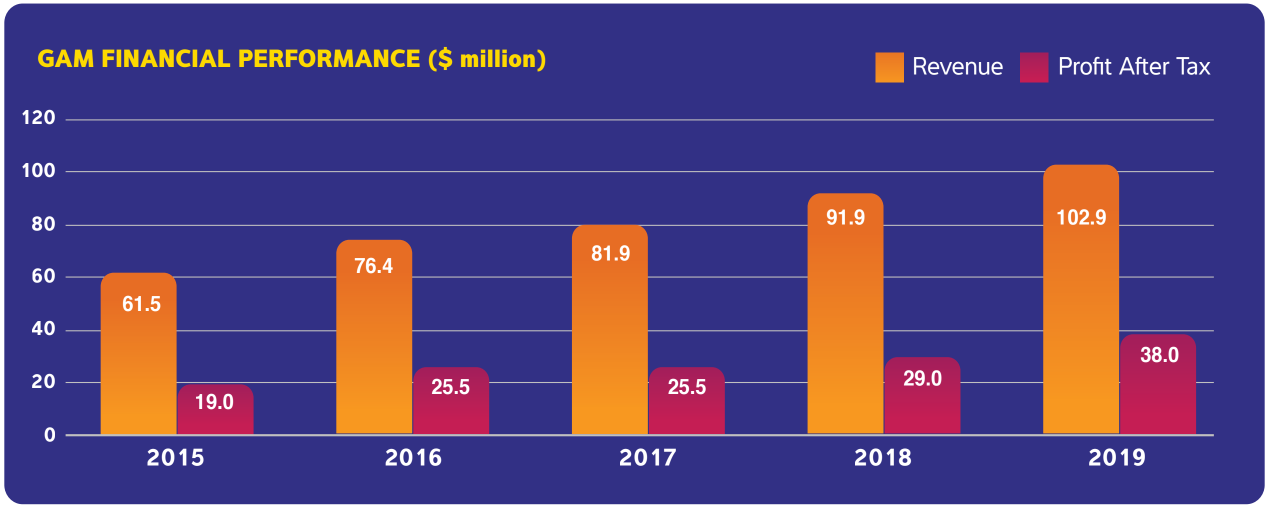
Going forward, we will focus on the increased use of data analytics within our business to facilitate improved service and offerings to our customers. The Investment Banking unit will continue to build out its capability and is focused on offering innovative financing solutions to the market.

FINANCIAL UPDATE

GAM continued to build upon the success of previous years with solid performance in 2019. Assets Under Management (AUM) as at the end of 2019 increased 13% to TTD15.1 billion while Profit after tax increased to TTD38 million from TTD29 million in 2018; a 31% increase year on year.

AUM across most categories increased for the year. The largest contributor to the growth was seen in captive assets which increased by TTD1 billion over the year. Third-party funds under management which includes our private wealth management business also grew by TTD0.6 billion which represented a 35% increase over 2018. GAM continues to establish itself as a leading asset management company in Trinidad and Tobago as evidenced by the consistent growth in AUM over the last five years.





Total revenue for the Asset Management division rose by 12% to TTD102.9 million. Growth in net investment income and structuring and trading activities were the main drivers of revenue, recording increases of 18% and 62% respectively over 2018. These resulted in an increase in net profit after tax of 31% year on year. Profitability has continued to improve at the division as the focus on capital market and trading activities intensified. The diversity of revenue streams is expected to continue delivering consistently better results as the division grows.

Over 2019, 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, returning 1.52% and 1.72%, respectively, over the trailing 12 months. In line with broad equity markets globally, our equity-based funds rebounded from a negative 2018 to provide strong returns for clients in 2019. Global markets performed well in 2019 as international equity markets gained for the year in almost all sectors and across all regions. Despite some key risks that remained from 2018, including the ongoing trade dispute between the US and China and the UK's impending departure from the European Union (Brexit), investors were comforted by major Central Banks' interest rate policy pivot from hawkish to dovish i.e. from favouring tight monetary policy to favouring accommodative monetary policy. This pivot move was seen globally, as the US Federal Reserve (the "Fed"), the European Central Bank (the "ECB") as well as Central Banks in Brazil, Russia and Indonesia either cut interest rates or held interest rates at very low levels during the year. As a result, investors deployed funds into risk assets such as stocks. Within developed stock markets, the S&P 500 (US) returned 29.75% in 2019, while the Eurostoxx 50 (Europe) and Nikkei 225 (Japan) returned 27.76% and 23.52%, respectively, including dividends. In emerging market stock markets, the Shanghai Shenzhen CSI 300 Index (China) returned 37.53% and the Sensex Index (India) returned 17.73%.

In addition to the strong performance of risk assets highlighted previously, lower risk assets also performed well in 2019 given the direct linkage between declining interest rates and increasing bond prices. The Fed reduced interest rates three times in 2019 while the ECB maintained interest rates at low levels during the year. This contributed to strong fixed income returns globally, especially investment grade US debt and US dollar Emerging Market debt, which returned 14.5% and 14.4% in 2019 as the US treasury yield curve declined. In fact, several other fixed income sectors also returned over 10% during the year, including US and European high yield debt and local currency emerging market debt. As a proxy for short-term US yields, the Fed Funds target range began the year at 2.25% - 2.50% and after three cuts ended the year at 1.50% -1.75%. As a proxy for long-term US yields, the 10-year US treasury yield began the year at 2.69% and ended at 1.92%.

In Trinidad and Tobago, the interest rate environment did not change meaningfully although rates for shorter tenors declined while rates on longer tenors improved. The Central Bank of Trinidad and Tobago held the repo rate flat at 5.00% as a result of continued weak economic data. Liquidity levels fluctuated throughout 2019 between TTD1.9 billion and TTD6.2 billion. In July 2019 the rating agency Standard and Poor's (S&P) lowered its credit rating on Trinidad and Tobago to BBB from BBB+ and moved it from negative to stable outlook. The agency cited lower than expected energy production levels and economic growth along with limited implementation of institution reforms aimed at strengthening revenue collection as the main reasons for the downgrade. Trinidad and Tobago's considerable financial assets in the Heritage and Stabilization Fund however ensured that the outlook was graded as 'stable' as this fund is expected to support the external asset position and limit the impact of fiscal deficits on the government's debt burden.

The performance of the local equity market was strong and well-rounded in 2019. Representing the broad market, the TT Composite Index returned 17.09% (including dividends) while the All T&T Index, representing local stocks, returned 13.64% and the Cross Listed Index, representing foreign stocks, returned 23.77%. The positive stock market performance in 2019 was driven mainly by bank stocks as several listed banks took action to enhance their regional footprints during the year.

BROKERAGE

Guardian Group has been building our Brokerage segment over the last few years and most recently expanded into the English-speaking market. Our reach includes the following:

Guardian Group's Brokerage segment

- Curaçao
  - Fatum Brokers Holding B.V. (100%)
  - Seguros Brouwer N.V. (100%)
- Aruba
  - Fatum Holding Aruba VBA (100%)
  - Boogaard Assurantiën N.V. (100%)
- St Maarten
  - Fatum Holding Aruba VBA (100%)
  - Boogaard Assurantiën N.V. (100%)
- Bonaire
  - Boogaard Assurantiën Bonaire B.V. (100%)
- Netherlands
  - Thoma Group (100%)
  - Thoma Exploitatie B.V. (100%)
  - Jager Adviesbureau B.V. (100%)
  - Thoma Pensioenadviseurs B.V. (100%)
  - Thoma Assuradeuren B.V. (100%)
  - Thoma Assurantieadviseurs B.V. (100%)
  - Risiko Analyse Buro B.V. (100%)
  - RAB Assuradeuren B.V. (100%)
  - Kruit & Venema Assuradeuren B.V. (100%)
  - Kruit Assurantiën B.V. (100%)
- Cayman Islands
  - Fidelity Insurance (Cayman) Limited (FICL) (67.7%)

The Group acquired a 67.7% shareholding in the Cayman-domiciled Broker, Fidelity Insurance (Cayman) Limited (FICL) in 2019. The 33.3% is held by our Bahamian associated company, Royal Star Holdings Limited.

BUSINESS STRATEGY

Our Brokerage segment offers a diversification component to other divisions of Guardian Group, as it eliminates our exposure to underwriting risk. We therefore see tremendous opportunity in growing this facet of our business. We have set plans to acquire new portfolios in the Netherlands as well as grow our existing base by at least 5% each year.

We are in the process of transforming our Dutch Caribbean Brokerage business to make it more sales-oriented. We are confident that this will improve the experience of our customers and our revenue generation. We have aligned our organisational structure to ensure this can be achieved and we anticipate that we will assign a dedicated Sales Manager to each territory.

Furthermore, we are optimising our expense management. This will garner increased returns for the Group as we reduce expenses, grow income and extract synergies.

The strategy for the Netherlands market continues to be growth via acquisition of additional Managing General Agents and/or portfolios.

Achievements

Dutch Caribbean

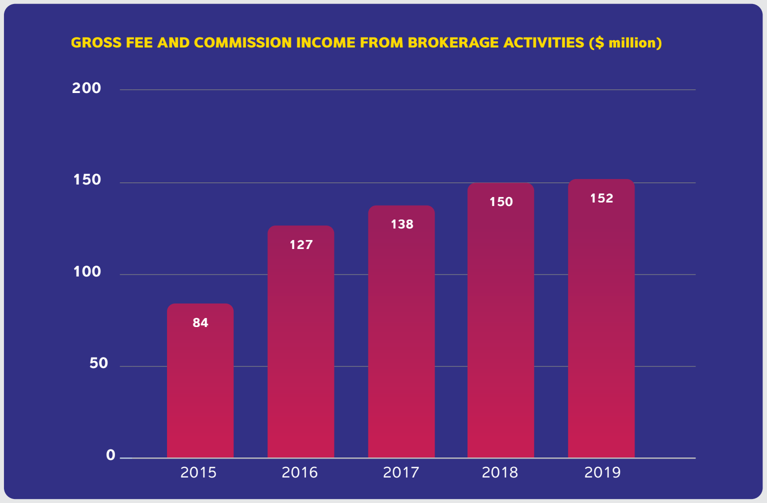
Boogaard offices in St Maarten and Bonaire have moved into the same building as Guardian Group Fatum companies in the respective territories for purposes of cost efficiency. The transformation strategy has been defined and now the companies are ready to execute.

The Netherlands

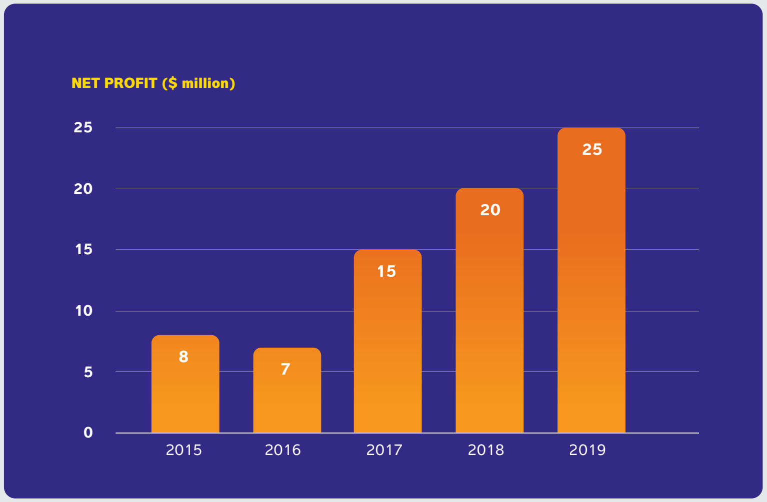
We have amalgamated the activities of the Heutink & Kromhof portfolio into the Thoma back-office and these have been executed satisfactorily. We are still in the early stages of amalgamating De Boei which was acquired in November, 2019, while Swift portfolio was acquired in January, 2020.

FINANCIAL UPDATE

In order to comply with the rules governing the preparation of Group consolidated financial statements, the Brokerage income disclosed on the face of the Consolidated statement of income is net of fees and commissions earned on business placed with fellow subsidiaries engaged in underwriting business. Gross fees and commissions earned on the brokerage business amounted to TTD152 million (2018: TTD150 million).



As a result of the successful implementation of our strategies in 2019, this segment was able to increase Net profit to TTD25 million in 2019 from TTD20 million in 2018, an increase of TTD5 million or 25%.



A main benefit of growing this business segment is that Brokerage, unlike the majority of the Group's business, is not risk-exposed and hence less susceptible to inherent volatility in earnings.

OUTLOOK

We are excited to implement our transformation initiatives, which will enhance our staffing, IT capabilities, office spacing and branding. Our Netherlands business is our fastest-growing distribution channel and is expected to continue expanding.

With our acquisition of FICL we are positioning ourselves to further develop our Broking business in the English-speaking Caribbean. We continue to put procedures in place to successfully operate within stricter regulatory frameworks and adhere to applicable guidelines.

CORPORATE GOVERNANCE

REINFORCING OUR COMMITMENT TO ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY

CORPORATE GOVERNANCE

A ROBUST CORPORATE GOVERNANCE FRAMEWORK

Guardian Holdings Limited ("GHL/the Company") understands and takes seriously its responsibility to strengthen and build upon the pillars of good corporate governance. GHL therefore reinforces its commitment to maintaining a governance framework of the highest standard, at both the holding company and subsidiary company levels, while nurturing a culture that is compliant, transparent and accountable.

ADHERENCE TO THE TRINIDAD AND TOBAGO CORPORATE GOVERNANCE CODE

The Company adheres to the principles of good governance contained in the Trinidad and Tobago Corporate Governance Code ("the Code") and this report prescribes its adherence to the Code on an "apply or explain basis".

FRAMEWORK FOR EFFECTIVE GOVERNANCE – PRINCIPLE I

The Board acknowledges its collective responsibility for the long-term success of the Company and has adopted policies and procedures to support the effective discharge of this responsibility.
Foremost of these, is the Corporate Governance Policy which established a formal mandate for stewardship of the Company including:

- Strategy direction and oversight
- Succession, training and induction of Board members
- Risk management
- Internal controls
- Material transactions
- Financial performance
- Compliance
- Stakeholder communication

Specific responsibilities and authorities are delegated by the Board to the Chief Executive Officer ("CEO"). The primary role of the CEO is to lead the management of the Company's business and to lead the implementation of the resolutions and policies of the Board of Directors.

NON-EXECUTIVE CHAIRMAN AND LEAD INDEPENDENT DIRECTOR

The Chairman, Mr. Patrick Hylton, is a non-executive Director, however, as the President and CEO of a significant shareholder, he does not meet the independence criteria set out in the Company's By-Laws. Therefore, Mr. Henry Peter Ganteaume continues in the role as the Lead Independent Director in keeping with the recommendation of the Code.

BOARD INFORMATION AND DECISION MAKING

The Board meets at least quarterly to deal with routine business and meetings are convened as necessary for special business, such as strategic planning or deliberations on major transactions. During 2019, the Board held four regular Board Meetings in addition to the annual shareholders' meeting.

The Corporate Governance policy sets the standard for the quality of the information provided to directors. The policy requires that such information be relevant, concise, timely, well organised and supported by the necessary context, which informs directors about the material aspects of the Company's business, performance and prospects. In pursuance of meaningful participation by all directors at Board Meetings and to allow Directors adequate time to review and reflect on the information, directors receive Board Reports one week in advance of meetings.

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 considers the legitimate interest and expectations of all stakeholders particularly its policyowners, employees, suppliers and the wider communities as outlined in this year's Corporate Social Responsibility report.

BOARD COMMITTEES

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

The following standing Committees support the Board and essentially act in a review and advisory capacity:

- The Corporate Governance Committee (CGC)
- The Audit, Compliance and Risk Committee (ACRC)
- The Talent Development and Compensation Committee (TDCC)

Every Committee is governed by a charter which sets out its responsibilities and the requirements for its composition. The composition of Committees is reviewed on an annual basis by the CGC, which makes recommendations to the Board in this regard. Charters are also reviewed annually by the relevant Committee and the Board. All Committees periodically report to the full Board and the minutes of the Committees' meetings are circulated to all Directors. The authority of the Committees is determined by the Board subject to any statutory prohibition against delegation.

CORPORATE GOVERNANCE COMMITTEE

The objectives of the CGC are to develop, implement and periodically review guidelines for robust governance of the GHL member companies.

The responsibilities of the CGC include:

- Regularly reviewing the Corporate Governance Policy adopted by the Board and recommending revisions as appropriate;
- Developing and recommending to the Board for its approval, an annual self-evaluation 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 the Board of GHL and GHL member companies;
- Developing, implementing and regularly reviewing an ongoing education programme for directors of Group member companies;
- Developing the Group's corporate governance framework in line with governance best practice;
- Reviewing annually the composition of the GHL Boards and the Boards of all GHL member companies and their committees and making recommendations for Director and Senior Officer appointments; and
- Ensuring that the membership of the Board collectively provides a balanced mix of experience, diversity and skills to ensure that there is adequate synergy and alignment among the respective business initiatives and the Company's mission, values and long-term strategic plan.

AUDIT, COMPLIANCE AND RISK COMMITTEE

The purpose of the ACRC is to assist the Board in fulfilling its oversight responsibilities for:

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

TALENT DEVELOPMENT AND COMPENSATION COMMITTEE (FORMERLY, REMUNERATION COMMITTEE)

The TDCC is responsible for making recommendations pertaining to:

- The compensation of the Chairmen and members of the Boards of Directors and Committees of GHL and of all GHL member companies;
- The remuneration, performance and incentive awards of senior executives of all GHL member companies as identified from time to time by the Committee; and
- Maintaining strong succession programmes for the Board of GHL and GHL member companies, 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.

The role and responsibilities of all Committees previously outlined, are considered by GHL to be a key contributor to its robust corporate governance framework and is evidence of the Group's commitment to best practice in the area of corporate governance. Detailed reports of the Board Committees are contained in Appendix 1.

STRENGTHENING THE COMPOSITION AND PERFORMANCE OF THE BOARD AND COMMITTEES – PRINCIPLE II

As at 31st December 2019 the Board of Directors of GHL comprised thirteen directors, of whom twelve are non-executive directors and six are Independent Directors. The independence of the Board and Directors is discussed more fully in Principle III below.

DIRECTORS' TRAINING AND DEVELOPMENT

Each year directors undergo Anti Money Laundering and Counter Financing of Terrorism training to stay abreast of key developments and emerging risks in these areas. Corporate governance training programmes are held every two years and in December 2019, the Board participated in a Corporate Governance Training programme which focused on the governance and oversight of subsidiaries and the relationship between the parent company and its subsidiaries. This was the first joint corporate governance training with the Directors and Executives of both GHL and the National Commercial Bank Financial Group ("NCBFG") and was facilitated by Attorney-at-Law and Senior Lecturer in Law at the University of the West Indies Mona Campus, Mrs. Suzanne Ffolkes-Goldson. Other training courses are held periodically to update Directors on industry and technology developments.

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 organizations in the industry where the organization competes for talent.

The Remuneration Policy provides a framework for the organisation to recruit potential candidates both at the Director and Senior Executive levels, so that a key criterion for recruitment is a person's strategic fit, in addition to his or her academic qualifications, skills and competencies.

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

Having attracted and successfully recruited, there is a further commitment to developing and regularly reviewing the systems that support continuous growth and development of talent through relevant training, coaching and mentoring.

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 Board Committees. Fees for service on ad hoc committees are established at the time of formation of such committees and determined by considering among other matters, 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 function. 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.

Directors are provided with insurance cover under the Company's Directors & Officers Liability Insurance Policy and are reimbursed for expenses incurred in connection with fulfilling their responsibilities as a Director or Member of a Committee, such as, airfare, accommodation and meals for attendance at Board and Committee meetings.

REMUNERATION OF EXECUTIVES (INCLUDING EXECUTIVE DIRECTORS)

Executive remuneration comprises a 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 the Group life, health and pension plans as well as the provision of a company-maintained 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 and 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 subsidiary boards, trusts, committees or other entities or organizations within the Group, at the request of the Company, receive no fees for such service.

REINFORCE LOYALTY AND INDEPENDENCE – PRINCIPLE III

INDEPENDENCE

The Company acknowledges the important oversight role of Independent Directors and has enshrined in its By-Laws a requirement that at least thirty percent of the Board comprise Directors who satisfy the criteria for independence.

The Board therefore annually considers and evaluates the independence of its directors and can confirm that the following six directors, representing forty-six percent of the Board, meet the criteria for independence:

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

In accordance with 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 organization 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 the director's fee and such director's fee does not constitute a significant portion of his/her 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/she a director of the Company); and

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

CONFLICTS OF INTEREST

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 CGC.

DIRECTORS' TENURE

Directors are elected for stated terms not exceeding three years (except for Directors over the age of 70 years whose appointments are for a period of one year, in accordance with the Corporate Governance Policy). Upon the expiration of the term of office, the performance of the director is reviewed by the CGC prior to a recommendation being made on his/her nomination for re-election.

COMMITMENT OF TIME

Non-executive Directors are required to sign terms of engagement, under which they commit to attend Board Meetings and devote such time and attention as necessary for the proper discharge of his/her duties and responsibilities as a director. The Directors' attendance at Board and Committee meetings is disclosed in Appendix 2.

FOSTER ACCOUNTABILITY – PRINCIPLE IV

MATERIAL CHANGES

CONCLUSION OF THE NCBFG TAKE OVER

By formal notice dated 15th May, 2019 GHL announced that the NCBFG and its wholly owned subsidiary, NCB Global Holdings Limited (NCBGH), successfully completed the acquisition of 74,230,750 shares in GHL. NCBGH's substantial shareholding is disclosed in the Annual Report of the Company.

APPOINTMENT OF PRICEWATERHOUSECOOPERS AS EXTERNAL AUDITOR

At the annual meeting of the Company held on 13th May, 2019 shareholders accepted a proposal by the Directors that the Company review its external auditor engagement at five (5) year intervals. In accordance with that proposal the Board engaged in a tendering process under the auspices of the ACRC, as a result of which, PricewaterhouseCoopers was recommended for appointment as auditors of the Company for the 2019 examination.

