Guardian Group

Guardian Holdings Limited

ANNUAL REPORT 2017

HERITAGE.
STRENGTH.
HARMONY.

Over 170 years in perfect harmony with the Caribbean.

CONTENTS

Guardian Holdings Limited
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BUSINESS SEGMENTS

Life, Health and Pensions
- Guardian Life of the Caribbean Limited (100%)
- Guardian Life Limited (100%)
- Fatum Life Insurance N.V. (100%)
- Fatum Life Aruba N.V. (100%)
- Fatum Health N.V. (100%)

Property & Casualty
- Guardian General Insurance Limited (100%)
- Guardian General Insurance Jamaica Limited (100%)
- Fatum General Insurance N.V. (100%)
- Fatum General Insurance Aruba N.V. (100%)
- Fatum Brokers Holding B.V. (100%)
- Thoma Exploitatie B.V. (100%)
- Guardian Re (S.A.C.) Limited (100%)
- Guardian General (OECS) Limited (59%)
- RoyalStar Holdings Limited (26%)

Asset Management
- Guardian Group Trust Limited (100%)
- Guardian Asset Management and Investment Services Limited (100%)

Strategic Alternative Investments
- RGM Limited (33.33%)
- Laevulose Inc Limited (100%)

CORPORATE INFORMATION

DIRECTORS

Mr. Arthur Lok Jack (Chairman)
Mr. Henry Peter Ganteaume (Deputy Chairman)
Mr. Ravi Tewari (CEO)
Mr. Imtiaz Ahamad
Mr. Dennis Cohen
Mr. Richard Espinet
Mr. David Philip Hamel-Smith
Mr. Patrick Hylton
Mr. Antony Lancaster
Mr. Michael Lee-Chin
Mr. Nicholas Lok Jack
Mr. Maxim Rochester

SECRETARY

Mrs. Fé Lopez-Collymore

REGISTERED OFFICE

1 Guardian Drive
Westmoorings
Trinidad and Tobago

REGISTRAR & TRANSFER OFFICE

Guardian Holdings Limited
1 Guardian Drive
Westmoorings
Trinidad and Tobago

AUDITORS

Ernst & Young
5-7 Sweet Briar Road
St. Clair, Trinidad and Tobago

STANDING COMMITTEES

GHL AUDIT, COMPLIANCE AND RISK COMMITTEE

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

GHL REMUNERATION COMMITTEE

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

GHL CORPORATE GOVERNANCE COMMITTEE

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

CHAIRMAN'S AND CEO'S STATEMENT

Dear Shareholder,

Introduction

The calamitous effects of Hurricanes Irma and Maria caused 2017 to be, by far, the worst year for incurred losses suffered by the Caribbean insurance industry, which exceeded those of Hurricanes Frances, Ivan and Jeanne in 2004. However, after fully providing for and paying our share of these losses, amounting to $99 million, we are pleased to report another solid performance by Guardian Group. Profit attributable to equity shareholders was $407 million, an increase of $11 million or 3% over the 2016 figure of $396 million. Of particular note, Profit from Continuing Operations was $409 million in 2017, an increase of 9% from $375 million in 2016. In 2016 we benefitted by $23 million in profit from Discontinued Operations arising mainly from final adjustments to effect the closure of Lloyds' Syndicates and an associate company in Jamaica. As we no longer report operations that are classified discontinued, all our profit for 2017 emanated from our core businesses.

Progress Across Lines of Business

All lines of business have recorded strong profitability in 2017. We have had growth in new business sales and excellent retention of long-term policies sold in prior years across all territories in our Life, Health and Pensions (LHP) Division. LHP Gross Written Premiums were $3.34 billion in 2017, a decline from $3.46 billion in 2016 . This was entirely the result of a one-off acquisition, during that year, of a significant block of immediate annuities. Excluding this , LHP Gross Written Premiums grew by 11% year over year. The underlying technical performance of the LHP division continues to be healthy with satisfactory claims experience and declining expense ratios. However, Net Income from Insurance Underwriting Activities fell by $171 million mainly as a result of the positive impact in 2016 from non-recurring actuarial adjustments following the adoption of the Caribbean Policy Premium Method of determining policyowners' reserves in our Trinidad LHP operations. There were no similar reserving modifications during 2017.

Net Income from Insurance Activities in our Property & Casualty division declined in 2017 due to the above referenced losses sustained from Hurricanes Irma and Maria which was far greater than the impact of Hurricane Matthew in 2016. However, the underlying fundamentals of this division are strong. Gross Written Premiums of $2.1 billion improved by $115 million (6%) from the prior year of $2.0 billion. Setting aside the effect of the catastrophic hurricanes, combined ratios were healthy and the structure of our reinsurance programme has been validated by our ability to withstand Irma and Maria with sufficient remaining capacity to deal with a further potential catastrophic event. After a decade of soft market conditions across the Caribbean we are seeing signs that premium rates are hardening which creates opportunity for increased profitability from this division.

During the past two years we have taken a number of deliberate decisions with respect to the reallocation of our significant cash reserves to better performing assets. In 2017 we were handsomely rewarded for this strategy with Net Income from Investing Activities, improving $166 million from $1,025 million to $1,191 million. This was driven by net realised and unrealised gains in bonds and equities as well as an improvement in investment income. These were partly offset by a reduction in foreign exchange gains.

Henry Peter Ganteaume
Deputy Chairman

Arthur Lok Jack
Chairman

Ravi Tewari
CEO

Execution of Our Strategy

Despite uncertain social and economic conditions in Trinidad and Tobago and, barring Jamaica, weak economic growth across most of the Caribbean, we continue to see considerable opportunity to enhance both revenue and net profit performance through focusing on our core businesses.

We have a bold vision to create a Caribbean-based insurance group, exhibiting such operational efficiency and offering such customer service that we can compete with any insurer in the world. In early 2017, we commenced implementation of a new strategic plan developed in conjunction with McKinsey and Company to create such an insurance group and to achieve ambitious profit targets. We have made significant progress in this endeavour that has already contributed to our financial performance. Operating expenses, excluding expenses of our brokerage operations, decreased $16 million or 2% from $995 million to $979 million by virtue of actions taken pursuant to our corporate strategy. This reduction is of significance given that during 2017, we were also investing in a number of strategic upgrades to our technology infrastructure. Our strategy has also positively impacted our revenue by focused activities aimed at improving the retention of insurance policies already on our books.

The pace of implementation of strategic initiatives will accelerate in 2018. These initiatives will include upgrading the productivity of our life insurance agents, introducing a revamped approach to general insurance sales, extracting greater value from our inforce block of business and cross business segment data, intensifying operational consolidation across geographies and lines of business and further cost-containment measures.

We will continue the enhancement of our investment portfolios by redeploying cash into assets of longer duration and higher return while protecting our