DIRECTOR CHANGES

Mr. Arthur Lok Jack resigned from the Board of Directors at the last Annual Meeting held on 9th May 2019 after serving as Director and Chairman for the period 1997 to 2019.

The Board of Directors and the Company wish to acknowledge the sterling leadership and contribution of Mr. Lok Jack during his tenure and extends its gratitude for his commitment and diligent service to the growth and success of the Guardian Group.

Ms. Patricia Ghany was appointed to the Board of Directors of GHL at the Annual Meeting of Shareholders on 9th May 2019 as a non-executive Independent Director, to fill the vacancy created by the resignation of Mr. Arthur Lok Jack.

Mr. Robert Almeida joined the Board of Directors of GHL on 18th December 2019 as a non-executive director.

Professional biographies of all directors including those of Ms. Ghany and Mr. Almeida are contained in Appendix 3 to this report.

RELATIONSHIPS WITH SHAREHOLDERS – PRINCIPLE V

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 by fostering open communication with its shareholders through the office of the Corporate Secretary.

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, 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 publication is accompanied by a comprehensive report from the Chairman dealing with both the strategic and operational aspects of the Group's business.

REPORT OF THE AUDIT, COMPLIANCE & RISK COMMITTEE

The Audit, Compliance & Risk Committee (the ACRC) is governed by a Charter which sets out its responsibilities in respect of compliance and risk management matters across the Group and is a key element of the Group's corporate governance framework. The ACRC acts in a review and advisory capacity to the Board of Directors by providing leadership, direction and oversight of the Group's internal controls and its management of risk and compliance.

COMMITTEE STRUCTURE

The ACRC's charter requires that the ACRC consists of at least three and no more than six members of the Board. The ACRC is chaired by an Independent director and comprises six non-executive Directors, four of whom also meet the criteria specified for independence in the Company's By-Laws. Each Committee member must be financially literate and at least one member is designated as the "financial expert", being a qualified accountant and having significant recent and relevant financial experience. Committee members may not simultaneously serve on the audit committee of more than two public companies.
The members of the ACRC are:

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

MEETINGS

The ACRC held four meetings for the 2019 financial year. The Group Chief Risk Officer, the Group Head of Compliance and representatives of the Group's Internal Audit department attended all meetings of the ACRC. They provided comprehensive reports on the internal audit, risk management and compliance activities of the Group and the respective impacts on both the financial and non-financial objectives of the Group.

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

- Internal controls were functioning properly in those areas reviewed by Group Internal Audit;
- Risk-Corrective actions identified by Management were adequate;
- Compliance management issues identified were satisfactorily resolved; and
- Risk management systems were operating effectively and that risk management strategies were consistently applied to minimize exposures to risk.

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. The Group Head, Internal Audit has unfettered access to the GHL ACRC and reports administratively to the CEO.

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

EXTERNAL AUDIT

The ACRC 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 ACRC 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 ACRC has reviewed and approved the external auditors' approach to and the scope of their examination of the financial statements for the 2019 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 31st December 2019 and the results of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards.

FINANCIAL STATEMENTS

During the 2019 financial year, the interim unaudited financial statements were presented to the ACRC at its quarterly meetings for review and recommended to the Board for adoption. The ACRC 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.

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 ACRC on the status of each business unit's compliance, with applicable laws and regulations and regulatory developments. The ACRC is satisfied that compliance issues raised during the year were properly monitored 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 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; and
- Increasing our resistance to financial contagion and resilience to the impact of external events.

During the year under review, the ACRC focused on the following:

- Reviewed the Group's risk appetite 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;
- 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 ACRC also monitored the adequacy of the Group's control framework. In particular, the ACRC focused on assessing the Group's capital and liquidity positions, existing and emerging regulatory requirements and dynamic risk-based models;
- Continued its focus on business continuity and IT security risks;
- Oversight of the Group's strategic initiatives and projects, including merger & acquisition activity;
- Considered the delegation of the Board's risk management responsibility into a separate Board Risk Committee; and
- 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 CORPORATE GOVERNANCE COMMITTEE

COMMITTEE STRUCTURE

The Corporate Governance Committee (CGC) comprises four non-executive Directors, all of whom meet the criteria specified for independence in the Company's By-Laws.
The members of the CGC are:

- Mr. David Philip Hamel-Smith (Chairman)
- Mr. Henry Peter Ganteaume
- Mr. Antony Lancaster
- Mr. Charles Percy

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

MEETINGS

The CGC held five meetings during 2019, at which the CGC conducted its regular business including:

- Reviewed and made recommendations on the composition of the GHL Board and Committees;
- Considered nominations for appointments to all Boards of Directors within the Group;
- Reviewed the results of the succession planning exercises undertaken during the year;
- Reviewed and updated the key Governance Policies and Procedures of the Group; and
- Conducted a Board Evaluation exercise.

REPORT OF THE TALENT DEVELOPMENT AND COMPENSATION COMMITTEE (formerly Remuneration Committee)

COMMITTEE STRUCTURE

The Remuneration Committee was renamed the Talent Development and Compensation Committee (TDCC) in October 2019 and the remit of the Committee was expanded to include responsibility for co-developing the Group Human Resource Strategy. The TDCC will also evaluate the responsibilities of the Group CEO, Group Vice President - Human Capital and Group Chief Financial Officer in relation to this strategy.

The TDCC comprises five non-executive Directors, four of whom also meet the criteria specified for independence in the Company's By-Laws.
The members of the TDCC are:

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

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

MEETINGS

During 2019, the TDCC held four meetings to conduct its regular business which included the review of the CEO and senior executives' performance, review of the Remuneration Policy, review and reconfirmation of the TDCC Charter and the review of incentive policies for executives. The TDCC is satisfied that the remuneration of directors and senior management is fair, reasonable and competitive.

The TDCC in collaboration with the CGC updated the skills and competency matrix for directors in the last year and this will further strengthen the director recruitment process and by extension the Board evaluation process. The matrix will also ensure that the Board maintains the right balance of experience, skills and diversity of perspective.

APPENDIX 2 – DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

AS AT 31ST DECEMBER, 2019

GHL DIRECTORS	BOARD (4)	ACRC (4)	CGC (5)	TDCC (4)
Patrick Hylton	4	-	-	3
Henry Peter Ganteaume	4	4	4	4
Ravi Tewari	4	-	-	-
Imtiaz Ahamad[1]	3	2	-	-
Robert Almeida[2]	0	-	-	-
Dennis Cohen	4	4	-	-
Patricia Ghany[3]	2	-	-	-
David Philip Hamel-Smith	4	-	4	3
Antony Lancaster	4	4	4	4
Michael Lee-Chin	4	-	-	-
Nicholas Lok Jack	3	-	-	-
Charles Percy[4]	4	3	3	3
Maxim Rochester	4	4	-	-

1. Mr. Imtiaz Ahamad was on leave of absence during the first quarter of 2019 until the completion of the NCBFG takeover in May of 2019
2. Mr. Robert Almeida was appointed to the Board of GHL on 18th December 2019.
3. Ms. Patricia Ghany was appointed to the Board of GHL on 9th May 2019.
4. Mr. Charles Percy was appointed to the ACRC, the TDCC and the CGC effective 28th February 2019.

APPENDIX 3 – BIOGRAPHY OF DIRECTORS

Mr. Patrick Hylton

Mr. Patrick Hylton is the President and Group Chief Executive Officer of the National Commercial Bank Jamaica Limited, NCB Capital Markets Limited, Guardian Holdings Limited and Clarien Bank Limited. He sits on several boards including the NCB Financial Group and Massy Holdings Limited. He is a member of the Economic Programme Oversight Committee in Jamaica.

Mr. Henry Peter Ganteaume

Mr. Henry Peter Ganteaume has had a distinguished career in finance, accounting and auditing since qualifying in June 1969 as a Member of the Institute of Chartered Accountants of England and Wales. He was appointed Chief Executive Officer of Guardian Holdings Limited in July 1999 and served the company in that capacity until 2009. Mr. Ganteaume is a former Senior Partner of Price Waterhouse, latterly PricewaterhouseCoopers and has presented numerous papers on technical accounting and finance related subjects. He has also served as Chairman of the Accounting Standards Committee of the Institute of Chartered Accountants of Trinidad and Tobago and as a member of the Board of Directors of the American Chamber of Commerce of Trinidad and Tobago. He has also been appointed by the Trinidad and Tobago Government to serve on several Fiscal Review Committees. Mr. Ganteaume is currently the Deputy Chairman of Guardian Holdings Limited and Chairman of Guardian Life of the Caribbean Limited.

Mr. Ravi Tewari

Mr. Ravi Tewari is Group Chief Executive Officer of Guardian Group, one of the largest financial services organisations that operates across the English and Dutch Caribbean.

An actuary by profession, he has twenty-five (25) years of experience in the insurance industry. He began his career in actuarial consulting and worked for several insurance clients throughout the Caribbean. On joining Guardian Group in 1998, he worked as a Valuation Actuary, where he played a pivotal role in several key acquisition projects that drove the rapid expansion of Guardian Group.

In 2005 he was appointed President of Guardian Life of The Caribbean; in 2011 Head of the Life Line of Business for the Group; and in 2014 he was appointed Group CEO of Guardian Group.

Mr. Tewari holds directorships on the Guardian Holdings Board, Guardian Life of The Caribbean Limited, other Boards of GHL member companies, the Advanced Cardiovascular Institute and the Trinidad and Tobago Citizens Alliance Against Crime.

Mr. Imtiaz Ahamad

Mr. Imtiaz Ahamad joined the Guardian Holdings Board in 2004. He is the Chief Executive Officer of Southern Sales and Service Company Limited and sits on the Boards of Automobile Sales Limited and Evolving Technologies and Enterprise Development Company Limited (eTecK).

Mr. Robert Almeida

Mr. Robert Almeida B.COMM., CPA, CA, is the Founding Partner of Portland Private Equity and Managing Partner of the AIC Caribbean Fund and Portland Caribbean Fund II. He is a Director, Senior Vice President and Portfolio Manager at Portland Investment Counsel Inc. (Canada). He currently serves on several Portland Group portfolio company boards as well as the not-for-profit Canadian Council for the Americas.

Mr. Dennis Cohen

Mr. Dennis Cohen is the Group Chief Financial Officer and Deputy Chief Executive Officer of NCBFG. Mr. Cohen is Chairman of NCB Insurance Company Limited and acting Chairman of NCB (Cayman) Limited, NCB Capital Markets (Cayman) Limited and NCB Trust Company (Cayman). He also serves as director of NCB Capital Markets Limited, Guardian Holdings Limited, Guardian Life of The Caribbean and Guardian General Insurance Limited (Trinidad) and West Indies Trust Company Limited. He is a member of the Institute of the Chartered Accountants of Jamaica (ICAJ) and serves on its Council.

Ms. Patricia Ghany

Ms. Patricia Ghany is the Chief Financial Officer at Esau Oilfield Supplies Co. Ltd., a leading supplier of pipes, valves, pipe fittings and gaskets to the petrochemical and oil and gas sectors in Trinidad and Tobago. She has over twenty-five (25) years experience in various aspects of the Oil and Gas sector with an emphasis on procurement, business development and project management. She is also the President of the American

Chamber of Commerce of Trinidad and Tobago (AMCHAM) and has also held the positions of Vice President and Treasurer during her five-year tenure on the Board of AMCHAM.

Ms. Ghany graduated from the University of Toronto with a B.A. in Sociology and an M.B.A. in International Business and Finance. She has also completed graduate courses in International Management and Cross-Cultural Counseling at Harvard University.

Mr. David Philip Hamel-Smith

Mr. David Philip Hamel-Smith joined the Guardian Holdings Board in March 1997. An Attorney-at-Law, he is the Partner Emeritus of M. Hamel-Smith and Company. This former Trinidad and Tobago Senator, Mr. Hamel-Smith has served as Vice President of the Senate and is a member of the Law Association of Trinidad and Tobago, the St. Kitts & Nevis Bar Association, the American Bar Association and the International Bar Association and Law Society of the United Kingdom.

Mr. Antony Lancaster

Mr. Antony Lancaster brings to the Board nearly sixty (60) years' experience in the general insurance field, many of which were in the Caribbean and a number of international jurisdictions and in particular the United Kingdom ("UK"). Prior to his retirement, he served as Chairman and Chief Executive of GAN Insurances and the Groupama Insurance Companies in the UK. He joined the Guardian Holdings Board in 2003.

Mr. Michael Lee-Chin

Mr. Michael Lee-Chin is the President and Chairman of Portland Holdings, a privately held investment company that manages public and private equity. Mr. Lee-Chin has an ownership interest in a collection of diversified businesses operating in sectors that include financial services, insurance, media, tourism, agriculture, real estate development and pharmaceuticals. He holds various board positions and was appointed Chairman of Jamaica's Economic Growth Council in 2016.

Mr. Nicholas Lok Jack

Mr. Nicholas Lok Jack is Deputy Chairman and Chief Executive Officer of the Associated Brands Group of Companies, a geographically diverse and dynamic group with operations in ten (10) countries and sales to over twenty-five (25) countries worldwide. Sales span The Americas, Western Europe, Middle East and Asia.

Mr. Lok Jack also serves as a non-executive Director of Guardian Holdings Limited and its subsidiaries: Guardian Life of The Caribbean Limited, Guardian Asset Management and Investment Services Limited and Guardian General Insurance Limited, all regulated Financial Services companies.

His commitment to country and manufacturing led to him serving five (5) years as a Director of the Trinidad and Tobago Manufacturers Association, two (2) of which he led the organization as President.

Mr. Charles Percy

Mr. Charles Percy's distinguished career spans over thirty-seven (37) years in Trinidad and Tobago's Energy Sector, with prior executive leadership positions at BP Trinidad and Tobago LLC, Hydro Agri Trinidad (now Yara Trinidad Ltd.), Atlas Methanol Company and Methanex Trinidad Limited. He is also a current Director on the Board of Point Lisas Industrial Development Corporation and a past president of the Energy Chamber of Trinidad and Tobago.

Mr. Percy has also been an active member in the financial services sector for the past twenty (20) years and was instrumental in the successful merger of two credit unions to form Venture Credit Union.

Mr. Maxim Rochester

Mr. Maxim Rochester is a current member of the Chartered Association of Certified Accountants (UK) and The Institute of Chartered Accountants of Jamaica. He was also a member of the Accounting Standards Committee of the Institute of Chartered Accountants of Jamaica and played a significant role in the adoption of International Financial Reporting Standards in Jamaica.

Mr. Rochester was also a former Territory Senior Partner of PricewaterhouseCoopers and was with the firm for thirty-eight (38) years. He has extensive experience in the Banking and Insurance Sectors with over thirty years' experience in audit services and is quite knowledgeable in financial systems, regulatory environment and reporting requirements.

SHAREHOLDER ANNOUNCEMENT

DELAY IN CONVENING THE ANNUAL MEETING

15th April, 2020

Dear Shareholder,

As you are aware, the Government of the Republic of Trinidad and Tobago announced several emergency measures regarding the COVID-19 pandemic, in order to reduce the risk of transmission.

As a good corporate citizen, Guardian Holdings Limited (GHL) must ensure that it complies with the guidelines of the Government to safeguard the health and well-being of its Shareholders and other stakeholders.

The Company has therefore taken a decision to delay the convening of its Annual Meeting of Shareholders, previously scheduled for 7th May, 2020 to 30th July, 2020.

Formal Notice of the annual meeting will be sent to Shareholders in due course. GHL apologises for any inconvenience which may be caused due to this change.

Yours sincerely,
Guardian Holdings Limited

Richard Avey
Corporate Secretary

FINANCIALS

DELIVERING STRENGTH IN NUMBERS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of GUARDIAN HOLDINGS LIMITED (the Company) and its subsidiaries (the Group) and which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act and Insurance Act Chapter 84:01; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date; or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Mr. Ravi Tewari
Group Chief Executive Officer
5th March 2020

Mr. David Maraj
Group Chief Financial Officer
5th March 2020

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Guardian Holdings Limited and its subsidiaries
Report on the audit of the consolidated financial statements

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Holdings Limited (the Company) and its subsidiaries (together 'the Group') as at 31 December, 2019, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited
Guardian Holdings Limited consolidated financial statements comprise:

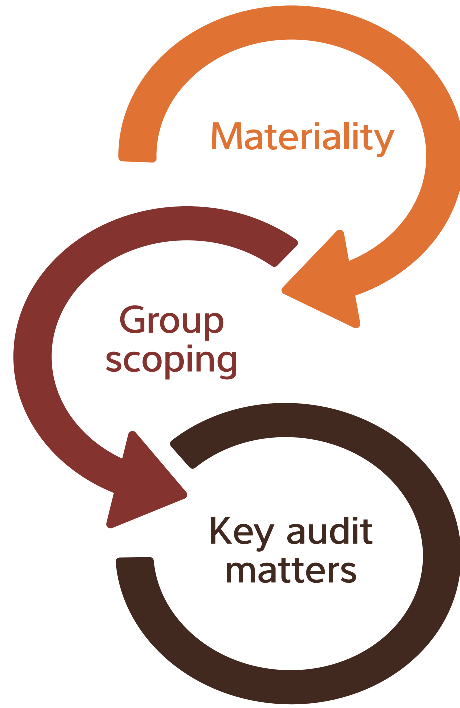
- the consolidated statement of financial position as at 31 December, 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

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

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach



- Overall group materiality: TT$42 million, which represents 5% of profit before tax.

- We performed full scope audits for 7 components and audits of certain financial statement line items for 6 more.
- Our group audit covered 91% of profit before tax and 85% of total assets.

- Valuation of incurred but not reported claims for property & casualty contracts
- Methodologies and assumptions used for determining insurance contract liabilities for life and annuity insurance contracts
- Valuation of unquoted investment securities accounted for at fair value through profit and loss and fair value through other comprehensive income.
- Expected credit loss for investment securities accounted for at amortised cost and fair value through other comprehensive income.

Audit scope
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR´S REPORT (continued)

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

Our group scoping was done at the legal entity level. The following components below were considered individually financially significant components and were subject to full scope audits for group audit purposes:

- Guardian Life of the Caribbean Limited
- Guardian General Insurance Limited
- Guardian Re (SAC) Limited
- Guardian Life Limited
- Guardian General Insurance (Jamaica) Limited
- Fatum Life N.V.
- Fatum Aruba N.V.

Six other legal entities were considered in limited scope for the group audit based on the materiality of certain financial statement line items to the Group's consolidated financial statements. We also performed consolidated risk assessment analytical procedures over the remaining components with the exception of inconsequential entities. Our group scoping provided coverage of approximately 91% of profit before tax and 85% of total assets of the Group.

In establishing the overall group audit strategy and plan, we determined the type of work that is needed to be performed at the components by the Group engagement team and by component auditors. Where the work was performed by either PwC or non network firm component auditors, we determined the level of involvement we needed to have in the audit work. The Group team reviewed the working papers of all of the full scope audits along with the reports submitted outlining the audit approach and findings for these components.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall group materiality	TT$42 million
How we determined it	5% of profit before taxation
Rationale for the materiality benchmark applied	We chose profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users. We chose 5% which is within a range of acceptable benchmark thresholds.

We agreed with the Audit, Compliance and Risk Committee that we would report to them misstatements identified during our audit above TT$1.7 million, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

INDEPENDENT AUDITOR´S REPORT (continued)

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.

Key Audit Matters	How Our Audit Addressed the Key Audit Matters
Valuation of incurred but not reported claims for property & casualty contracts *Refer to notes 2.15 and 21 to the financial statements for disclosures of related accounting policies and balances* As at 31 December 2019, total incurred but not reported claims accounted for TT$2 billion or 9% of total liabilities of the Group. The methodologies and assumptions utilized to develop incurred but not reported claims involve a significant degree of judgement. The liabilities are based on the best-estimate ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. There is generally less information available in relation to these claims, which can result in variability between initial estimates and final settlement. A range of methods may be used to determine these provisions. Management used an internal actuarial expert along with an external independent expert to assist in determining these assumptions and in valuing these actuarial liabilities. We focused on this area because underlying these methods are a number of explicit and implicit assumptions relating to the expected settlement amount and settlement patterns of claims and the values determined are subject to complex calculations.	We tested the reconciliations between the data used by management's actuarial expert for written premiums, earned premiums, claims paid, claims reserve and claims incurred, on a gross and net basis, to underlying records and support as part of our evaluation of the completeness, accuracy and reliability of the underlying data. We were assisted by actuarial experts who performed a methods and assumptions analysis of the actuarial valuation done by the Group's actuaries as well as recalculated the actuarial estimates independently for the various blocks of business. We evaluated the assumptions used by management and assessed the methodologies used for appropriateness and consistency with established actuarial practice and methodologies used in the prior year. The assumptions used by management were not unreasonable, and the methodologies used were actuarially established, accepted and appropriate in the circumstances and consistent with prior years.
Methodologies and assumptions used for determining insurance contract liabilities for life and annuity insurance contracts *Refer to notes 2.15 and 21 to the financial statements for disclosures of related accounting policies and balances.* As at 31 December 2019, actuarial reserves for life and annuity contracts accounted for TT$15 billion or 57% of total liabilities of the Group. Economic assumptions such as investment return, associated discount rates and borrowing rates, policy expenses and assumptions such as mortality and persistency are key inputs used to estimate these long term liabilities. Management used internal actuarial experts along with external independent experts to assist in determining these assumptions and in valuing these actuarial liabilities. We focused on this area since it involves significant judgement over certain future outcomes, mainly the ultimate settlement value of long term insurance contract liabilities.	We tested the policy master files for completeness and accuracy of the underlying data, including contract features utilized by management as inputs to the actuarial valuation. We were assisted by actuarial experts who evaluated the methodologies and assumptions utilized by management's actuarial experts considering industry and component specific facts and circumstances. Specific areas of focus were mortality assumptions, contract lapses, investment return and associated discount rate, and operating expenses, all of which are based on entity experience or publicly available information. The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable, and that the methodologies used were actuarially established, accepted and appropriate in the circumstances and consistent with prior years.

INDEPENDENT AUDITOR´S REPORT (continued)

Key audit matters (continued)

Key Audit Matters	How Our Audit Addressed the Key Audit Matters
Valuation of unquoted investment securities accounted for at fair value through profit and loss and fair value through other comprehensive income *Refer to notes 2.9 and 10 to the financial statements for disclosures of related accounting policies and balances.* As at 31 December 2019, investments classified as investment securities at fair value through profit or loss and fair value through other comprehensive income accounted for TT$13 billion or 42% of total assets of the Group. For the unquoted investments, management uses valuation techniques, which utilise inputs such as the investment's future cash flow and a market yield obtained from established yield curves. We focused on this area based on the magnitude of this balance, the complexity of the models used, the use of management assumptions, and the potential for misstatement from the use of inappropriate yields from the yield curve.	We obtained an understanding of management's valuation model for investment securities. We were assisted by an auditor's expert and tested management's valuation for a sample of individual investment holdings by comparing investment cash flow details and yields to independent pricing and data sources, including our independently developed yield curves. On a sample basis, we agreed inputs into the model through inspection of investment contracts. We assessed management's assumptions in relation to the timing and amounts of cash flows and considered any indicators to suggest that there may be variations to the expected contractual cash flows. For a sample of investment securities, we recalculated the carrying value and the fair value disclosed for mathematical accuracy and noted no exceptions. Based on the procedures performed, no adjustments were considered necessary.
Expected credit loss for investment securities accounted for at amortised cost and fair value through other comprehensive income *Refer to notes 2.10 and 10 to the financial statements for disclosures of related accounting policies' and balances.* As at 31 December 2019, the investment securities on which an expected credit loss was calculated amounted to TT$11 billion or 39% of total assets of the Group. Management used its internally developed credit loss model which incorporates publicly available probabilities of default and loss given default from a reputable credit rating agency to estimate the expected credit loss for these investment securities. They also considered forward looking macro economic data by examining the future economic outlook of the countries where the instruments originate and adjusting the probability of defaults if necessary. We focused on this area due to the magnitude of the investment securities on which the expected credit loss was calculated, the complexity of the credit model used and the significant management judgement required in arriving at key assumptions in relation to the probability of default for these securities.	We tested the completeness of debt securities to determine whether all securities were included in the expected credit loss model by agreeing to the detailed securities listing. We were assisted by our IFRS 9 accounting specialist to understand and evaluate management's determined credit model. We recalculated the amortised cost for a sample of debt securities to test the accuracy of management's calculations, which is used as the exposure at default value. We tested, on a sample basis, the staging of the instruments by evaluating the accuracy of the initial credit risk and the credit risk at the reporting date. We tested the critical data fields used in the expected credit loss model, such as the maturity date, amortised cost, accrued interest, credit rating and interest rate by tracing data back to source documents. We agreed the inputs used to calculate the probabilities of default to external sources such as external rating agencies. We calculated an independent estimate of the potential impact of forward looking macro economic data. The results of our procedures indicated that significant estimates and assumptions used by management were not unreasonable.

INDEPENDENT AUDITOR´S REPORT (continued)

Other information
The directors are responsible for the other information. The other information comprises the supplemental information showing the USD translation of the primary statements appended to the financial statements (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Other matter
The consolidated financial statements of the Group for year ended 31 December 2018 were audited by another firm of auditors whose report, dated 28 February 2019, expressed an unmodified opinion on those consolidated financial statements.

As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 51 that were applied to amend the 2018 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 consolidated financial statements taken as a whole.

Responsibilities of management and those charged with governance for the consolidated financial statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements
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 scepticism 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.

INDEPENDENT AUDITOR´S REPORT (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

From the matters communicated with those charged with governance, 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 deterine 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 on the audit resulting in this independent auditor's report is Sean Ramirez.

PricewaterhouseCoopers

Port of Spain
Trinidad
6th March 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

	Notes	2019 $'000	2018 $'000 (Restated)	2017 $'000 (Restated)
Assets				
Property, plant and equipment	5	723,680	620,384	602,744
Right-of-use assets	6 (a)	113,445	–	–
Investment properties	7	1,569,380	1,480,807	1,457,602
Intangible assets	8	575,875	512,490	528,985
Investment in associated companies	9	244,247	232,041	220,844
Investment securities	10	19,413,392	17,775,494	17,202,263
Investment securities of mutual fund unit holders	10	1,296,192	1,079,888	1,011,404
Loans and receivables	11	1,824,219	2,111,874	2,316,152
Properties for development and sale	12	103,246	104,115	103,475
Pension plan assets	13	41,026	67,655	82,957
Deferred tax assets	14	64,992	61,311	40,130
Reinsurance assets	15	1,284,155	1,396,965	2,211,824
Deferred acquisition costs	16	115,942	98,061	92,615
Taxation recoverable		181,123	145,670	178,668
Cash and cash equivalents	17	2,350,577	2,124,161	2,101,559
Cash and cash equivalents of mutual fund unit holders	17	166,596	213,810	371,062
Total assets		30,068,087	28,024,726	28,522,284
Equity and liabilities				
Share capital	18	1,986,066	1,992,656	1,993,473
Reserves	19	(365,034)	(439,603)	(395,592)
Retained earnings		2,318,847	1,845,006	1,701,933
Equity attributable to owners of the company		3,939,879	3,398,059	3,299,814
Non-controlling interests in subsidiaries	20	24,341	22,573	23,071
Total equity		3,964,220	3,420,632	3,322,885
Liabilities				
Insurance contracts	21	17,458,851	16,929,291	17,133,865
Financial liabilities	22	2,531,023	2,327,404	2,347,739
Lease liabilities	6 (b)	116,857	–	–
Investment contract liabilities	23	2,788,681	2,717,699	2,618,148
Third party interests in mutual funds	24	1,237,709	1,021,592	1,177,879
Pension plan liabilities	13	89,154	69,994	130,208
Post-retirement medical benefit obligations	25	134,605	121,245	105,804
Deferred tax liabilities	14	366,895	314,730	273,352
Provision for taxation		50,753	68,032	58,026
Other liabilities	26	1,329,339	1,034,107	1,354,378
Total liabilities		26,103,867	24,604,094	25,199,399
Total equity and liabilities		30,068,087	28,024,726	28,522,284

The accompanying notes form an integral part of these consolidated financial statements. On 5 March 2020, 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 2019 *Expressed in Trinidad and Tobago Dollars*

	Notes	2019 $'000	2018 $'000 (Restated)
Insurance activities			
Insurance premium income	27 (a)	6,251,063	5,822,692
Insurance premium ceded to reinsurers	27 (b)	(1,816,703)	(1,669,844)
Reinsurance commission income		387,776	305,888
Net underwriting revenue		4,822,136	4,458,736
Policy acquisition expenses	28	(771,890)	(685,252)
Net insurance benefits and claims	29	(3,091,667)	(2,874,559)
Underwriting expenses		(3,863,557)	(3,559,811)
Net result from insurance activities		958,579	898,925
Investing activities			
Investment income	30	969,001	919,141
Net realised gains on financial assets measured at amortised cost	31	–	14,966
Net realised gains on other assets	32	20,597	32,827
Net fair value gains	33	374,177	74,772
Fee income	34	55,108	54,648
Other income	35	126,099	82,890
Investment contract benefits	23	(175,136)	(166,502)
Net income from investing activities		1,369,846	1,012,742
Fee and commission income from brokerage activities		117,052	114,378
Net income from all activities		2,445,477	2,026,045
Net impairment losses on financial assets	36	(87,586)	(1,329)
Operating expenses	37	(1,374,500)	(1,201,734)
Finance charges	38	(146,705)	(135,522)
Operating profit		836,686	687,460
Share of after tax profits of associated companies	9	18,033	17,045
Profit before taxation		854,719	704,505
Taxation	39	(151,006)	(164,632)
Profit after taxation		703,713	539,873
Profit attributable to participating policyholders	21.1(d)	(8,753)	(4,693)
Profit for the year		694,960	535,180
Profit attributable to non-controlling interests		(2,652)	(1,269)
Profit attributable to equity holders of the company		692,308	533,911
Earnings per share			
- Basic	40	$ 2.98	$ 2.30
- Diluted	40	$ 2.98	$ 2.30

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

	Notes	Other reserves 2019 $'000	Other reserves 2018 $'000	Retained earnings 2019 $'000	Retained earnings 2018 $'000	Non-controlling interests 2019 $'000	Non-controlling interests 2018 $'000	Total 2019 $'000	Total 2018 $'000
Profit for the year		–	–	692,308	533,911	2,652	1,269	694,960	535,180
Other comprehensive income/(loss)									
Items that may be reclassified subsequently to profit or loss:									
Exchange differences on translating foreign operations		(77,033)	(67,415)	–	–	(83)	126	(77,116)	(67,289)
Net fair value gain/(losses) on debt securities at fair value through other comprehensive income		138,120	(58,819)	–	–	–	–	138,120	(58,819)
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income	36	138	3,085	–	–	–	–	138	3,085
Net losses on debt securities at fair value through other comprehensive income reclassified to profit or loss on disposal		(567)	(14,314)	–	–	–	–	(567)	(14,314)
Taxation relating to components of other comprehensive income		(22,853)	1,014	–	–	–	–	(22,853)	1,014
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		37,805	(136,449)	–	–	(83)	126	37,722	(136,323)
Items that will not be reclassified subsequently to profit or loss:									
Gains/(losses) on property revaluation		44,342	(3,057)	–	–	–	–	44,342	(3,057)
Remeasurement of pension plans	13	–	–	(50,044)	45,753	–	–	(50,044)	45,753
Remeasurement of post-retirement medical benefit obligations	25	–	–	(9,065)	(10,634)	–	–	(9,065)	(10,634)
Other reserve movements		–	–	(566)	(1,540)	–	–	(566)	(1,540)
Taxation relating to components of other comprehensive income		(9,174)	(482)	772	(1,349)	–	–	(8,402)	(1,831)
Net other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss		35,168	(3,539)	(58,903)	32,230	–	–	(23,735)	28,691
Other comprehensive income/(loss) for the period, net of tax		72,973	(139,988)	(58,903)	32,230	(83)	126	13,987	(107,632)
Total comprehensive income/(loss) for the period, net of tax		72,973	(139,988)	633,405	566,141	2,569	1,395	708,947	427,548

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

	Attributable to equity holders of the company					
	Share capital $'000	Reserves (Note 19) $'000	Retained earnings $'000	Total attributable to owners of the company $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2019	1,992,656	(439,603)	1,845,006	3,398,059	22,573	3,420,632
Total comprehensive income	–	72,973	633,405	706,378	2,569	708,947
Transfer to/from retained earnings	–	1,596	(1,596)	–	–	–
Acquisition of subsidiary (Note 47)	–	–	–	–	746	746
Share option scheme:						
- Value of lapsed options (Note 18)	(8,334)	–	8,334	–	–	–
- Exercise of options (Note 18)	1,744	–	753	2,497	–	2,497
Dividends (Note 41)	–	–	(167,055)	(167,055)	(1,547)	(168,602)
Balance at 31 December 2019	1,986,066	(365,034)	2,318,847	3,939,879	24,341	3,964,220
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 Financial Instruments	–	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 18)	(11,895)	–	11,895	–	–	–
Dividends (Note 41)	–	–	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

	Notes	2019 $'000	2018 $'000 (Restated)
Cash flows from operating activities			
Profit before taxation		854,719	704,505
Adjustment for specific items included on the accruals basis:			
- Finance charges		146,705	135,522
- Investment income		(981,693)	(933,644)
Adjustment for non-cash items	42	(193,369)	2,421
Interest received		847,660	817,360
Dividends received		105,547	117,127
Operating profit before changes in operating assets/liabilities		779,569	843,291
Net increase/(decrease) in insurance liabilities		380,028	(446,761)
Net decrease in reinsurance assets		103,616	814,859
Net increase in investment contracts		141,426	99,550
Purchase of investment securities		(7,006,784)	(5,581,842)
Proceeds from sale of investment securities		5,805,118	5,283,872
Purchase of/additions to investment properties		(185,213)	(56,912)
Proceeds from sale of investment property		52,909	–
Additions to properties for development and sale		(12,451)	(1,092)
Net decrease/(increase) in loans and receivables		185,833	(130,567)
Net decrease/(increase) in other operating assets/liabilities		273,924	(360,572)
Cash provided by operating activities		517,975	463,826
Interest paid		(162,166)	(150,644)
Net taxation paid		(183,621)	(94,781)
Net cash provided by operating activities		172,188	218,401
Cash flows from investing activities			
Acquisition of subsidiary and brokerage portfolios, net of cash acquired	47	(76,546)	–
Purchase of property, plant and equipment	5	(141,770)	(75,584)
Proceeds on sale of property, plant and equipment		1,719	2,320
Purchase of intangible assets	8	(1,313)	(4,944)
Net cash used in investing activities		(217,910)	(78,208)
Cash flows from financing activities			
Proceeds from issue of shares		2,497	–
Proceeds from borrowings		826,401	225,111
Repayments of borrowings		(620,474)	(244,390)
Payment of principal portion of lease liabilities		(22,125)	–
Dividends paid to equity holders of the company	41	(167,055)	(157,681)
Dividends paid to non-controlling interests		(1,547)	(1,298)
Redemptions from mutual funds		(374,618)	(581,744)
Subscriptions to mutual funds		598,349	472,563
Net cash provided by/(used in) financing activities		241,428	(287,439)
Net increase/(decrease) in cash and cash equivalents	17	195,706	(147,246)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

1. Incorporation and principal activities of the Group

Guardian Holdings Limited (the 'Company' and 'GHL') 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.

On 13 May 2019, NCB Financial Group Limited ('NCBFG'), through its 100% owned subsidiary NCB Global Holdings Limited ('NCBGH' and the 'Parent'), acquired 74,230,750 ordinary shares in GHL, increasing its shareholding from 29.974% (acquired in 2016) to 61.967%. NCBGH is a limited liability holding company, which was incorporated in Trinidad and Tobago in December 2017.

NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group. NCBFG is 52.46% owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada. Portland Holdings Inc. is controlled by Hon. Michael A. Lee-Chin, O.J., a director of the Company. The NCB Financial Group provides a diversified range of financial services through its subsidiaries and associates.

The ordinary shares of GHL are listed on the Trinidad and Tobago Stock Exchange and NCBFG's ordinary shares are listed on the Jamaica Stock Exchange and 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 in 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 2019

The following amendments to published standards took effect for the Group's accounting periods beginning on or after 1 January 2019:

IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard removes the IAS 17 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 (right-of-use assets) and lease liabilities on the statement of financial position for most leases. Also, lessees will now separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset in the statement of income.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The changes in accounting and disclosures that resulted from the adoption of IFRS 16 are described in Note 2.21.

▶ ***Transition method and practical expedients applied***

The Group adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 January 2019), without restatement of comparative amounts. The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

IFRS 16 Leases (continued)

▶ ***Transition method and practical expedients applied*** (continued)

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- Apply the exemption not to recognise right-of-use assets and lease liabilities for leases less than 12 months of lease term remaining as of the date of initial application.
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

▶ ***Measurement of right-of-use assets***

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases of office space, equipment and motor vehicles, which had previously been classified as operating leases. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. On adoption of IFRS 16, the Group recognised right-of-use assets of $93,642,000 in the consolidated statement of financial position.

▶ ***Measurement of lease liabilities***

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The lessee's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.8%.

On adoption of IFRS 16, the Group recognised lease liabilities of $92,557,000 in the consolidated statement of financial position. The following table reconciles the minimum lease commitments disclosed in the Group's 31 December 2018 annual financial statements to the amount of lease liabilities recognised on 1 January 2019:

	01-Jan-19 $'000
Minimum operating lease commitment at 31 December 2018	119,924
Less: short-term leases not recognised under IFRS 16	(10,772)
Plus: effect of extension and termination options reasonably certain to be exercised	12,500
Undiscounted lease payments	121,652
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(29,095)
Lease liabilities recognised as at 1 January 2019	92,557

▶ ***Lessor accounting***

The Group leases out its investment properties and classifies these leases as operating leases. The Group was not required to make any adjustments, on adoption of IFRS 16, for leases in which it acts as a lessor and continues to account for its investment properties in accordance with IAS 40 Investment Property.

Amendments to IFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

The amendments to IFRS 9 clarify the following:

- Prepayable financial assets with negative compensation can now be measured at amortised cost and fair value through other comprehensive income provided that the contractual cash flows are 'solely payments of principal and interest' criterion, the instrument is held within the appropriate business model for that classification and negative compensation is 'reasonable compensation' for early termination of contract.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

These amendments had no impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2019 (continued)

Amendments to IAS 19 Employee Benefits – Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements, that occur during a reporting period. The amendments clarify the following:

- On amendment, curtailment or settlement of a defined benefit plan, the current service cost and net interest for the remainder of the annual reporting period are calculated using updated actuarial assumptions i.e. consistent with the calculation of a gain or loss on the plan amendment, curtailment or settlement; and
- An entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. The entity then determines the effect of the asset ceiling after plan amendment, curtailment or settlement. Any change in that effect is recognised in other comprehensive income (except for amounts included in net interest).

These amendments had no impact on the consolidated financial statements of the Group as there were no plan amendments, curtailments, or settlements during the year.

Amendments to IAS 28 Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9 Financial Instruments before applying the loss allocation and impairment requirements in IAS 28.

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

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 provides guidance on the recognition and measurement of current and deferred tax assets and liabilities in circumstances in which there is uncertainty over tax treatments. The interpretation specifically addresses the following:

- How to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty.
- That the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information.
- That the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- That the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- That the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Interpretation did not have a significant impact on the consolidated financial statements of the Group.

Annual Improvements to IFRSs 2015 – 2017 Cycle:

Amendments to IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

The amendments to IAS 12 clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) should be recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income or equity.

Since the Group's current practice is in line with these amendments, there was no impact on the consolidated financial statements of the Group.

Amendments to IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

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 2019 but not applicable to the Group

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

▶ ***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

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

(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 2019 and have not been early adopted by the Group. The Group expects to implement these standards when they become effective.

Effective 1 January 2020:

- IFRS 3 Business Combinations - Amendments - Definition of a Business
- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments - Definition of Material
- Conceptual Framework for Financial Reporting
- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures - Amendments - Interest Rate Benchmark Reform

The Group is currently evaluating the impact of these amendments, however they are not expected to have a material impact on the Group's financial statements.

Effective 1 January 2022:

- IAS 1 Presentation of Financial Statements - Amendments - Classification of liabilities as current or non-current
- IFRS 17 Insurance Contracts

IFRS 17 will replace IFRS 4, 'Insurance Contracts' and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's Financial Statements. In November 2018, the IASB tentatively decided to defer the effective date of IFRS 17 by one year. In June 2019, the IASB then issued an exposure draft proposing several amendments to IFRS 17, including the change in the effective date. The IASB has started considering feedback on the proposed amendments and aims to issue final amendments in mid-2020. The Group will continue to monitor these developments.

IFRS 17 must be applied retrospectively, however if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard requires entities to measure insurance contract liabilities in the statement of financial position as the total of (a) the fulfilment cash flows – the current estimates of amounts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk for those amounts; and (b) the contractual service margin – the future profit for providing insurance coverage.

The Group expects that IFRS 17 will have a significant impact on the Group's Consolidated Financial Statements, tax and regulatory capital positions and other financial metrics that are dependent upon IFRS accounting values. The Group's assessment of the impact of IFRS 17, including work to ensure implementation by the effective date, is ongoing.

Amendments Postponed:

• 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.

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:

- 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 company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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 Company'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 48.

(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 Company. 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 48.

(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 Company.

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 include those transfers between segments and are eliminated on consolidation.

2. Significant accounting policies (continued)

2.4 Foreign currency translation

(a) Translation of transactions in foreign currencies

The financial results of Group companies 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. 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 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	straight-line method, 10 - 20% per annum
Motor vehicles	straight-line method, 20% 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 2.10).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

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. The remaining useful lives of customer-related intangibles range from 2.5 to 13.5 years.

(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. The remaining useful life of brands is 6.5 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. The remaining useful lives of computer software and website development costs range from 1 to 6 years.

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

2. Significant accounting policies (continued)

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 lower than the net realisable value, a reversal of any prior impairment losses is recognised in the consolidated statement of income.

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

2.9 Financial assets

(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 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

- 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);

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.9 Financial assets (continued)

(b) Classification and subsequent measurement (continued)

Debt instruments (continued)

Business model assessment (continued)

- 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 incorporate 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.

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. Significant accounting policies (continued)

2.10 Impairment of assets

(a) Financial assets

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;
- 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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.10 Impairment of assets (continued)

(a) Financial assets (continued)

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 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.

2. Significant accounting policies (continued)

2.10 Impairment of assets (continued)

(a) Financial assets (continued)

Measurement of expected credit losses (continued)

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) 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.

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.

2.11 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.11 Fair value measurement (continued)

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. This level mainly comprise freehold and investment properties, which are fair valued by professional external valuators and unquoted equity securities, which are held either at cost, being the fair value of the consideration paid on acquisition, or at fair value based on market value ratios such as book value per share. Assets in level 3 held at cost are regularly assessed for impairment.

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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2. Significant accounting policies (continued)

2.15 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

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2. Significant accounting policies (continued)

2.15 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

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 unit-linked 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 investment contract liabilities balance. All risk and rewards accrue to the policy-holders who are invested in the unit-linked funds.

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.

2. Significant accounting policies (continued)

2.15 Insurance and investment contracts (continued)

(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.

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.

2.16 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.

The Group derecognises a loan when its contractual obligations are discharged, cancelled or have expired. The Group also derecognises a loan when its terms are modified and the cash flows of the modified borrowing is substantially different, in which case a new loan based on the modified terms is recognised at fair value. On derecognition of the loan, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.17 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.

2.18 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.

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) Cash-based 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 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.

2. Significant accounting policies (continued)

2.18 Employee benefits (continued)

(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.

2.19 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.

2.20 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 2.15.

(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:

- 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.

2.21 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

2. Significant accounting policies (continued)

2.21 Leases (continued)

The Group as a lessee

The Group mainly leases various office space, motor vehicles and equipment used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options, which are described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the stand-alone prices stated in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Group recognises a right-of-use asset and a lease liability in the consolidated statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Group also assesses the right-of-use asset for impairment when such indicators exist. The Group does not revalue any of its right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- Lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- Penalty payments for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The Group remeasures the lease liability when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments. The Group did not have any variable lease payments that do not depend on an index or a rate for the period ended 31 December 2019.

The Group applies the short-term lease recognition exemption to its short-term leases i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets to leases that are considered to be low value. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

The Group as a lessor

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Rental income arising is accounted for on a straight-line basis over the lease term and is included in other income in the consolidated statement of income.

Policy applicable before 1 January 2019

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. Significant accounting policies (continued)

2.22 Dividend distributions

Dividend distributions to the Company'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.

2.23 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.

2.24 Earnings per share

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

2.25 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.

2.26 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.

(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.

2.27 Comparative information

Adjustments to previously reported results were made in accordance with IAS 8 – Accounting policies, changes in accounting estimates and errors. The financial statements have been restated for the years ended 31 December 2017 and 31 December 2018 and the impact of these adjustments and reclassifications are summarised in Note 51 - Restatements and Reclassifications.

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, health and group life insurance contracts. At 31 December 2019, the carrying amount of short-term insurance claims was $1.5 billion (2018: $1.7 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 different from 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

3. Critical accounting estimates and judgments in applying accounting policies (continued)

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

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 31st December 2019 was $15 billion (2018: $14.4 billion).

(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 2019, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $7.8 billion (2018: $6.9 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		Effect on consolidated income	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
For the Trinidadian subsidiaries:				
1% increase in market yields	(40,865)	(28,010)	(9,775)	(11,105)
1% decrease in market yields	40,865	28,010	10,619	11,694
For the Jamaican subsidiaries:				
2% increase in market yields	(64,566)	(63,475)	(45,016)	(45,996)
2% decrease in market yields	64,566	63,475	45,016	45,996
For the Dutch Caribbean subsidiaries:				
1% increase in market yields	(116,467)	(72,509)	–	–
1% decrease in market yields	116,467	72,509	–	–

(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
- Development of ECL models, including the various formulas and the choice of inputs
- Use of macroeconomic data for internal credit ratings and outlooks, to derive associated probabilities of default as prescribed by external rating agencies such as Standard & Poor's and Moody's
- 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

3. Critical accounting estimates and judgments in applying accounting policies (continued)

(e) Impairment losses on financial assets (continued)

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) 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.

(g) 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 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 2019 was $100 million (2018: $88 million).

(h) Determining the lease term of contracts with extension and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group considers factors such as penalties to terminate, historical lease durations and the costs and business disruption required to replace leased assets. Extension options in most office space leases have been included in the lease liability.

As at 31 December 2019, potential future cash outflows of $29,606,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(i) 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 13 and Note 25.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

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.

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 21.2 presents the development of the estimate of ultimate claim cost for claims incurred in a given year. This gives an indication of the accuracy of the Group´s estimation technique for claims payments.

4. Management of Insurance and Financial Risk (continued)

4.1 Insurance risk (continued)

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 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 illness 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

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)

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:

	2019 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 – 250 (TT$)	22,315,386	27.6%	21,732,819	35.9%
251 – 500 (TT$)	24,729,058	30.5%	20,709,914	34.3%
501 – 1,000 (TT$)	20,028,819	24.7%	13,248,953	21.9%
1,001 – 3,000 (TT$)	9,359,386	11.6%	4,175,497	6.9%
3,001 and over (TT$)	4,560,175	5.6%	587,200	1.0%
Total	80,992,824	100.0%	60,454,383	100.0%

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

	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$)	8,523,219	11.1%	3,165,062	5.7%
More than 3,000 (TT$)	4,234,863	5.5%	515,289	1.0%
Total	76,880,157	100.0%	55,658,970	100.0%

For the Jamaican life insurance subsidiary:

	2019 – 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)	13,491,627	82.6%	13,149,907	88.4%
J$5,001 – 10,000 (TT$350 – TT$699)	1,620,496	9.9%	1,264,274	8.5%
J$10,001 – 15,000 (TT$699 – TT$1,049)	381,468	2.3%	202,853	1.4%
J$15,001 – 20,000 (TT$1,049 – TT$1,398)	259,891	1.6%	115,677	0.8%
J$20,001 and over (TT$1,398 and over)	577,857	3.6%	137,228	0.9%
Total	16,331,339	100.0%	14,869,939	100.0%

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

For the Jamaican life insurance subsidiary: (continued)

	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%

For the Dutch Caribbean life insurance subsidiaries:

	2019 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
NAF$0 – 500 (TT$0 – TT$1,769)	10,230,011	88.2%	9,975,040	94.0%
NAF$501 – 1,000 (TT$1,769 – TT$3,538)	900,382	7.8%	448,295	4.2%
NAF$1,001 – 1,500 (TT$3,538 – TT$5,307)	289,126	2.5%	153,116	1.4%
NAF$1,501 – 2,000 (TT$5,307 – TT$7,075)	84,918	0.7%	13,982	0.1%
More than NAF$2,000 (TT$7,075)	99,996	0.8%	18,111	0.3%
Total	11,604,433	100.0%	10,608,544	100.0%

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

	2018 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**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%

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)

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:

	Total annuities payable per annum			
	2019		2018	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
0 - 5,000 (TT$)	6,697	4.0%	6,578	4.1%
5,001 - 10,000 (TT$)	22,465	13.4%	20,933	13.2%
10,001 - 20,000 (TT$)	38,996	23.2%	36,632	23.0%
More than 20,000 (TT$)	99,825	59.4%	94,871	59.7%
Total	167,983	100.0%	159,014	100.0%

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

For the Jamaican life insurance subsidiary:

	Total annuities payable per annum			
	2019		2018	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
J$0 - 200,000 (TT$0 - TT$13,980)	18,513	16.4%	18,700	16.5%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	8,756	7.7%	8,842	7.8%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	9,060	8.0%	9,128	8.1%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	7,644	6.8%	7,702	6.8%
More than J$500,000 (More than TT$34,950)	69,205	61.1%	68,946	60.8%
Total	113,178	100.0%	113,318	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:

	Total annuities payable per annum			
	2019		2018	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
NAF$0 - 10,000 (TT$0 - TT$35,900)	35,119	31.6%	33,626	31.4%
NAF$10,001 - 20,000 (TT$35,900 - TT$71,700)	25,100	22.6%	24,023	22.4%
NAF$20,001 - 30,000 (TT$71,700 - TT$107,600)	15,353	13.8%	14,743	13.8%
NAF$30,001 - 40,000 (TT$107,600 - TT$143,400)	8,817	7.9%	8,489	7.9%
NAF$40,001 - 50,000 (TT$143,400 - TT$179,300)	6,993	6.3%	6,686	6.2%
More than NAF$50,001 (TT$179,300)	19,675	17.8%	19,527	18.3%
Total	111,057	100.0%	107,094	100.0%

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

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

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 (continued)

- **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.

  The following table summarises the rates of return used for the valuation of policyholders´ liabilities.

	2019	2018
Trinidad and Tobago	3.3% - 6.4%	3.8% - 7.8%
Jamaica	6.4% - 12.3%	4.0% - 10.1%
Dutch Caribbean	3.0% - 4.0%	3.0% - 4.0%

- **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.

  The inflation rates assumed are summarised in the following table.

	2019	2018
Trinidad and Tobago	3.5%	3.5%
Jamaica	5.0% - 8.0%	5.0% - 8.0%
Dutch Caribbean	0%	0%

- **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.

	Trinidadian life insurance subsidiaries		Jamaican life insurance subsidiary		Total	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:						
Changes in expense assumptions	17,647	(13,020)	(31,626)	1,903	(13,979)	(11,117)
Changes in lapse assumptions	1,908	333	(2,984)	7,952	(1,076)	8,285
Changes in investment returns	22,873	(21,852)	(57,343)	(108,588)	(34,470)	(130,440)
Changes in mortality assumptions	(57,221)	(3,159)	(5,608)	(67,202)	(62,829)	(70,361)
Other assumptions	–	–	(2,019)	9,506	(2,019)	9,506
Decrease in liabilities	(14,793)	(37,698)	(99,580)	(156,429)	(114,373)	(194,127)
Long-term insurance contracts with fixed and guaranteed terms and with DPF:						
Changes in expense assumptions	368	(297)	(4,603)	(414)	(4,235)	(711)
Changes in lapse assumptions	(426)	3	(434)	3,024	(860)	3,027
Changes in investment returns	549	(1,171)	(7,424)	(755)	(6,875)	(1,926)
Other assumptions	–	–	(353)	(2,138)	(353)	(2,138)
Increase/(decrease) in liabilities	491	(1,465)	(12,814)	(283)	(12,323)	(1,748)

	2019	2018
Long-term insurance contracts without fixed terms:		
For the Trinidadian life insurance subsidiaries:		
Changes in expense assumptions	104,557	(13,759)
Changes in lapse assumptions	17,407	5,321
Changes in investment returns	(56,910)	6,054
Changes in mortality assumptions	(97,368)	(13,525)
Decrease in liabilities	(32,314)	(15,909)

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	Change in liability 2019 $'000	Change in liability 2018 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
For the Trinidadian life insurance subsidiaries:			
Worsening of mortality	+ 10.0%	30,832	27,649
Improvement of annuitant mortality	+ 0.5%	39,374	35,796
Lowering of investment returns	- 1.0%	213,993	211,585
Worsening of base renewal expense level	+ 5.0%	10,528	8,460
Worsening of expense inflation rate	+ 1.0%	24,498	19,138
For the Jamaican life insurance subsidiary:			
Worsening of mortality	+ 10.0%	46,672	51,834
Lowering of investment returns	- 2.0%	434,207	265,469
Worsening of base renewal expense level	+ 5.0%	29,903	32,658
Worsening of expense inflation rate	+ 1.0%	64,954	90,920
For the Dutch Caribbean life insurance subsidiaries:			
Worsening of mortality	+ 10.0%	15,482	16,728
Improvement of annuitant mortality	+ 10.0%	18,806	17,322
Lowering of investment returns	- 10.0%	1,126	1,110
Worsening of base renewal expense level	+ 10.0%	3,223	3,493
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
For the Trinidadian life insurance subsidiaries:			
Worsening of mortality	+ 10.0%	302	322
Lowering of investment returns	- 1.0%	8,085	9,069
Worsening of base renewal expense level	+ 5.0%	163	161
Worsening of expense inflation rate	+ 1.0%	317	321
For the Jamaican life insurance subsidiary:			
Worsening of mortality	+ 10.0%	206	142
Lowering of investment returns	- 2.0%	3,394	7,244
Worsening of basis renewal expense level	+ 5.0%	284	653
Worsening of expense inflation	+ 1.0%	426	1,442

	Change in Variable	Change in liability 2019 $'000	Change in liability 2018 $'000
Long-term insurance contracts with fixed and guaranteed terms and with DPF: (continued)			
For the Dutch Caribbean life insurance subsidiaries:			
Worsening of mortality	+ 10.0%	33,222	32,645
Improvement of annuitant mortality	+ 10.0%	40,831	36,304
Lowering of investment returns	- 10.0%	238,201	241,210
Worsening of base renewal expense level	+ 10.0%	40,370	28,122
Long-term insurance contracts without fixed terms:			
For the Trinidadian life insurance subsidiaries:			
Worsening of mortality	+ 10.0%	69,444	62,003
Improvement of annuitant mortality	+ 0.5%	64,387	64,828
Lowering of investment returns	- 1.0%	474,456	557,074
Worsening of base renewal expense level	+ 5.0%	39,567	31,484
Worsening of expense inflation rate	+ 1.0%	82,733	62,393

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.

4.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

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 2019								
Total Assets	10,144,145	7,783,749	4,902,695	4,431,617	160,249	1,222,504	1,423,128	30,068,087
Total Liabilities	12,873,741	2,047,906	6,564,053	3,072,180	134,105	395,677	1,016,205	26,103,867
	(2,729,596)	5,735,843	(1,661,358)	1,359,437	26,144	826,827	406,923	3,964,220
As at 31 December 2018								
Total Assets	9,567,591	6,949,877	4,648,087	4,036,042	158,212	1,196,969	1,467,948	28,024,726
Total Liabilities	11,905,811	2,273,061	6,023,284	3,123,207	131,245	333,766	813,720	24,604,094
	(2,338,220)	4,676,816	(1,375,197)	912,835	26,967	863,203	654,228	3,420,632

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 statement of income and translation reserve at the reporting date.

Change in variables	US	NAF	JMD	GBP	Euro	Other
2019	0.9%	0.9%	-3.9%	5.6%	-2.4%	-6.3% to 6.1%
2018	0.6%	0.6%	-4.2%	5.4%	3.9%	-3.0% to 5.3%

	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
Impact on statement of income							
2019	55,662	–	(1,646)	253	206	(1,947)	52,528
2018	50,653	–	(1,918)	365	(566)	2,271	50,805
Impact on translation reserve							
2019	3,169	6,420	(89,877)	1,017	(17,244)	1,387	(95,128)
2018	9,900	2,918	(131,059)	1,193	29,367	11,511	(76,170)

(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 2019 for the Trinidadian market (2018 - 1%), a 2% movement was used for 2019 for the Jamaican market (2018 - 2%) and a 1% movement for 2019 was used for the Dutch Caribbean (2018 - 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.

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(b) Interest rate risk (continued)

	Effect on fair value reserve 2019 $'000	Effect on fair value reserve 2018 $'000	Effect on consolidated income 2019 $'000	Effect on consolidated income 2018 $'000
Increase in interest rates	(247,053)	(194,044)	(47,884)	(53,226)
Decrease in interest rates	247,053	194,044	47,884	53,226

(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 2.5% movement in prices of local equities was used for 2019 for the Trinidadian market (2018 - 2%), a 15% movement in prices of local equities was used for 2019 for the Jamaican market (2018 - 10%) and a 1% movement for 2019 was used for Dutch Caribbean (2018 - 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 $168,820,000 for 2019 (2018: $124,235,000).

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.

	Carrying amount $'000	No stated maturity $'000	Contractual/Expected Undiscounted Cash Flows: Less than one year $'000	One – five years $'000	Over five years $'000
Insurance and financial liabilities					
As at 31 December 2019					
Long-term insurance contracts	14,989,599	–	465,382	2,410,376	25,533,760
Short-term insurance contracts	2,469,252	–	1,957,504	502,307	9,441
Investment contracts	2,788,681	–	70,623	1,072,739	1,645,319
Medium-term borrowings	2,455,221	–	593,415	2,195,988	–
Short-term borrowings	44,849	–	46,689	–	–
Lease liabilities	116,857	–	16,150	94,640	21,485
Third party interests in mutual funds	1,237,709	–	1,237,709	–	–
Interest payable	30,953	–	30,953	–	–
Other liabilities	1,329,339	–	1,329,339	–	–
Total	25,462,460	–	5,747,764	6,276,050	27,210,005
As at 31 December 2018					
Long-term insurance contracts	14,442,582	–	488,633	2,722,849	24,761,153
Short-term insurance contracts	2,486,709	–	1,596,457	876,505	13,747
Investment contracts	2,717,699	–	239,074	1,102,459	1,376,166
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	1,034,107	–	1,034,107	–	–
Total	24,030,093	–	5,273,305	6,656,716	26,151,066

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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.

(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		Net carrying amount	
	2019 $´000	2018 $´000	2019 $´000	2018 $´000
Investment securities measured at fair value through profit or loss (excluding equity instruments)	5,712,897	5,110,642	5,712,897	5,110,642
Investment securities measured at fair value through other comprehensive income	3,579,481	2,776,722	3,579,481	2,776,722
Investment securities measured at amortised cost	8,126,319	7,549,495	8,058,659	7,474,198
Loans and receivables	2,057,221	2,282,852	1,824,219	2,111,874
Reinsurance assets	1,284,155	1,396,965	1,284,155	1,396,965
Cash and cash equivalents	2,532,278	2,349,745	2,517,173	2,337,971
	23,292,351	21,466,421	22,976,584	21,208,372

(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.

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.

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)

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 $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
Investment securities measured at fair value through other comprehensive income					
As at 31 December 2019					
AAA	127,766	–	–	–	127,766
AA	339,260	–	–	–	339,260
A	612,860	–	–	–	612,860
BBB	1,411,671	47,470	–	–	1,459,141
Below BBB	779,128	57,773	–	168,706	1,005,607
Not rated	20,001	14,846	–	–	34,847
Gross carrying amount	3,290,686	120,089	–	168,706	3,579,481
As at 31 December 2018					
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
Investment securities measured at amortised cost					
As at 31 December 2019					
AA	10,226	–	–	–	10,226
BBB	6,140,107	161	–	28,982	6,169,250
Below BBB	1,728,961	108,800	–	–	1,837,761
Not rated	60,895	45,111	3,076	–	109,082
Gross carrying amount	7,940,189	154,072	3,076	28,982	8,126,319
Loss allowance	(50,697)	(13,887)	(3,076)	–	(67,660)
Net carrying amount	7,889,492	140,185	–	28,982	8,058,659

Investment securities measured at amortised cost	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
As at 31 December 2018					
A	57,114	–	–	–	57,114
BBB	5,542,167	194,963	–	27,046	5,764,176
Below BBB	1,514,209	123,368	–	–	1,637,577
Not rated	48,430	39,756	2,442	–	90,628
Gross carrying amount	7,161,920	358,087	2,442	27,046	7,549,495
Loss allowance	(54,275)	(18,580)	(2,442)	–	(75,297)
Net carrying amount	7,107,645	339,507	–	27,046	7,474,198

Loans and receivables	Lifetime ECL Loans 12-month ECL $'000	Lifetime ECL Loans Not credit impaired $'000	Lifetime ECL Loans Credit impaired $'000	Lifetime ECL Premiums and other receivables $'000	Total $'000
As at 31 December 2019					
AAA	–	–	–	11	11
AA	–	–	–	22	22
A	–	–	–	241,314	241,314
BBB	44,908	–	–	174	45,082
Below BBB	240,649	51,314	9,868	53,780	355,611
Not rated	272,436	333,980	18,399	790,366	1,415,181
Gross carrying amount	557,993	385,294	28,267	1,085,667	2,057,221
Loss allowance	(6,953)	(45,072)	(9,868)	(171,109)	(233,002)
Net carrying amount	551,040	340,222	18,399	914,558	1,824,219
As at 31 December 2018					
AA	–	–	–	121	121
A	685	–	–	263,759	264,444
BBB	6,777	–	–	8,534	15,311
Below BBB	192,906	56,636	9,894	42,536	301,972
Not rated	288,481	314,161	20,138	1,078,224	1,701,004
Gross carrying amount	488,849	370,797	30,032	1,393,174	2,282,852
Loss allowance	(6,267)	(22,858)	(9,894)	(131,959)	(170,978)
Net carrying amount	482,582	347,939	20,138	1,261,215	2,111,874

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FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

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)

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Cash and cash equivalents				
As at 31 December 2019				
A	276,858	–	–	276,858
BBB	1,237,643	–	–	1,237,643
Below BBB	913,983	–	2,829	916,812
Not rated	100,965	–	–	100,965
Gross carrying amount	2,529,449	–	2,829	2,532,278
Loss allowance	(12,648)	–	(2,457)	(15,105)
Net carrying amount	2,516,801	–	372	2,517,173

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Cash and cash equivalents				
As at 31 December 2018				
AA	47,463	–	–	47,463
A	332,787	–	–	332,787
BBB	1,151,732	–	–	1,151,732
Below BBB	621,242	–	–	621,242
Not rated	188,016	–	–	188,016
Gross carrying amount	2,341,240	–	–	2,341,240
Loss allowance	(11,774)	–	–	(11,774)
Net carrying amount	2,329,466	–	–	2,329,466

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.

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not rated $'000	Total $'000
As at 31 December 2019							
Investment securities at fair value through profit or loss (excluding equities)	4,866	474,763	65,953	3,825,636	1,301,441	40,238	5,712,897
Reinsurance assets	–	–	1,278,108	–	–	6,047	1,284,155
	4,866	474,763	1,344,061	3,825,636	1,301,441	46,285	6,997,052
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	1,392,085	41,192	5,110,642
Reinsurance assets	–	–	1,391,243	–	–	5,722	1,396,965
Cash and cash equivalents	–	–	–	–	–	8,505	8,505
	5,303	27,955	1,455,183	3,580,167	1,392,085	55,419	6,516,112

(c) 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 2019			
Investment securities measured at fair value through other comprehensive income	168,706	168,706	–
Investment securities measured at amortised cost	32,058	28,982	–
Loans and receivables	85,346	22,830	41,442
Cash and cash equivalents	2,829	372	–
	288,939	220,890	41,442
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

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) 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.

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
Investment securities measured at fair value through other comprehensive income					
Year ended 31 December 2019					
Balance at beginning of year	12,338	6,324	–	–	18,662
New assets originated or purchased	2,159	1,001	–	–	3,160
Assets derecognised (excluding write-offs)	(151)	(176)	–	–	(327)
Transfer to 12-month ECL	242	(242)	–	–	–
Remeasurements	(2,821)	(201)	–	–	(3,022)
Balance at end of year	11,767	6,706	–	–	18,473

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
Investment securities measured at fair value through other comprehensive income					
Year ended 31 December 2018					
Balance at beginning of year (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 end of year	12,338	6,324	–	–	18,662

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
Investment securities measured at amortised cost					
Year ended 31 December 2019					
Balance at beginning of year	54,275	18,580	2,442	–	75,297
Exchange rate adjustments	(1,212)	(70)	(10)	–	(1,292)
New assets originated or purchased	6,766	5,718	–	–	12,484
Transfer to 12-month ECL	3,444	(3,444)	–	–	–
Remeasurements	(12,495)	(6,897)	644	–	(18,748)
Amounts written-off	(81)	–	–	–	(81)
Balance at end of year	50,697	13,887	3,076	–	67,660
Year ended 31 December 2018					
Balance at beginning of year (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 end of year	54,275	18,580	2,442	–	75,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Loss allowance (continued)

		Lifetime ECL			
Loans and receivables	**Loans 12-month ECL $'000**	**Loans Not credit impaired $'000**	**Loans Credit impaired $'000**	**Premiums and other receivables $'000**	**Total $'000**
Year ended 31 December 2019					
Balance at beginning of year	6,267	22,858	9,894	131,959	170,978
Exchange rate adjustments	(24)	(445)	(26)	(56)	(551)
New assets originated or purchased	494	10,027	–	687	11,208
Assets derecognised (excluding write-offs)	(171)	–	–	–	(171)
Transfer to 12-month ECL	328	(328)	–	–	–
Remeasurements	86	12,960	–	65,934	78,980
Amounts written-off	(27)	–	–	(27,634)	(27,661)
Amounts recovered	–	–	–	219	219
Balance at end of year	6,953	45,072	9,868	171,109	233,002
Year ended 31 December 2018					
Balance at beginning of year (restated)	5,871	20,893	9,868	133,447	170,079
Exchange rate adjustments	15	(278)	26	(354)	(591)
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	(881)	(4,464)	–	23,993	18,648
Amounts written-off	(4)	–	–	(25,160)	(25,164)
Amounts recovered	–	–	–	33	33
Balance at end of year	6,267	22,858	9,894	131,959	170,978

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 securities.

The impairment allowance on cash and cash equivalents as at 31 December 2019 is $15,105,000 (2018: $11,774,000). The Group recognised a net impairment expense of $3,524,000 for the year ended 31 December 2019 (2018: a net gain of $8,206,000).

(e) Financial assets subject to ECL

The following tables show an analysis of changes in the gross carrying amount of investment securities and loans subject to ECL.

		Lifetime ECL			
	12-month ECL $'000	**Not credit impaired $'000**	**Credit impaired $'000**	**Purchased credit impaired $'000**	**Total $'000**
Investment securities measured at fair value through other comprehensive income					
Year ended 31 December 2019					
Balance at beginning of year	2,482,013	114,836	–	179,873	2,776,722
Exchange rate adjustments	(15,046)	(347)	–	(2,087)	(17,480)
New assets originated or purchased	1,702,324	54,585	–	510	1,757,419
Assets derecognised (excluding write-offs)	(1,115,895)	(19,579)	–	–	(1,135,474)
Transfer to 12-month ECL	37,284	(37,284)	–	–	–
Transfer to lifetime ECL - not credit impaired	(8,700)	8,700	–	–	–
Other movements	208,706	(822)	–	(9,590)	198,294
Balance at end of year	3,290,686	120,089	–	168,706	3,579,481
Year ended 31 December 2018					
Balance at beginning of year	2,340,513	288,252	–	–	2,628,765
Exchange rate adjustments	(1,801)	(3,771)	–	5,152	(420)
New assets originated or purchased	886,971	26,818	–	179,873	1,093,662
Assets derecognised (excluding write-offs)	(680,397)	(224,978)	–	–	(905,375)
Transfer to 12-month ECL	17,432	(17,432)	–	–	–
Transfer to lifetime ECL - not credit impaired	(46,212)	46,212	–	–	–
Other movements	(34,493)	(265)	–	(5,152)	(39,910)
Balance at end of year	2,482,013	114,836	–	179,873	2,776,722

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Financial assets subject to ECL (continued)

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Purchased credit impaired $'000	Total $'000
Investment securities measured at amortised cost					
Year ended 31 December 2019					
Balance at beginning of year	7,161,920	358,087	2,442	27,046	7,549,495
Exchange rate adjustments	(65,476)	(250)	(10)	1,551	(64,185)
New assets originated or purchased	1,999,213	74,919	–	–	2,074,132
Assets derecognised (excluding write-offs)	(1,395,964)	(64,790)	(112)	–	(1,460,866)
Transfer to 12-month ECL	213,772	(213,772)	–	–	–
Transfer to lifetime ECL - credit impaired	(756)	–	756	–	–
Amounts written-off	(80)	–	–	–	(80)
Other movements	27,560	(122)	–	385	27,823
Balance at end of year	7,940,189	154,072	3,076	28,982	8,126,319
Year ended 31 December 2018					
Balance at beginning of year	6,920,519	611,400	2,656	–	7,534,575
Exchange rate adjustments	(20,684)	1,184	15	–	(19,485)
New assets originated or purchased	2,330,407	98,193	–	26,966	2,455,566
Assets derecognised (excluding write-offs)	(2,360,089)	(63,670)	–	–	(2,423,759)
Transfer to 12-month ECL	270,550	(270,550)	–	–	–
Transfer to lifetime ECL - not credit impaired	–	229	(229)	–	–
Other movements	21,217	(18,699)	–	80	2,598
Balance at end of year	7,161,920	358,087	2,442	27,046	7,549,495

	12-month ECL $'000	Lifetime ECL Not credit impaired $'000	Lifetime ECL Credit impaired $'000	Total $'000
Loans				
Year ended 31 December 2019				
Balance at beginning of year	488,849	370,797	30,032	889,678
Exchange rate adjustments	(1,142)	(2,993)	(26)	(4,161)
New assets originated or purchased	179,272	62,461	–	241,733
Assets derecognised (excluding write-offs)	(101,490)	(53,503)	(1,702)	(156,695)
Transfer to 12-month ECL	4,794	(4,794)	–	–
Transfer to lifetime ECL - not credit impaired	(12,181)	12,181	–	–
Amounts written-off	–	(291)	–	(291)
Other movements	(109)	1,436	(37)	1,290
Balance at end of year	557,993	385,294	28,267	971,554
Year ended 31 December 2018				
Balance at beginning of year	443,299	374,308	29,972	847,579
Exchange rate adjustments	1,032	(5,794)	60	(4,702)
New assets originated or purchased	107,414	73,323	–	180,737
Assets derecognised (excluding write-offs)	(64,145)	(69,943)	–	(134,088)
Other movements	1,249	(1,097)	–	152
Balance at end of year	488,849	370,797	30,032	889,678

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FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(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.

	2019 $'000	2018 $'000
Financial services	6,641,493	5,622,292
Manufacturing	151,580	22,311
Real estate	1,223,897	1,271,841
Wholesale and retail trade	37,680	59,774
Public sector	11,272,109	10,084,269
Insurance and reinsurance	2,064,585	2,297,241
Consumers/individuals	508,337	499,751
Other industries	1,076,903	1,350,893
	22,976,584	21,208,372

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 2019.

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	
	2019 $'000	2018 $'000
Guardian Re (SAC) Limited	50,576	43,673
Guardian General Insurance (OECS) Limited	12,489	12,544
Guardian Life (OECS) Limited	1,275	1,238
Guardian General Insurance Limited	101,164	70,512
Guardian General Insurance Jamaica Limited	169,390	159,919
Guardian Life Limited	384,177	346,607
Trinidad Life Insurance Companies	675,528	694,923
Dutch Caribbean Insurance Companies	441,885	408,941

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 2019					
Balance at beginning of year	466,904	125,342	18,614	9,524	620,384
Adjustment on initial application of IFRS 16	(617)	–	–	–	(617)
Revaluation surplus	44,342	–	–	–	44,342
Additions	10,966	81,981	9,301	39,522	141,770
Disposals and adjustments	(234)	(3,876)	(2,614)	–	(6,724)
Transfers	611	775	253	(1,639)	–
Re-classification to investment properties (Note 7)	(4,970)	(8,785)	–	–	(13,755)
Depreciation charge	(13,062)	(38,499)	(5,988)	–	(57,549)
Exchange rate adjustments	(2,170)	(1,341)	(341)	(319)	(4,171)
Balance at end of year	501,770	155,597	19,225	47,088	723,680
At 31 December 2019					
Cost or valuation	582,247	683,641	45,758	47,088	1,358,734
Accumulated depreciation	(80,477)	(528,044)	(26,533)	–	(635,054)
Balance at end of year	501,770	155,597	19,225	47,088	723,680
Year ended 31 December 2018					
Balance at beginning of year	469,944	106,965	16,382	9,453	602,744
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 7)	286	–	–	–	286
Depreciation charge	(14,131)	(28,997)	(5,479)	–	(48,607)
Exchange rate adjustments	(3,519)	(849)	(275)	(105)	(4,748)
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

The following are the dates of the last valuation of properties in the Group:

Guardian Life of the Caribbean Limited	-	September 2019
Bancassurance Caribbean Limited	-	September 2019
Guardian Life Limited	-	September 2019
Guardian General Insurance Limited	-	September 2019
Guardian Shared Services Limited	-	September 2019
Fatum Holding N.V.	-	Between October 2018 and September 2019

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 $57,549,000 (2018 - $48,607,000) has been charged in operating expenses.

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

	2019 $'000	2018 $'000
Cost	417,837	406,241
Accumulated depreciation	(195,903)	(181,632)
Net book value	221,934	224,609

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6. Leases

The following tables provide information for leases where the Group is a lessee.

(a) Right-of-use assets

	Leasehold properties $'000	Office equipment $'000	Motor vehicles $'000	Total $'000
Year ended 31 December 2019				
Balance at beginning of year	–	–	–	–
Adjustment on initial application of IFRS 16	84,844	313	8,485	93,642
Additions	13,274	–	4,188	17,462
Disposals and adjustments	(1,633)	–	–	(1,633)
Effect of modification to lease terms	29,401	–	–	29,401
Depreciation charge	(21,375)	(77)	(3,558)	(25,010)
Exchange rate adjustments	(433)	19	(3)	(417)
Balance at end of year	104,078	255	9,112	113,445
At 31 December 2019				
Cost	125,297	332	12,670	138,299
Accumulated depreciation	(21,219)	(77)	(3,558)	(24,854)
Balance at end of year	104,078	255	9,112	113,445

(b) Lease liabilities

	2019 $'000	2018 $'000
Adjustment on initial application of IFRS 16	92,557	–
Additions	17,462	–
Interest expense (Note 38)	6,597	–
Lease payments	(27,172)	–
Effect of modification to lease terms	27,728	–
Exchange rate adjustments	(315)	–
Balance at end of year	116,857	–
Current	21,344	–
Non-current	95,513	–
	116,857	–

(c) Amounts recognised in the consolidated statement of income

	2019 $'000	2018 $'000
Interest expense on lease liabilities	6,597	–
Depreciation charge on right-of-use assets	25,010	–
Expense relating to short-term leases	9,461	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	2,787	–
	43,855	–

(d) Amounts recognised in the consolidated statement of cash flows

The Group had total cash outflows for leases of $39,433,000 in 2019.

7. Investment properties

	2019 $'000	2018 $'000
Investment properties (excluding Pointe Simon)	1,092,778	1,009,268
Pointe Simon	476,602	471,539
	1,569,380	1,480,807

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

	2019 $'000	2018 $'000
Investment properties (excluding Pointe Simon)		
Balance at beginning of year	1,009,268	954,671
Additions	166,811	24,867
Fair value adjustments (Note 33)	15,392	43,720
Disposals	(51,600)	–
Re-classification from/(to) property, plant and equipment (Note 5)	4,970	(286)
Fair value adjustments directly related to the unit-linked funds	(25,425)	(2,528)
Exchange rate adjustments	(26,638)	(11,176)
Balance at end of year	1,092,778	1,009,268

7. Investment properties (continued)

	2019 $'000	2018 $'000
Residential properties	353,540	223,212
Commercial properties	739,238	786,056
	1,092,778	1,009,268
Rental income	54,780	50,081
Operating expenses incurred in respect of investment properties that generated rental income during the year	2,890	2,279
Operating expenses incurred in respect of investment properties that did not generate rental income during the year	725	722

Pointe Simon

	2019 $'000	2018 $'000
Investment property	476,602	471,539
Properties for development and sale (Note 12)	103,246	104,115
	579,848	575,654
Balance at beginning of year	575,654	606,406
Additions	30,853	33,137
Re-classification from property, plant and equipment (Note 5)	8,785	–
Fair value adjustment (Note 33)	(25,328)	(40,428)
Exchange rate adjustments	(10,116)	(23,461)
Balance at end of year	579,848	575,654

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 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 such as, location, size, and quality of improvements.

Commercial properties are primarily valued using the income and sales comparison approach, the direct capitalisation of income approach, or the profit tests or accounts approach. The income and sales comparison approach 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 this model throughout the Group range from 5.5% to 6.5% (2018: 6% to 7%) as deemed most appropriate by the valuators in the respective territories.

Both the direct capitalisation of income and profit tests or accounts approach apply a valuation model that converts monthly rental income and expenses into market values through the use of a capitalisation rate. The capitalisation rates within these models, as applied by external professional valuators, range from 8.5% to 10.5% (2018: 8.5% to 10.5%) across the Group.

No investment property in the Group is subject to any liens or mortgages and the Group has no restrictions 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.

Future minimum lease payments receivable on leases of investment properties are as follows:

	2019 $'000
Within one year	52,528
Between one and two years	55,816
Between two and three years	60,819
Between three and four years	23,208
Between four and five years	22,287
After five years	86,564
	301,222

8. Intangible assets

	Goodwill $'000	Customer related intangibles $'000	Other $'000	Total $'000
Year ended 31 December 2019				
Balance at beginning of year	439,838	59,225	13,427	512,490
Acquisition of subsidiary and insurance brokerage portfolios (Note 47)	77,081	4,063	–	81,144
Additions	–	–	1,313	1,313
Amortisation	–	(13,799)	(2,621)	(16,420)
Exchange rate adjustments	(1,883)	(570)	(199)	(2,652)
Balance at end of year	515,036	48,919	11,920	575,875
At 31 December 2019				
Cost	516,169	152,477	33,183	701,829
Accumulated impairment and amortisation	(1,133)	(103,558)	(21,263)	(125,954)
Balance at end of year	515,036	48,919	11,920	575,875

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8. Intangible assets (continued)

	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
Additions	–	2,913	2,031	4,944
Transfers	(8,174)	12,777	–	4,603
Amortisation	–	(18,124)	(3,021)	(21,145)
Exchange rate adjustments	(4,255)	(563)	(79)	(4,897)
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 impairment and amortisation	(1,136)	(89,983)	(19,252)	(110,371)
Balance at end of year	439,838	59,225	13,427	512,490

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 Business Combinations, 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:

	2019 $'000	2018 $'000
Guardian General Insurance Limited	97,459	97,459
Guardian Insurance Limited	153,977	153,977
Guardian General Insurance Jamaica Limited	6,599	6,615
Fidelity Insurance (Cayman) Limited	68,608	–
Thoma Exploitatie B.V.	85,278	78,120
Royal & Sun Alliance Insurance (Antilles) N.V.	26,778	26,849
Kruit en Venema Assuradeuren B.V.	18,213	18,540
Fatum Brokers Holding B.V.	58,124	58,278
	515,036	439,838

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

	Discount Rate		Growth Rate	
Cash generating unit	**2019**	**2018**	**2019**	**2018**
Guardian General Insurance Limited	7.2%	9.4%	5.0%	5.0%
Guardian Insurance Limited (Trinidad and Tobago based subsidiaries)	7.4%	9.7%	5.0%	5.0%
Guardian Insurance Limited (Jamaica based subsidiary)	7.4%	9.7%	5.0%	5.0%
Guardian General Insurance Jamaica Limited	7.2%	9.4%	5.0%	5.0%
Fidelity Insurance (Cayman) Limited	7.2%	0.0%	10.0%	0.0%
Thoma Exploitatie B.V.	11.4%	12.5%	2.0%	2.0%
Royal & Sun Alliance Insurance (Antilles) N.V.	10.3%	9.7%	2.0%	1.8%
Kruit en Venema Assuradeuren B.V.	11.4%	12.5%	2.0%	2.0%
Fatum Brokers Holding B.V.	10.7%-11.3%	10.3%-10.9%	2.0%	1.8%

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.

9. Investment in associated companies

	2019 $'000	2018 $'000
Balance at beginning of year	232,041	220,844
Share of after tax profits	18,033	17,045
Dividends received	(5,066)	(4,389)
Reserve and other movements	(566)	(1,655)
Exchange rate adjustments	(195)	196
Balance at end of year	244,247	232,041

The summarised financial information below, for the Group's principal associates (see Note 48), 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 2019 $'000	RoyalStar Holdings Limited 2018 $'000	RGM Limited 2019 $'000	RGM Limited 2018 $'000
Total assets	580,365	515,789	875,427	886,752
Total liabilities	(302,581)	(238,333)	(361,989)	(409,674)
Equity	277,784	277,456	513,438	477,078
Carrying amount of investment	73,101	73,015	171,146	159,026
Revenue	213,820	218,137	172,556	170,546
Profit for the year	20,319	28,486	38,058	28,646
Other comprehensive loss	–	–	(1,698)	(4,964)
Total comprehensive income	20,319	28,486	36,360	23,682
Dividends received during the year	5,066	4,389	–	–

The associated companies had no contingent liabilities at 31 December 2019 or 2018. RGM Limited has capital commitments in respect of investment properties in the amount of $199,000 (2018: $404,000). RoyalStar Holdings Limited has no capital commitments at 31 December 2019 or 2018.

10. Investment securities

	2019 Carrying value $'000	2019 Fair value $'000	2018 Carrying value $'000	2018 Fair value $'000
Investment securities	19,413,392	20,184,007	17,775,494	18,484,344
Investment securities of mutual fund unit holders	1,296,192	1,303,738	1,079,888	1,103,983
	20,709,584	21,487,745	18,855,382	19,588,327
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	9,071,444	9,071,444	8,604,462	8,604,462
Investment securities measured at fair value through other comprehensive income (FVOCI)	3,579,481	3,579,481	2,776,722	2,776,722
Investment securities measured at amortised cost (AC)	8,058,659	8,836,820	7,474,198	8,207,143
Total investment securities	20,709,584	21,487,745	18,855,382	19,588,327

	Carrying value FVPL-M 2019 $'000	Carrying value FVOCI 2019 $'000	Carrying value AC 2019 $'000	Fair value AC 2019 $'000
Equity securities:				
- Listed	3,107,654	–	–	–
- Unlisted	250,893	–	–	–
	3,358,547	–	–	–
Debt securities:				
- Government securities	4,336,635	1,436,369	5,605,059	6,297,623
- Debentures and corporate bonds	747,260	2,005,275	856,072	893,794
	5,083,895	3,441,644	6,461,131	7,191,417
Deposits (more than 90 days)	544,803	54,173	1,513,330	1,493,564
Other	20,523	–	–	–
	565,326	54,173	1,513,330	1,493,564
	9,007,768	3,495,817	7,974,461	8,684,981
Interest receivable	63,676	83,664	151,858	151,839
Loss allowance	–	–	(67,660)	–
	9,071,444	3,579,481	8,058,659	8,836,820
Current	1,385,115	583,587	1,224,198	
Non-current	7,686,329	2,995,894	6,834,461	
	9,071,444	3,579,481	8,058,659	

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10. Investment securities (continued)

The loss allowance on investment securities measured at fair value through other comprehensive income is recognised against other comprehensive income and accumulated in the fair value reserve. The total loss allowance accumulated in fair value reserve is $18,473,000 (2018: $18,662,000).

The carrying amount of investment securities above that were pledged as collateral for liabilities was $54,713,000 (2018: $36,981,000).

	Carrying value			Fair value
	FVPL-M 2018 $'000	FVOCI 2018 $'000	AC 2018 $'000	AC 2018 $'000
Equity securities:				
- Listed	3,283,967	–	–	–
- Unlisted	209,853	–	–	–
	3,493,820	–	–	–
Debt securities:				
- Government securities	3,629,052	1,228,262	5,348,434	5,976,873
- Debentures and corporate bonds	787,163	1,474,083	677,154	705,277
	4,416,215	2,702,345	6,025,588	6,682,150
Deposits (more than 90 days)	597,509	6,781	1,378,512	1,379,598
Other	22,962	–	–	–
	620,471	6,781	1,378,512	1,379,598
	8,530,506	2,709,126	7,404,100	8,061,748
Interest receivable	73,956	67,596	145,395	145,395
Loss allowance	–	–	(75,297)	–
	8,604,462	2,776,722	7,474,198	8,207,143
Current	879,522	364,590	1,229,483	
Non-current	7,724,940	2,412,132	6,244,715	
	8,604,462	2,776,722	7,474,198	

11. Loans and receivables

	2019 $'000	2018 $'000
Premiums receivable	581,975	654,761
Deposits with/balances due from reinsurers	210,683	259,514
Mortgage loans	379,135	393,047
Policy loans	48,020	48,656
Commercial and other loans	534,473	438,638
Interest receivable	10,325	9,560
Other receivables	292,610	478,676
Loss allowance	(233,002)	(170,978)
	1,824,219	2,111,874
Current	1,020,075	1,367,545
Non-current	804,144	744,329
	1,824,219	2,111,874

The carrying amounts of loans and receivables are reasonable approximations of their fair values. There were no loans and receivables pledged as collateral for liabilities at year end (2018: nil).

12. Properties for development and sale

	2019 $'000	2018 $'000
Properties for development and sale (Note 7)	103,246	104,115

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 (2020 and 2021), 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.

12. Properties for development and sale (continued)

During 2014, the Group sold the hotel component of the development 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 2019 the outstanding balance, included in loans and other receivables, was €10.4 million (2018: €14.4 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.

13. 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)	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**	**2019 $'000**	**2018 $'000**
Fair value of pension plan assets	411,865	394,401	526,348	502,509	938,213	896,910
Less: Present value of funded obligations	(370,839)	(326,746)	(614,688)	(571,671)	(985,527)	(898,417)
	41,026	67,655	(88,340)	(69,162)	(47,314)	(1,507)
Less: Present value of unfunded obligations	–	–	(814)	(832)	(814)	(832)
IAS 19 Consolidated statement of financial position assets/(liabilities)	41,026	67,655	(89,154)	(69,994)	(48,128)	(2,339)

The amount in the consolidated statement of income is made up as follows:	**2019 $'000**	**2018 $'000**
Net interest expense	(1,056)	(5,145)
Current service cost	(21,713)	(25,065)
Past service cost	(1,103)	(964)
Total pension cost (Note 37)	(23,872)	(31,174)
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)
– changes in financial assumptions	(62,652)	75,689
– experience adjustment	12,608	5,372
	(50,044)	45,753

The movement in the fair value of pension plan assets of the year is as follows:	**2019 $'000**	**2018 $'000**
Balance at beginning of year	896,910	880,820
Benefit payments	(45,858)	(32,857)
Company contributions	28,037	30,552
Contributions by plan participants	1,251	1,271
Remeasurement arising from experience adjustment	10,353	(23,985)
Interest income	47,031	41,242
Exchange rate adjustments	489	(133)
Balance at end of year	938,213	896,910

The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	899,249	928,071
Current service cost	21,713	25,065
Interest cost	48,087	46,387
Past service cost	1,103	964
Contributions by plan participants	1,251	1,271
Remeasurement arising from changes in demographic assumptions	–	35,308
Remeasurement arising from changes in financial assumptions	62,652	(75,689)
Remeasurement arising from experience adjustment	(2,255)	(29,357)
Benefits paid	(45,785)	(32,827)
Exchange rate adjustments	326	56
Balance at end of year	986,341	899,249

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13. Pension plan assets/liabilities (continued)

The principal actuarial assumptions used for accounting purposes were:

	2019	2018
Discount rates	3.2% - 6.3%	4.2% - 7.8%
Future salary increases	0.0% - 3.6%	0.0% - 5.0%
Post-retirement mortality	GAM 94/ NIS 2012/ GBM/GBV2005 - 2010	GAM 94/ NIS 2012/ GBM/GBV2005 - 2010
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	17.1 to 18.3 years
Life expectation of pensioners at the age of 65 - female	20.4 to 21.8 years	20.4 to 21.9 years

The actual return on plan assets was $42,349,000 (2018: $17,269,000).

	2019		2018	
	$'000	%	$'000	%
Pension plan assets are comprised as follows:				
Quoted investments				
Equity securities				
- Trinidad and Tobago	133,423	14.2%	133,523	14.9%
- Non-Caribbean	14,834	1.6%	18,690	2.1%
Government securities				
- Trinidad and Tobago	133,359	14.2%	101,186	11.3%
- Non-Caribbean	51,288	5.5%	50,826	5.7%
Corporate bonds				
- Trinidad and Tobago	43,731	4.7%	60,857	6.8%
- Non-Caribbean	161,039	17.2%	113,005	12.6%
Unquoted investments				
Government securities				
- Other Caribbean	107,881	11.5%	98,234	11.0%
Corporate bonds				
- Other Caribbean	–	0.0%	2,361	0.3%
Cash and cash equivalents	42,207	4.5%	59,730	6.7%
Property	18,400	2.0%	19,045	2.1%
Other	232,051	24.6%	239,453	26.5%
	938,213	100.0%	896,910	100.0%

The defined benefit plan assets as at 31 December 2019 include investments in the Group's managed mutual funds of $9,326,000 (2018: $8,809,000). Included in the plan's assets is a property with a fair value of $18,400,000 (2018: $19,045,000), 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 2020 are $27,412,000.

The duration of the defined benefit plans obligation at the end of the reporting period is 13 to 23 years (2018: 13 to 24 years).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is shown below:

	Impact on the net defined benefit obligation	
	Increase	Decrease
	$'000	$'000
1% increase/decrease in discount rate	(120,263)	151,454
1% increase/decrease in future salary increases	25,896	(22,776)
1% increase/decrease in future pension increases	52,068	(43,804)
Life expectancy increase/decrease by 1 year - male	18,417	(18,948)
Life expectancy increase/decrease by 1 year - female	6,736	(6,841)

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.

14. Deferred taxation

The following amounts are shown in the consolidated statement of financial position:

	2019 $'000	2018 $'000
Deferred tax assets:		
- To be recovered after more than 12 months	53,823	46,262
- To be recovered within 12 months	11,169	15,049
	64,992	61,311
Deferred tax liabilities:		
- Crystallizing after more than 12 months	(351,729)	(287,719)
- Crystallizing within 12 months	(15,166)	(27,011)
	(366,895)	(314,730)
Net deferred tax liability	(301,903)	(253,419)

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:

	2019 $'000	2018 $'000
Balance at beginning of year	(253,419)	(233,222)
Exchange rate adjustments	3,926	1,710
Charged to:		
- statement of income (Note 39)	(20,386)	(28,958)
- other comprehensive income	(31,255)	(817)
Other movements	(769)	(2,839)
Adjustment on initial application of IFRS 9	–	10,707
Balance at end of year	(301,903)	(253,419)

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14. 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 2019 $'000	Exchange rate adjustment $'000	Credited/(charged) to Statement of income $'000	Credited/(charged) to Other comprehensive income $'000	Other movements $'000	Adjustment on initial application of IFRS 16 $'000	Balance at end 2019 $'000
Future distributions	(151,601)	147	(30,112)	–	–	–	(181,566)
Accelerated tax depreciation	(36,462)	557	509	–	–	–	(35,396)
Tax losses carried forward	42,273	183	(3,348)	–	–	–	39,108
Investments at fair value through profit or loss	(94,782)	2,849	11,998	–	–	–	(79,935)
Investments at fair value through other comprehensive income	1,881	(336)	(1,650)	(23,274)	–	–	(23,379)
Allowance for expected credit losses	8,947	8	1,019	413	–	–	10,387
Intangibles	(13,893)	124	2,581	–	(769)	–	(11,957)
Revaluation of properties	(14,723)	499	(301)	(9,174)	–	–	(23,699)
Other	4,941	(105)	(1,082)	780	–	–	4,534
	(253,419)	3,926	(20,386)	(31,255)	(769)	–	(301,903)

	Balance at beginning 2018 $'000	Exchange rate adjustment $'000	Credited/(charged) to Statement of income $'000	Credited/(charged) to Other comprehensive income $'000	Other movements $'000	Adjustment on initial application of IFRS 9 $'000	Balance at end 2018 $'000
Future distributions	(136,849)	168	(26,734)	–	–	11,814	(151,601)
Accelerated tax depreciation	(35,329)	227	(1,360)	–	–	–	(36,462)
Tax losses carried forward	25,663	(48)	16,658	–	–	–	42,273
Investments at fair value through profit or loss	(61,571)	642	(19,488)	–	–	(14,365)	(94,782)
Investments at fair value through other comprehensive income	–	292	(38)	1,002	–	625	1,881
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)
Other	4,259	48	1,983	(1,349)	–	–	4,941
	(233,222)	1,710	(28,958)	(817)	(2,839)	10,707	(253,419)

14. Deferred taxation (continued)

There are tax losses relating to subsidiaries that are available for set-off against future chargeable profits of $203,961,000 (2018 - $228,827,000). These tax losses expire over varying periods. No deferred tax asset has been recognised on tax losses carried forward of $50,137,000 (2018 - $68,196,000), due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax authorities.

15. Reinsurance assets

	2019 $'000	2018 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	26,549	27,608
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 21.1(e))	690,433	931,340
Claims incurred but not reported (Note 21.1(e))	143,597	67,204
Unearned premiums (Note 21.1(f))	423,576	370,813
	1,257,606	1,369,357
Total reinsurers' share of insurance liabilities	1,284,155	1,396,965
Current	915,353	716,545
Non-current	368,802	680,420
Total reinsurers' share of insurance liabilities	1,284,155	1,396,965

16. Deferred acquisition costs

	2019 $'000	2018 $'000
Short-term insurance contracts:		
Balance at beginning of year	98,061	92,615
Exchange rate adjustments	(831)	(788)
Increase in the year	116,000	98,381
Release in the year	(97,288)	(92,147)
Balance at end of year	115,942	98,061
Current	115,942	98,061
Non-current	–	–
	115,942	98,061

17. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash at bank and in hand	2,010,987	1,754,984
Short-term deposits (90 days or less)	354,529	380,101
Cash and cash equivalents	2,365,516	2,135,085
Cash and cash equivalents in mutual funds	166,762	214,660
Loss allowance	(15,105)	(11,774)
Net cash and cash equivalents	2,517,173	2,337,971
At beginning of year	2,337,971	2,472,621
Adjustment on initial application of IFRS 9	–	12,659
Net impairment (loss)/gain	(3,524)	8,206
Exchange rate adjustments	(12,980)	(8,269)
	2,321,467	2,485,217
At end of year	2,517,173	2,337,971
Net increase/(decrease) in cash used in cash flow	195,706	(147,246)

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.

Cash and cash equivalents include deposits pledged with regulatory authorities in countries in which the Group is authorised to conduct business, as security for its policyholders. These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group. Cash and cash equivalents pledged as at 31 December 2019 was $42,612,000 (2018: $50,967,000).

No cash and cash equivalents are pledged as collateral for financial liabilities.

18. Share capital

	2019 $'000	2018 $'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		
232,024,923 ordinary shares of no par value (2018: 231,899,986 ordinary shares)	1,986,066	1,992,656

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18. Share capital (continued)

	Number of shares (thousands)	Share capital $'000	Share option plan $'000	Total $'000
Balance at 1 January 2019	231,896	1,967,546	25,110	1,992,656
Executive share option plan:				
- value of lapsed options	–	–	(8,334)	(8,334)
- exercise of options	125	2,497	(753)	1,744
Balance at 31 December 2019	232,021	1,970,043	16,023	1,986,066
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

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):

	2019	2018
Total shares allocated to the plan	33,890	33,890
Issued pursuant to exercise of options	(9,711)	(9,586)
Outstanding options	(1,572)	(3,050)
Remaining shares allocated to plan in respect of which options have not been granted	22,607	21,254

The movement in the number of share options outstanding for the year is as follows:

	2019 Average exercise price	2019 Options (thousands)	2018 Average exercise price	2018 Options (thousands)
At beginning of year	$ 22.46	3,050	$ 24.00	4,603
Lapsed	$ 20.29	(1,353)	$ 27.05	(1,553)
Exercised	$ 19.99	(125)	$ –	–
At end of year	$ 24.51	1,572	$ 22.46	3,050

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.

19. Reserves

	Fair value reserve $'000	Property revaluation reserve $'000	Statutory reserve $'000	Translation reserve $'000	Total $'000
Balance at 1 January 2019	26,324	200,833	18,663	(685,423)	(439,603)
Other comprehensive income/(loss)	114,830	35,168	–	(77,025)	72,973
Transfer to/from retained earnings	–	–	1,596	–	1,596
Balance at 31 December 2019	141,154	236,001	20,259	(762,448)	(365,034)
Balance at 1 January 2018	–	204,372	18,044	(618,008)	(395,592)
Impact of initial application of IFRS 9	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)

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.

20. Non-controlling interests in subsidiaries

	2019 $'000	2018 $'000
Non-controlling interests in subsidiaries	24,341	22,573

At the end of the year, the non-controlling interest balance represents a 40.6% shareholding in Guardian General Insurance (OECS) Limited and a 23.8% shareholding in Fidelity Insurance (Cayman) Limited, which was acquired during the year.

21. Insurance contracts

	2019 $'000	2018 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 21.1(a))	8,796,478	8,697,827
With fixed and guaranteed terms and with DPF (Note 21.1 (b))	84,790	103,626
Without fixed terms (Note 21.1(c))	5,619,646	5,165,677
	14,500,914	13,967,130
Participating policyholders´ share of the surplus from long-term insurance business (Note 21.1(d))	488,685	475,452
	14,989,599	14,442,582
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses (Note 21.1(e))	1,148,097	1,470,115
Property and casualty claims incurred but not reported (Note 21.1(e))	333,605	146,571
Property and casualty unearned premiums (Note 21.1(f))	945,650	832,537
Group life (Note 21.1(g))	41,900	37,486
	2,469,252	2,486,709
Total gross insurance liabilities	17,458,851	16,929,291
Current	1,957,504	1,596,457
Non-current	15,501,347	15,332,834
	17,458,851	16,929,291

21.1 Movements in insurance liabilities and reinsurance assets

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

	2019 $'000	2018 $'000
At beginning of year	8,697,827	8,430,565
Adjustment on initial application of IFRS 9	–	(2,065)
Valuation premiums received	426,521	422,798
Liabilities released for payments on death, surrender and other terminations in the year	(357,507)	(318,573)
Accretion of interest	236,330	221,008
Cash paid for claims settled in the year	(530,160)	(525,024)
Increase in liabilities	515,757	526,215
Changes in assumptions (Note 4.1.4(c))	(114,373)	(194,127)
Normal increase	119,076	145,013
Other movements	(140,344)	2,755
Exchange rate adjustments	(56,649)	(10,738)
At end of year	8,796,478	8,697,827

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

	2019 $'000	2018 $'000
At beginning of year	103,626	112,220
Adjustments on initial application of IFRS 9	–	(93)
Changes in assumptions (Note 4.1.4(c))	(12,323)	(1,748)
Normal decrease	(5,168)	(6,085)
Exchange rate adjustments	(1,345)	(668)
At end of year	84,790	103,626

(c) Long-term insurance contracts without fixed terms

	2019	2018
At beginning of year	5,165,677	4,796,322
Adjustment on initial application of IFRS 9	–	110,395
Premiums received	210	271
Liabilities released for payments on death, surrender and other terminations in the year	(911)	(1,347)
Changes in unit prices	1,379	171
Cash paid for claims settled in the year	(551,944)	(532,848)
Increase in liabilities	585,873	612,817
Changes in assumptions (Note 4.1.4(c))	(32,314)	(15,909)
Normal increase	584,050	293,483
Other movements	(133,546)	(97,617)
Exchange rate adjustments	1,172	(61)
At end of year	5,619,646	5,165,677

(d) Participating policyholders' share of the surplus from long-term insurance business

	2019	2018
At beginning of year	475,452	475,448
Adjustment on initial application of IFRS 9	–	(3,941)
Surplus arising from operations	8,753	4,693
Other movements	4,480	(748)
At end of year	488,685	475,452

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21. Insurance contracts (continued)

21.1 Movements in insurance liabilities and reinsurance assets (continued)

Short-term insurance contracts (non-life):

(e) Property and casualty claims and loss adjustment expenses/claims incurred but not reported

	2019			2018		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
Year ended 31 December						
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
Total at beginning of year	1,616,686	(998,544)	618,142	2,492,400	(1,833,073)	659,327
Cash paid for claims settled in the year	(1,855,440)	742,069	(1,113,371)	(2,387,647)	1,369,680	(1,017,967)
Increase in liabilities (Note 29)	1,728,964	(581,212)	1,147,752	1,528,940	(544,211)	984,729
Exchange rate adjustments	(8,508)	3,657	(4,851)	(17,007)	9,060	(7,947)
Total at end of year	1,481,702	(834,030)	647,672	1,616,686	(998,544)	618,142
Notified claims	1,148,097	(690,433)	457,664	1,470,115	(931,340)	538,775
Incurred but not reported	333,605	(143,597)	190,008	146,571	(67,204)	79,367
	1,481,702	(834,030)	647,672	1,616,686	(998,544)	618,142

(f) Provisions for unearned premiums

Total at beginning of year	832,537	(370,813)	461,724	799,316	(347,714)	451,602
Increase in the period	939,367	(430,299)	509,068	831,719	(370,754)	460,965
Release in the period	(823,751)	365,065	(458,686)	(793,165)	343,562	(449,603)
Exchange rate adjustments	(2,503)	12,471	9,968	(5,333)	4,093	(1,240)
Total at end of year	945,650	(423,576)	522,074	832,537	(370,813)	461,724

(g) Group life

Total at beginning of year	37,486	–	37,486	27,594	–	27,594
Cash paid for claims settled in the year	(41,628)	3,312	(38,316)	(41,819)	6,021	(35,798)
Increase in liabilities	47,132	(3,312)	43,820	52,005	(6,021)	45,984
Exchange rate adjustments	(1,090)	–	(1,090)	(294)	–	(294)
Total at end of year	41,900	–	41,900	37,486	–	37,486

21. Insurance contracts (continued)

21.2 Claims development tables – short-term insurance contracts (non-life)

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	1,318,349
– By underwriting year	163,353
Total liability (Note 21.1 (e))	1,481,702
Insurance claims – net	
– By accident year	581,885
– By underwriting year	65,787
Total liability (Note 21.1 (e))	647,672

Insurance claims – gross Accident year	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims costs:						
– at end of accident year	1,252,440	1,286,209	3,252,505	1,326,763	2,107,811	–
– one year later	1,186,117	1,210,232	3,424,003	1,158,539	–	–
– two years later	1,180,410	1,210,006	3,090,702	–	–	–
– three years later	1,168,303	1,198,273	–	–	–	–
– four years later	1,147,365	–	–	–	–	–
Current estimate of cumulative claims	1,147,365	1,198,273	3,090,702	1,158,539	2,107,811	8,702,690
Cumulative payments to date	(1,106,980)	(1,152,849)	(2,941,607)	(1,057,354)	(1,237,370)	(7,496,160)
Liability recognized in the consolidated statement of financial position	40,385	45,424	149,095	101,185	870,441	1,206,530
Liability in respect of prior years						111,819
Total liability						1,318,349

Insurance claims – gross Underwriting year	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims costs:						
– at end of underwriting year	26,860	22,514	23,284	17,910	11,868	–
– one year later	35,330	25,675	28,511	20,581	–	–
– two years later	32,429	24,133	27,752	–	–	–
– three years later	32,808	23,853	–	–	–	–
– four years later	32,453	–	–	–	–	–
Current estimate of cumulative claims	32,453	23,853	27,752	20,581	11,868	116,507
Cumulative payments to date	(28,956)	(19,676)	(17,548)	(6,514)	–	(72,694)
Liability recognized in the consolidated statement of financial position	3,497	4,177	10,204	14,067	11,868	43,813
Liability in respect of prior years						119,540
Total liability						163,353

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21. Insurance contracts (continued)

21.2 Claims development tables - short-term insurance contracts (non-life)

Insurance claims - net Accident year	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims costs:						
- at end of accident year	921,044	936,398	1,579,578	1,014,245	1,259,178	–
- one year later	858,029	862,252	1,492,629	918,911	–	–
- two years later	853,282	835,057	1,486,169	–	–	–
- three years later	855,763	847,654	–	–	–	–
- four years later	837,651	–	–	–	–	–
Current estimate of cumulative claims	837,651	847,654	1,486,169	918,911	1,259,178	5,349,563
Cumulative payments to date	(812,774)	(802,287)	(1,443,834)	(850,434)	(937,279)	(4,846,608)
Liability recognized in the consolidated statement of financial position	24,877	45,367	42,335	68,477	321,899	502,955
Liability in respect of prior years						78,930
Total liability						581,885

Insurance claims - net Underwriting year	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Total $'000
Estimate of ultimate claims costs:						
- at end of underwriting year	26,860	22,514	23,284	17,910	11,868	–
- one year later	35,330	25,675	28,511	20,581	–	–
- two years later	32,429	24,133	27,752	–	–	–
- three years later	32,808	23,853	–	–	–	–
- four years later	32,453	–	–	–	–	–
Current estimate of cumulative claims	32,453	23,853	27,752	20,581	11,868	116,507
Cumulative payments to date	(28,956)	(19,676)	(17,548)	(6,514)	–	(72,694)
Liability recognized in the consolidated statement of financial position	3,497	4,177	10,204	14,067	11,868	43,813
Liability in respect of prior years						21,974
Total liability						65,787

22. Financial liabilities

	2019 $'000	2018 $'000
Non-current portion of financial liabilities		
Medium-term borrowings (Note 22.1)	2,017,622	1,686,561
Current portion of financial liabilities		
Medium-term borrowings	437,599	555,639
Short-term borrowings	44,849	53,404
Total current portion of borrowings (Note 22.1)	482,448	609,043
Interest payable	30,953	31,800
	513,401	640,843
Total	2,531,023	2,327,404

The fair value of medium-term borrowings amounted to $2,515,602,000 (2018: $2,327,633,000). The fair value of medium-term borrowings is 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 made any defaults of principal, interest or other breaches with respect to their borrowings during the year (2018 - Nil).

22.1 Borrowings

	2019 $'000	2018 $'000
Company	2,275,219	2,003,334
Subsidiaries	224,851	292,270
	2,500,070	2,295,604
Current	482,448	609,043
Non-current	2,017,622	1,686,561
	2,500,070	2,295,604

The movements in borrowings are summarized below:

	2019	2018
Balance at beginning of year	2,295,604	2,314,230
Proceeds from borrowings	826,536	225,111
Repayment of borrowings	(620,474)	(244,390)
Transaction costs on new borrowings capitalised	(135)	–
Transaction costs expensed during the year	185	380
Exchange rate adjustments	(1,646)	273
Balance at end of year	2,500,070	2,295,604

22. Financial Liabilities (continued)

22.1 Borrowings (continued)

Details of major loans are as follows:

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 instalments of $3,375,000, 16 equal half-yearly instalments of $18,750,000 and a final balloon instalment of $576,375,000. Series 2 principal repayments commenced 27 January 2012 by 6 equal half-yearly instalments of $375,000, 16 equal half-yearly instalments of $2,083,333 and a final balloon instalment of $64,416,667.

Facility 2 – $450 million

This is a secured 5-year fixed rate bond 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 and 2 are secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited.

Facility 3 – $650 million

This is an unsecured fixed rate 2-year loan ending in December 2021. Interest is charged at 4.38% per annum and is paid semi-annually. The principal is payable at maturity.

Facility 4 – $400 million

This is a 2-year fixed rate loan ending in December 2020. Interest is charged at 4.47% per annum and is paid semi-annually. The principal is payable at maturity.

Subsidiary

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. In December 2019, the Group through its subsidiary, made a principal repayment of US$10 million in accordance with the prepayment clause of the loan agreement. The principal outstanding of US$40 million is payable at maturity.

23. Investment contract liabilities

	2019 $'000	2018 $'000
The movements in the liabilities arising from investment contracts are summarised below:		
Balance at beginning of year	2,717,699	2,618,148
Premiums received	330,415	334,523
Fees deducted from account balances	(19,581)	(13,352)
Account balances paid on surrender and other terminations in the year	(352,939)	(368,053)
Investment contract benefits credited	175,136	166,502
Other movements	1,534	5,741
Exchange rate adjustments	(63,583)	(25,810)
Balance at end of year	2,788,681	2,717,699

Investment contract liabilities carry floating rates of interest and therefore the carrying amounts approximate their fair values.

24. Third party interests in mutual funds

	2019 $'000	2018 $'000
Balance at beginning of year	1,021,592	1,177,879
Adjustment on initial application of IFRS 9	–	(4,052)
Share of net income	21,115	22,115
Unrealised losses	(12,370)	(51,365)
Net change in mutual fund holder balances	223,731	(109,181)
Distributions	(16,359)	(13,804)
Balance at end of year	1,237,709	1,021,592

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25. Post-retirement medical benefit obligations

The amounts recognised in the consolidated statement of financial position are as follows:

	2019 $'000	2018 $'000
Present value of obligations	134,605	121,245
The amount in the consolidated statement of income is made up as follows:		
Interest cost	6,084	5,075
Current service cost	2,300	2,838
Cost for the year (Note 37)	8,384	7,913
The movement in the liability is as follows:		
Balance at beginning of year	121,245	105,804
Remeasurement of obligation (actuarial losses)	9,065	10,634
Employer contributions	(3,891)	(3,300)
Expense as per above	8,384	7,913
Exchange rate adjustments	(198)	194
Balance at end of year	134,605	121,245

	2019	2018
The principal actuarial assumptions used were as follows:		
Discount rate	3.2% - 7.5%	4.2% - 7%
Healthcare cost escalation	2% - 7%	2% - 6%
Retiree premium escalation:		
Existing retirees	0% - 4.6%	0% - 5%
Future retirees	0% - 4.6%	0% - 5%
Pre-retirement mortality	GBM/GBV 2005-2010	GBM/GBV 2005-2010
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2019 is shown below:

	Impact on the obligation	
	Increase $'000	Decrease $'000
1% increase/decrease in discount rate	(19,205)	24,674
1% increase/decrease in medical cost trend rate	24,269	(19,216)

Expected contributions to post-employment benefit plans for the year ending 31 December 2020 are $3,942,000.

26. Other liabilities

	2019 $'000	2018 $'000
Deposits and premiums received in advance	90,056	113,551
Amount due to reinsurers	351,617	229,179
Accounts payable and accruals	887,666	691,377
	1,329,339	1,034,107

The carrying amounts of other liabilities approximate their fair value.

27. Net premium income

	2019 $'000	2018 $'000
(a) Insurance premium income		
Long-term insurance contracts	2,647,925	2,512,874
Short-term insurance contracts:		
- premiums receivable	3,718,754	3,348,372
- change in unearned premium provision	(115,616)	(38,554)
	6,251,063	5,822,692
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(99,332)	(94,800)
Short-term reinsurance contracts:		
- premiums payable	(1,782,605)	(1,602,236)
- change in unearned premium provision	65,234	27,192
	(1,816,703)	(1,669,844)

28. Policy acquisition expenses

Commissions	692,751	629,708
Other expenses for the acquisition of insurance and investment contracts	79,139	55,544
	771,890	685,252

29. Net insurance benefits and claims

Insurance benefits - gross	1,955,295	1,979,841
Insurance benefits - recovered from reinsurers	(11,380)	(90,011)
Insurance claims and loss adjustment expenses - gross (Note 21.1(e))	1,728,964	1,528,940
Insurance claims and loss adjustment expenses - recovered from reinsurers (Note 21.1(e))	(581,212)	(544,211)
	3,091,667	2,874,559

29. Net insurance benefits and claims (continued)

	2019		
Insurance benefits	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	712,692	(2,834)	709,858
- increase in liabilities	150,335	1,086	151,421
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	804,027	(6,320)	797,707
- change in unit prices	240,213	–	240,213
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	864	–	864
- increase in liabilities	32	–	32
Short-term insurance contracts - life	47,132	(3,312)	43,820
Total cost of policyholder benefits	1,955,295	(11,380)	1,943,915

	2018		
Insurance benefits	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	732,997	(32,265)	700,732
- increase in liabilities	188,510	838	189,348
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	746,973	(52,563)	694,410
- 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

30. Investment income

	2019 $'000	**2018 $'000**
Interest income from:		
- Fair value through profit or loss investment securities	238,438	234,514
- Fair value through other comprehensive income investment securities	146,395	113,922
- Amortised cost investment securities	441,384	414,597
- Loans and receivables	46,855	52,044
- Cash and cash equivalents	8,140	5,829
Dividend income	100,481	112,738
Investment expenses	(12,692)	(14,503)
	969,001	919,141

31. Net realised gains/(losses) on financial assets measured at amortised cost

	2019 $'000	**2018 $'000**
Government securities	–	14,638
Debentures and corporate bonds	–	328
	–	14,966

32. Net realised gains/(losses) on other assets

Investment securities measured mandatorily at fair value through profit or loss	21,994	25,216
Investment securities measured at fair value through other comprehensive income	(2,707)	7,611
Other	1,310	–
	20,597	32,827

33. Net fair value gains/(losses)

Net fair value gains on:		
- Investment securities measured mandatorily at fair value through profit or loss	405,228	93,595
Net loss on third party interests in mutual funds	(21,115)	(22,115)
Fair value adjustment on investment properties (Note 7)	15,392	43,720
Fair value adjustment on Pointe Simon (Note 7)	(25,328)	(40,428)
	374,177	74,772

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34. Fee income

	2019 $'000	2018 $'000
Policy administration and asset management services:		
- Insurance contracts	6,550	11,037
- Investment contracts without a discretionary participation feature	30,616	27,502
Surrender charges – insurance contracts	9,466	8,619
Other	8,476	7,490
	55,108	54,648

35. Other income/(loss)

Rental income	90,760	68,166
Foreign exchange gains/(losses)	12,461	(5,686)
Other income	22,878	20,410
	126,099	82,890

36. Net impairment gains/(losses) on financial assets

Investment securities measured at fair value through other comprehensive income	138	3,085
Investment securities measured at amortised cost	(6,264)	(20,186)
Loans and receivables	90,188	26,636
Cash and cash equivalents	3,524	(8,206)
	87,586	1,329

37. Operating expenses

Staff cost	731,755	647,688
Depreciation and amortisation	98,979	69,752
Auditors´ remuneration	10,500	14,461
Directors´ fees	9,169	9,365
Other expenses	524,097	460,468
	1,374,500	1,201,734

Staff cost includes:		
Wages, salaries and bonuses	519,722	454,936
Health and medical	18,951	17,181
Staff training	4,900	3,689
National insurance	47,346	46,372
Pension costs - defined contribution plans	23,000	24,076
Pension costs - defined benefit plans (Note 13)	23,872	31,174
Post-retirement medical benefit obligations (Note 25)	8,384	7,913
Termination benefits	22,580	18,385
Other	63,000	43,962
	731,755	647,688

38. Finance charges

	2019 $'000	2018 $'000
Interest on borrowings	140,108	135,522
Interest on leasing arrangements (Note 6(b))	6,597	–
	146,705	135,522

39. Taxation

Current tax	118,166	123,375
Business levy/green fund levy	8,225	9,764
Prior year taxation adjustment	4,229	2,535
Deferred tax (Note 14)	20,386	28,958
	151,006	164,632

The tax on the profit before taxation differs from the theoretical amount that would arise using the basic tax rate of the company as follows:

	2019 $'000	2018 $'000
Profit before taxation	854,719	704,505
Prima facie tax calculated at domestic corporation tax rate of 30%	256,416	211,352
Effect of different tax rate of life insurance companies	(56,280)	(46,838)
Effect of different tax rate in other countries	(41,728)	(39,534)
Income not subject to tax	(334,939)	(327,635)
Expenses not deductible for tax purposes	300,884	287,730
Net adjustment to recognised and unrecognised tax losses	(7,225)	(4,877)
Tax reliefs and deductions	(24,902)	(13,538)
Business levy/green fund levy	8,225	9,764
Prior year taxation adjustment	4,229	2,535
Tax on dividend	5,000	7,213
Other	41,326	78,460
Tax charge for the year	151,006	164,632

40. Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding at the consolidated statement of financial position date.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding during the year is adjusted for the effects of all dilutive potential ordinary shares.

	2019 $'000	2018 $'000
Net profit attributable to ordinary shareholders	692,308	533,911
	Number of shares ('000)	
Weighted average number of ordinary shares in issue (thousands)	231,990	231,744
Effect of dilution:		
Share options	–	–
Weighted average number of ordinary shares adjusted for the effect of dilution	231,990	231,744
	$	$
Basic earnings per ordinary share	2.98	2.30
Diluted earnings per ordinary share	2.98	2.30

41. Dividends

	2019 $'000	2018 $'000
Final dividend for 2018 - 48¢ per share (2017 - 45¢ per share)	111,370	104,352
Interim dividend for 2019 - 24¢ per share (2018 - 23¢ per share)	55,685	53,329
	167,055	157,681

On 5 March 2020, the Board of Directors declared a final dividend of 51 cents per share (2018 - 48 cents), a total dividend to be paid of $118 million (2018: $111 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 2020.

42. Adjustment for non-cash items in operating profit

	2019 $'000	2018 $'000
Share of profit from associated companies (Note 9)	(18,033)	(17,045)
Net fair value gains on financial and other assets	(405,228)	(93,595)
Third party share of net income of mutual funds (Note 24)	21,115	22,115
Net realised gains on financial and other assets	(19,287)	(47,793)
Impairment of financial assets	87,586	1,329
Net loss for the year on post-employment benefits	32,256	39,087
Depreciation and amortisation (Note 37)	98,979	69,752
Loss/(gain) on disposal of property, plant & equipment	5,017	(502)
Change in fair value of other investment properties (Note 7)	(15,392)	(43,720)
Change in fair value adjustment on Pointe Simon (Note 7)	25,328	40,428
Gain on disposal of investment property	(1,310)	–
Foreign exchange (gains)/losses	(4,400)	32,365
	(193,369)	2,421

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43. 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 2019				
Assets measured at fair value:				
Freehold properties	–	–	479,228	479,228
Investment properties	–	–	1,569,380	1,569,380
Investment securities at fair value through profit or loss:				
Equity securities	3,101,056	68,329	189,162	3,358,547
Government securities	745,074	3,591,561	–	4,336,635
Debentures & corporate bonds	167,238	580,022	–	747,260
Deposits (more than 90 days)	–	544,803	–	544,803
Other	4,605	8,052	7,866	20,523
Investment securities at fair value through other comprehensive income:				
Government securities	187,030	1,249,247	92	1,436,369
Debentures & corporate bonds	219,463	1,785,812	–	2,005,275
Deposits (more than 90 days)	137	54,036	–	54,173
	4,424,603	7,881,862	2,245,728	14,552,193
At 31 December 2018				
Assets measured at fair value:				
Freehold properties	–	–	444,584	444,584
Investment properties	–	–	1,480,807	1,480,807
Investment securities at fair value through profit or loss:				
Equity securities	3,276,553	31,616	185,651	3,493,820
Government securities	287,670	3,341,382	–	3,629,052
Debentures & corporate bonds	150,670	636,493	–	787,163
Deposits (more than 90 days)	–	597,509	–	597,509
Other	–	11,278	11,684	22,962
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
	4,100,093	6,942,108	2,122,822	13,165,023

There were no transfers between level 1 and level 2 during the period.

43. 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	Deposits (more than 90 days) $'000	Other $'000	Total $'000
At 31 December 2019								
Balance at beginning of year	444,584	1,480,807	185,651	96	–	–	11,684	2,122,822
Total gains or (losses):								
in profit or loss	(8,195)	2,867	23,614	–	–	–	257	18,543
in other comprehensive income	44,342	–	–	–	–	–	–	44,342
Purchases	5,722	185,213	10,961	–	–	–	–	201,896
Sales	–	(52,909)	(30,492)	–	–	–	–	(83,401)
Other movements	(4,976)	(11,671)	–	–	–	–	(4,044)	(20,691)
Exchange rate adjustment	(2,249)	(34,927)	(572)	(4)	–	–	(31)	(37,783)
Balance at end of year	479,228	1,569,380	189,162	92	–	–	7,866	2,245,728
At 31 December 2018								
Balance at beginning of year	442,140	1,457,602	157,841	12,402	7,975	–	11,592	2,089,552
Total gains or (losses):								
in profit or loss	(8,233)	(651)	(28)	–	–	–	50	(8,862)
in other comprehensive income	(3,057)	–	–	–	–	–	–	(3,057)
Purchases	16,391	56,912	37,397	–	–	–	–	110,700
Sales	(39)	–	(5,355)	–	–	–	–	(5,394)
Other movements	817	(2,814)	(96)	(12,374)	(8,021)	–	–	(22,488)
Transfers out of level 3	–	–	(4,561)	–	–	–	–	(4,561)
Exchange rate adjustment	(3,435)	(30,242)	453	68	46	–	42	(33,068)
Balance at end of year	444,584	1,480,807	185,651	96	–	–	11,684	2,122,822

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43. 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:

	2019 $'000	2018 $'000
Total gains or losses recognised in consolidated statement of income		
Net realised gains on other assets	1,310	–
Net fair value gains/(losses)	25,428	(629)
Operating expenses	(8,195)	(8,233)
	18,543	(8,862)
Total gains or losses recognised in consolidated statement of comprehensive income		
Gains/(losses) on property revaluation	44,342	(3,057)

Total unrealised gains/(losses) for the period included in consolidated statement of income for assets and liabilities held at end of year:

	2019 $'000	2018 $'000
Assets measured at fair value:		
Investment properties	1,557	(651)
Investment securities:		
Equity securities	23,614	(28)
Other	257	50
	25,428	(629)

For properties classified as level 3, an increase/decrease in the discount rates or capitalisation rates, will result in a decrease/increase in the property values. The Group does not regard that any reasonable change in the valuation assumptions of level 3 investment securities 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 2019				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	308,479	5,981,521	7,623	6,297,623
Debentures & corporate bonds	4,490	889,208	96	893,794
Deposits (more than 90 days)	–	1,488,306	5,258	1,493,564
	312,969	8,359,035	12,977	8,684,981
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	2,515,602	–	2,515,602
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

44. Segment information

The segment results for the year ended 31 December 2019 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset management $'000	Other including consolidation adjustments $'000	Total $'000
Year ended 31 December 2019					
Insurance activities					
Insurance premium income	3,743,471	2,507,592	–	–	6,251,063
Insurance premium ceded to reinsurers	(192,420)	(1,624,283)	–	–	(1,816,703)
Commission income	23,986	363,790	–	–	387,776
Net underwriting revenue	3,575,037	1,247,099	–	–	4,822,136
Policy acquisition expenses	(452,970)	(321,679)	–	2,759	(771,890)
Net insurance benefits and claims	(2,661,762)	(429,905)	–	–	(3,091,667)
Underwriting expenses	(3,114,732)	(751,584)	–	2,759	(3,863,557)
Net result from underwriting activities	460,305	495,515	–	2,759	958,579
Investing activities					
Investment income	879,636	58,580	73,455	(42,670)	969,001
Net realised gains/(losses) on other assets	23,274	283	9,973	(12,933)	20,597
Net fair value gains/(losses)	414,654	36,139	(12,166)	(64,450)	374,177
Fee income	14,476	8,075	41,009	(8,452)	55,108
Other income/(loss)	85,368	(564)	4,507	36,788	126,099
Investment contract benefits	(175,136)	–	–	–	(175,136)
Net income/(loss) from investing activities	1,242,272	102,513	116,778	(91,717)	1,369,846
Fee and commission income from brokerage activities	–	119,056	–	(2,004)	117,052
Net income/(loss) from all activities	1,702,577	717,084	116,778	(90,962)	2,445,477
Net impairment gains/(losses) on financial assets	(64,642)	2,833	(123)	(25,654)	(87,586)
Operating expenses	(720,531)	(480,947)	(53,537)	(119,485)	(1,374,500)
Finance charges	(5,607)	(8,525)	(1,473)	(131,100)	(146,705)
Operating profit/(loss)	911,797	230,445	61,645	(367,201)	836,686
Share of after tax profits of associated companies	–	5,347	–	12,686	18,033
Profit/(loss) before taxation	911,797	235,792	61,645	(354,515)	854,719
Taxation	(102,579)	(37,297)	(15,510)	4,380	(151,006)
Profit/(loss) after taxation	809,218	198,495	46,135	(350,135)	703,713
Profit attributable to participating policyholders	(8,753)	–	–	–	(8,753)
Profit/(loss) for the year	800,465	198,495	46,135	(350,135)	694,960
Depreciation and amortisation included in operating expenses	35,561	33,438	1,987	27,993	98,979

Inter-segment revenues are eliminated upon consolidation and reflected in the other including consolidation adjustments column.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

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44. Segment information (continued)

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	Total $'000
Year ended 31 December 2018 – restated					
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	(424,511)	(264,377)	–	3,636	(685,252)
Net insurance benefits and claims	(2,538,011)	(336,548)	–	–	(2,874,559)
Underwriting expenses	(2,962,522)	(600,925)	–	3,636	(3,559,811)
Net result from underwriting activities	443,861	451,428	–	3,636	898,925
Investing activities					
Investment income	830,681	55,758	75,152	(42,450)	919,141
Net realised gains/(losses) on financial assets measured at amortised cost	11,346	3,620	–	–	14,966
Net realised gains/(losses) on other assets	23,369	–	17,845	(8,387)	32,827
Net fair value gains/(losses)	149,080	8,883	(34,234)	(48,957)	74,772
Fee income	17,454	7,954	35,926	(6,686)	54,648
Other income	60,386	2,627	3,484	16,393	82,890
Investment contract benefits	(166,502)	–	–	–	(166,502)
Net income/(loss) from investing activities	925,814	78,842	98,173	(90,087)	1,012,742
Fee and commission income from brokerage activities	–	115,791	–	(1,413)	114,378
Net income/(loss) from all activities	1,369,675	646,061	98,173	(87,864)	2,026,045
Net impairment gains/(losses) on financial assets	2,544	9,928	756	(14,557)	(1,329)
Operating expenses	(599,967)	(450,272)	(53,135)	(98,360)	(1,201,734)
Finance charges	(2,809)	(7,549)	(1,169)	(123,995)	(135,522)
Operating profit/(loss)	769,443	198,168	44,625	(324,776)	687,460
Share of profit after tax of associated companies	–	7,496	–	9,549	17,045
Profit/(loss) before taxation	769,443	205,664	44,625	(315,227)	704,505
Taxation	(119,070)	(41,392)	(13,067)	8,897	(164,632)
Profit/(loss) after taxation	650,373	164,272	31,558	(306,330)	539,873
Profit attributable to participating policyholders	(4,693)	–	–	–	(4,693)
Profit/(loss) for the year	645,680	164,272	31,558	(306,330)	535,180
Depreciation and amortisation included in operating expenses	27,220	26,934	151	15,447	69,752

44. 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	Total $'000
Year ended 31 December 2019					
Assets					
Intangible assets	136,060	166,218	–	273,597	575,875
Investment in associated companies	–	73,100	–	171,147	244,247
Investment securities	18,257,474	1,169,024	165,636	(178,742)	19,413,392
Investment securities of mutual fund unit holders	90,304	–	1,301,346	(95,458)	1,296,192
Loans and receivables	1,211,811	456,602	66,685	89,121	1,824,219
Properties for development and sale	–	–	–	103,246	103,246
Reinsurance assets	39,970	1,244,185	–	–	1,284,155
Deferred acquisition costs	4,777	111,165	–	–	115,942
Cash and cash equivalents of mutual fund unit holders	333,649	16,634	168,963	(352,650)	166,596
Other assets	3,623,585	1,358,694	263,791	(201,847)	5,044,223
Total assets	23,697,630	4,595,622	1,966,421	(191,586)	30,068,087
Liabilities					
Insurance contracts	15,226,580	2,232,271	–	–	17,458,851
Other liabilities	3,885,521	880,883	1,737,175	2,141,437	8,645,016
Total liabilities	19,112,101	3,113,154	1,737,175	2,141,437	26,103,867
Capital expenditure	232,144	90,732	143	98,872	421,891
Year ended 31 December 2018 – restated					
Assets					
Intangible assets	136,957	167,508	–	208,025	512,490
Investment in associated companies	–	73,014	–	159,027	232,041
Investment securities	16,724,438	1,119,076	102,530	(170,550)	17,775,494
Investment securities of mutual fund unit holders	78,741	–	1,139,488	(138,341)	1,079,888
Loans and receivables	1,443,330	501,359	51,100	116,085	2,111,874
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	3,401,786	991,680	212,543	(106,021)	4,499,988
Total assets	22,121,712	4,384,973	1,723,813	(205,772)	28,024,726
Liabilities					
Insurance contracts	14,659,460	2,277,124	–	(7,293)	16,929,291
Other liabilities	3,588,905	788,194	1,520,014	1,777,690	7,674,803
Total liabilities	18,248,365	3,065,318	1,520,014	1,770,397	24,604,094
Capital expenditure	72,205	12,305	462	53,559	138,531

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

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44. Segment information (continued)

Capital expenditure consists of additions of property, plant and equipment, investment properties, intangible assets, investment in associated companies, properties for development and sale and acquisition of subsidiaries and insurance brokerage portfolios.

	Total revenue from external customer		Non current assets	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trinidad and Tobago	2,866,104	2,544,624	1,178,403	1,056,159
Jamaica	1,457,476	1,374,110	906,096	783,070
Barbados	186,937	182,658	52,368	40,353
Dutch Caribbean	1,438,696	1,237,754	366,140	334,911
Latin America	179,421	123,106	–	–
Other Countries	355,536	290,106	826,866	735,344
	6,484,170	5,752,358	3,329,873	2,949,837

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.

45. Contingent liabilities

Legal proceedings

Group companies are defendants and plaintiffs in various legal actions. In the opinion of the Directors, after taking legal advice, the outcome of such actions will not give rise to any material loss.

46. Commitments

Capital commitments

As at the year end, a development contract and agreement have been entered into in respect of a property project. The commitments not recognised in these consolidated financial statements are as follows:

	2019 $'000	2018 $'000
Property development	117,080	27,937

Operating lease commitments – where a Group company is the lessee (2018 disclosure)

	2018 $'000
The aggregate minimum lease payments under operating leases are as follows:	
Not later than one year	39,653
Later than one year and no later than five years	74,812
Over five years	5,459
	119,924

Rental expense under these leases amounted to $39,500,000 for the year ended 31 December 2018.

47. Acquisitions

During 2019, the Group acquired an insurance brokerage company and two insurance brokerage portfolios in order to further expand its brokerage activities. Details of these acquisitions are provided below.

Fidelity Insurance (Cayman) Limited

On 10 October 2019, the Group acquired 67.74% of the issued shares of Fidelity Insurance (Cayman) Limited ('FICL'), an insurance brokerage company incorporated under the laws of Cayman Islands, for cash consideration of USD10,500,000 (TT$70,881,000). The Group's associated company, RoyalStar Holdings Limited, acquired the balance (32.26%) of the issued shares of FICL.

The fair value and gross amount of loans and receivables acquired was $1,089,000. None of the loans and receivables has been impaired and it is expected that the full contractual amounts can be collected.

During 2019, the fair valuation of the identifiable assets and liabilities acquired was completed and are shown in the table below.

47. Acquisitions (continued)

Insurance Brokerage Portfolios

During 2019, the Group acquired two insurance brokerage portfolios in the Netherlands through its subsidiary Thoma Exploitatie B.V. The total consideration payable was $11,887,000. The identifiable assets and liabilities acquired are shown in the table below.

	Recognised amounts of identifiable assets acquired and liabilities assumed		
	FICL $'000	Brokerage portfolios $'000	Total $'000
Net assets acquired:			
Intangible assets - customer-related intangibles	–	4,063	4,063
Loans and receivables	1,089	–	1,089
Cash and cash equivalents	6,222	–	6,222
Deferred tax liability	–	(769)	(769)
Other liabilities	(4,172)	–	(4,172)
Identifiable net assets	3,139	3,294	6,433
Less: non-controlling interest (see note (a) below)	(746)	–	(746)
Net assets acquired	2,393	3,294	5,687
Goodwill	68,488	8,593	77,081
Total consideration	70,881	11,887	82,768
Satisfied by:			
Cash consideration	70,881	11,887	82,768
Cash consideration	70,881	11,887	82,768
Cash and cash equivalent balances acquired (Note 17)	(6,222)	–	(6,222)
Net cash flow on acquisitions	64,659	11,887	76,546
Acquisition related costs recognised as an expense and included in operating expenses	376	188	564

(a) The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interest in FICL, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

48. Related party disclosures

The consolidated financial statements include the financial statements of GHL and its subsidiaries and associated companies listed in the following table.

		Percentage of interest held	
Name	**Country of Incorporation**	**2019**	**2018**
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
Fatum Holding N.V.	Curacao	100.0	100.0
Fatum Accident & Health N.V.	Curacao	100.0	100.0
Fatum General Insurance Aruba N.V.	Aruba	100.0	100.0
Fatum General Insurance N.V.	Curacao	100.0	100.0
Fatum Life Aruba N.V.	Aruba	100.0	100.0
Fatum Life N.V.	Curacao	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 Life (OECS) Limited	Grenada	100.0	100.0

			Proportion of ownership interest & voting power held	
Associated companies	**Principal activity**	**Country of incorporation**	**2019**	**2018**
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

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48. Related party disclosures (continued)

The following transactions were carried out with related parties:

	2019 $'000	2018 $'000
(a) Interest income from:		
- Key associates	14,394	9,891
- Parent company	1,127	1,030
- Other related parties	8,252	8,420
(b) Dividend income from:		
- Parent company	11,745	6,687
- Other related parties	4,044	3,893
(c) Dividend paid to parent company	67,889	47,298
(d) Financial assets of:		
- Key associates	340,933	341,195
- Parent company	717,648	487,008
- Other related parties	380,252	407,968
(e) Key management personnel compensation:		
- Salaries and other short-term employee benefits	111,360	109,915
- Post-employment benefits	23,471	18,413
(f) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	41,284	36,316
Loans advanced during the year	1,120	8,230
Loan repayments received	(4,997)	(3,269)
Interest charged	1,402	1,501
Interest received	(1,402)	(1,501)
Exchange rate adjustments	(6)	7
Balance at end of year	37,401	41,284
Loans to key associates:		
Balance at beginning of year	115,428	126,779
Loan repayments received	(30,315)	(5,334)
Interest charged	1,441	3,474
Interest received	(1,108)	(4,310)
Exchange rate adjustments	(2,031)	(5,181)
Balance at end of year	83,415	115,428
Loans to other related parties:		
Balance at beginning of year	21,369	22,502
Loans advanced during the year	33,753	–
Loan repayments received	(34,836)	(1,193)
Interest charged	1,516	1,623
Interest received	(1,511)	(1,619)
Exchange rate adjustments	–	56
Balance at end of year	20,291	21,369

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2018: 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 and other related parties of the Group are secured and settlement occurs in cash. The details of the loan advanced to CHPS are disclosed in Note 12.

49. 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	
	2019 $'000	2018 $'000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	230,873	250,863
Investments	3,690,002	2,916,483
Interest and other receivables	63,595	89,505
	3,984,470	3,256,851

50. 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:

	2019 $'000	2018 $'000
Statutory deposits/funds	10,774,892	10,091,450

51. Restatements and reclassifications

Consolidated Statement of Financial Position (2018)

	As previously reported $'000	Re-statement (Note 1) $'000	Re-statement (Note 2) $'000	Restated balances $'000
Assets				
Property, plant and equipment	620,384	–	–	620,384
Investment properties	1,477,465	3,342	–	1,480,807
Intangible assets	512,490	–	–	512,490
Investment in associated companies	232,041	–	–	232,041
Investment securities	17,107,289	668,205	–	17,775,494
Investment securities of mutual fund unit holders	1,079,888	–	–	1,079,888
Loans and receivables	2,121,715	10,012	(19,853)	2,111,874
Properties for development and sale	104,115	–	–	104,115
Pension plan assets	67,655	–	–	67,655
Deferred tax asset	61,311	–	–	61,311
Reinsurance assets	1,396,965	–	–	1,396,965
Deferred acquisition costs	98,061	–	–	98,061
Taxation recoverable	129,592	16,078	–	145,670
Cash and cash equivalents	2,084,426	39,735	–	2,124,161
Cash and cash equivalents of mutual fund unit holders	213,810	–	–	213,810
Total assets	27,307,207	737,372	(19,853)	28,024,726
Equity and liabilities				
Share capital	1,992,656	–	–	1,992,656
Reserves	(439,603)	–	–	(439,603)
Retained earnings	1,845,006	–	–	1,845,006
Equity attributable to owners of the company	3,398,059	–	–	3,398,059
Non-controlling interests in subsidiary	22,573	–	–	22,573
Total equity	3,420,632	–	–	3,420,632
Liabilities				
Insurance contracts	16,928,454	837	–	16,929,291
Financial liabilities	2,327,404	–	–	2,327,404
Investment contract liabilities	1,989,373	728,326	–	2,717,699
Third party interests in mutual funds	1,021,592	–	–	1,021,592
Pension plan liabilities	69,994	–	–	69,994
Post-retirement medical benefit obligations	121,245	–	–	121,245
Deferred tax liabilities	314,730	–	–	314,730
Provision for taxation	68,032	–	–	68,032
Other liabilities	1,045,751	8,209	(19,853)	1,034,107
Total liabilities	23,886,575	737,372	(19,853)	24,604,094
Total equity and liabilities	27,307,207	737,372	(19,853)	28,024,726

Consolidated Statement of Financial Position (2017)

	As previously reported $'000	Re-statement (Note 1) $'000	Restated balances $'000
Assets			
Property, plant and equipment	602,744	–	602,744
Investment properties	1,454,364	3,238	1,457,602
Intangible assets	528,985	–	528,985
Investment in associated companies	220,844	–	220,844
Investment securities	16,640,755	561,508	17,202,263
Investment securities of mutual fund unit holders	1,011,404	–	1,011,404
Loans and receivables	2,302,980	13,172	2,316,152
Properties for development and sale	103,475	–	103,475
Pension plan assets	82,957	–	82,957
Deferred tax assets	40,130	–	40,130
Reinsurance assets	2,211,824	–	2,211,824
Deferred acquisition costs	92,615	–	92,615
Taxation recoverable	163,179	15,489	178,668
Cash and cash equivalents	2,059,318	42,241	2,101,559
Cash and cash equivalents of mutual fund unit holders	371,062	–	371,062
Total assets	27,886,636	635,648	28,522,284
Equity and liabilities			
Share capital	1,993,473	–	1,993,473
Reserves	(395,592)	–	(395,592)
Retained earnings	1,701,933	–	1,701,933
Equity attributable to owners of the company	3,299,814	–	3,299,814
Non-controlling interests in subsidiary	23,071	–	23,071
Total equity	3,322,885	–	3,322,885
Liabilities			
Insurance contracts	17,132,813	1,052	17,133,865
Financial liabilities	2,347,739	–	2,347,739
Investment contract liabilities	1,989,472	628,676	2,618,148
Third party interests in mutual funds	1,177,879	–	1,177,879
Pension plan liabilities	130,208	–	130,208
Post-retirement medical benefit obligations	105,804	–	105,804
Deferred tax liabilities	273,352	–	273,352
Provision for taxation	58,026	–	58,026
Other liabilities	1,348,458	5,920	1,354,378
Total liabilities	24,563,751	635,648	25,199,399
Total equity and liabilities	27,886,636	635,648	28,522,284

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

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51. Restatements and reclassifications (continued)

Consolidated Statement of Income (2018)

	As previously reported $'000	Restatement (Note 1) $'000	Restatement (Note 2) $'000	Reclassification (Note 3) $'000	Restated balances $'000
Insurance activities					
Insurance premium income	5,822,692	–	–	–	5,822,692
Insurance premium ceded to reinsurers	(1,669,844)	–	–	–	(1,669,844)
Reinsurance commission income	305,888	–	–	–	305,888
Net underwriting revenue	4,458,736	–	–	–	4,458,736
Policy acquisition expenses	(720,877)	–	35,625	–	(685,252)
Net insurance benefits and claims	(2,874,559)	–	–	–	(2,874,559)
Underwriting expenses	(3,595,436)	–	35,625	–	(3,559,811)
Net result from insurance activities	863,300	–	35,625	–	898,925
Investing activities					
Investment income	903,824	15,317	–	–	919,141
Net realised gains on financial assets measured at amortised cost	14,966	–	–	–	14,966
Net realised gains on other assets	32,487	340	–	–	32,827
Net fair value (losses)/gains	(11,693)	86,465	–	–	74,772
Fee income	54,648	–	–	–	54,648
Other income	50,908	808	–	31,174	82,890
Investment contract benefits	(63,572)	(102,930)	–	–	(166,502)
Net income from investing activities	981,568	–	–	31,174	1,012,742
Fee and commission income from brokerage activities	150,003	–	(35,625)	–	114,378
Net income from all activities	1,994,871	–	–	31,174	2,026,045
Net impairment losses on financial assets	(1,329)	–	–	–	(1,329)
Operating expenses	(1,170,560)	–	–	(31,174)	(1,201,734)
Finance charges	(135,522)	–	–	–	(135,522)
Operating profit	687,460	–	–	–	687,460
Share of after tax profits of associated companies	17,045	–	–	–	17,045
Profit before taxation	704,505	–	–	–	704,505
Taxation	(164,632)	–	–	–	(164,632)
Profit after taxation	539,873	–	–	–	539,873
Profit attributable to participating policyholders	(4,693)	–	–	–	(4,693)
Profit for the year	535,180	–	–	–	535,180
Profit attributable to non-controlling interests	(1,269)	–	–	–	(1,269)
Profit attributable to equity holders of the company	533,911	–	–	–	533,911
Earnings per share					
- Basic	$ 2.30				$ 2.30

51. Restatements and reclassifications (continued)

Consolidated Statement of Cash Flows (2018)

	As previously reported $'000	Restatement (Note 1) $'000	Restatement (Note 2) $'000	Reclassification $'000	Restated balances $'000
Cash flows from operating activities					
Profit before taxation	704,505	–	–	–	704,505
Adjustment for specific items included on the accruals basis:					
- Finance charges	135,522	–	–	–	135,522
- Investment income	(918,327)	(15,317)	–	–	(933,644)
Adjustment for non-cash items	79,204	(76,783)	–	–	2,421
Interest received	808,436	8,924	–	–	817,360
Dividends received	111,032	6,095	–	–	117,127
Operating profit before changes in operating assets/liabilities	920,372	(77,081)	–	–	843,291
Net decrease in insurance liabilities	(446,546)	(215)	–	–	(446,761)
Net decrease in reinsurance assets	814,859	–	–	–	814,859
Net (decrease)/increase in investment contracts	(99)	99,649	–	–	99,550
Purchase of investment securities	(5,470,369)	(111,473)	–	–	(5,581,842)
Proceeds from sale of investment securities	5,200,953	82,919	–	–	5,283,872
Purchase of/additions to investment properties	(56,901)	(11)	–	–	(56,912)
Additions to properties for development and sale	(1,092)	–	–	–	(1,092)
Net (increase)/decrease in loans and receivables	(153,559)	3,139	19,853	–	(130,567)
Net (increase)/decrease in other operating assets/liabilities	(343,009)	2,290	(19,853)	–	(360,572)
Cash provided by/(used in) operating activities	464,609	(783)	–	–	463,826
Interest paid	(150,644)	–	–	–	(150,644)
Net taxation paid	(93,888)	(893)	–	–	(94,781)
Net cash provided by/(used in) operating activities	220,077	(1,676)	–	–	218,401
Cash flows from investing activities					
Purchase of property, plant and equipment	(75,584)	–	–	–	(75,584)
Proceeds on sale of property, plant and equipment	2,320	–	–	–	2,320
Purchase of intangible assets	(4,944)	–	–	–	(4,944)
Net cash used in investing activities	(78,208)	–	–	–	(78,208)
Cash flows from financing activities					
Proceeds from borrowings	225,111	–	–	–	225,111
Repayments of borrowings	(244,390)	–	–	–	(244,390)
Dividends paid to equity holders of the company	(157,681)	–	–	–	(157,681)
Dividends paid to non-controlling interests	(1,298)	–	–	–	(1,298)
Redemptions from mutual funds	(109,181)	–	–	(472,563)	(581,744)
Subscriptions to mutual funds	–	–	–	472,563	472,563
Net cash used in financing activities	(287,439)	–	–	–	(287,439)
Net decrease in cash and cash equivalents	(145,570)	(1,676)	–	–	(147,246)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONT'D*

FOR THE YEAR ENDED 31 DECEMBER 2019 *Expressed in Trinidad and Tobago Dollars*

51. Restatements and reclassifications (continued)

The following errors in the previously issued financial statements for 2018 and 2017, which have had no impact on profit for the year and total equity, were corrected in the current year:

Note 1

In prior years, the Group did not recognise certain segregated funds arising from investment contracts issued by its Jamaican life subsidiary. During 2019, the Group corrected this position by including the assets in their respective asset classes and the liabilities associated with these contracts within investment contract liabilities on the consolidated statement of financial position. The total earnings of the segregated funds, including changes in the market values of the assets which accrue to the policyholders, are now recorded in the consolidated statement of income and an equivalent amount shown as an expense under investment contract benefits.

Note 2

In the prior years, certain intercompany balances and transactions arising from brokerages in the Dutch Caribbean were not eliminated in the consolidated financial statements of the Group. The Group corrected this in the current year and restated the comparative figures accordingly.

The following reclassification was recorded by the Group in order to achieve fairer presentation:

Note 3

Pension expense which was previously included in the other income line of the consolidated statement of income has been reclassified to operating expenses in the current year and the comparatives restated.

SUPPLEMENTAL INFORMATION
FINANCIALS EXPRESSED IN US DOLLARS 31 DECEMBER 2019

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$6.76235 to US$1.00.

Consolidated Statement of Financial Position

	2019 US$'000	2018 US$'000 (Restated)
Assets		
Property, plant and equipment	107,016	91,741
Right-of-use assets	16,776	–
Investment properties	232,076	218,978
Intangible assets	85,159	75,786
Investment in associated companies	36,119	34,314
Investment securities	2,870,806	2,628,597
Investment securities of mutual fund unit holders	191,678	159,691
Loans and receivables	269,761	312,299
Properties for development and sale	15,268	15,396
Pension plan assets	6,067	10,005
Deferred tax assets	9,611	9,067
Reinsurance assets	189,898	206,580
Deferred acquisition costs	17,145	14,501
Taxation recoverable	26,784	21,541
Cash and cash equivalents	347,598	314,116
Cash and cash equivalents of mutual fund unit holders	24,636	31,618
Total assets	4,446,398	4,144,230
Equity and liabilities		
Share capital	293,695	294,669
Reserves	(53,980)	(65,007)
Retained earnings	342,905	272,835
Equity attributable to owners of the company	582,620	502,497
Non-controlling interests in subsidiaries	3,599	3,338
Total equity	586,219	505,835
Liabilities		
Insurance contracts	2,581,773	2,503,463
Financial liabilities	374,282	344,171
Lease liabilities	17,281	–
Investment contract liabilities	412,383	401,887
Third party interests in mutual funds	183,029	151,071
Pension plan liabilities	13,184	10,351
Post-retirement medical benefit obligations	19,905	17,929
Deferred tax liabilities	54,256	46,542
Provision for taxation	7,505	10,060
Other liabilities	196,581	152,921
Total liabilities	3,860,179	3,638,395
Total equity and liabilities	4,446,398	4,144,230

Consolidated Statement of Income

	2019 US$'000	2018 US$'000 (Restated)
Insurance activities		
Insurance premium income	924,392	861,046
Insurance premium ceded to reinsurers	(268,650)	(246,933)
Reinsurance commission income	57,343	45,234
Net underwriting revenue	713,085	659,347
Policy acquisition expenses	(114,145)	(101,333)
Net insurance benefits and claims	(457,188)	(425,083)
Underwriting expenses	(571,333)	(526,416)
Net result from insurance activities	141,752	132,931
Investing activities		
Investment income	143,294	135,920
Net realised gains on financial assets measured at amortised cost	–	2,213
Net realised gains on other assets	3,046	4,854
Net fair value gains	55,332	11,057
Fee income	8,149	8,081
Other income	18,647	12,258
Investment contract benefits	(25,899)	(24,622)
Net income from investing activities	202,569	149,761
Fee and commission income from brokerage activities	17,309	16,914
Net income from all activities	361,630	299,606
Net impairment losses on financial assets	(12,952)	(197)
Operating expenses	(203,258)	(177,710)
Finance charges	(21,694)	(20,041)
Operating profit	123,726	101,658
Share of after tax profits of associated companies	2,667	2,521
Profit before taxation	126,393	104,179
Taxation	(22,330)	(24,345)
Profit after taxation	104,063	79,834
Profit attributable to participating policyholders	(1,294)	(694)
Profit for the year	102,769	79,140
Profit attributable to non-controlling interests	(392)	(188)
Profit attributable to equity holders of the company	102,377	78,952
Earnings per share		
- Basic	$ 0.44	$ 0.34
- Diluted	$ 0.44	$ 0.34

SUPPLEMENTAL INFORMATION
FINANCIALS EXPRESSED IN US DOLLARS 31 DECEMBER 2019

Consolidated Statement of Comprehensive Income

	2019 US$'000	2018 US$'000
Profit for the year	102,769	79,140
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(11,404)	(9,951)
Net fair value gain/(losses) on debt securities at fair value through other comprehensive income	20,425	(8,698)
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income	20	456
Net losses on debt securities at fair value through other comprehensive income reclassified to profit or loss on disposal	(84)	(2,117)
Taxation relating to components of other comprehensive income	(3,379)	150
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	5,578	(20,160)
Items that will not be reclassified subsequently to profit or loss:		
Gains/(losses) on property revaluation	6,557	(452)
Remeasurement of pension plans	(7,400)	6,766
Remeasurement of post-retirement medical benefit obligations	(1,341)	(1,573)
Other reserve movements	(84)	(228)
Taxation relating to components of other comprehensive income	(1,242)	(271)
Net other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(3,510)	4,242
Other comprehensive income/(loss) for the period, net of tax	2,068	(15,918)
Total comprehensive income/(loss) for the period, net of tax	104,837	63,222
Comprehensive income attributable to non-controlling interests	(380)	(206)
Comprehensive income attributable to equity holders of the company	104,457	63,016

Guardian Group

Guardian Holdings Limited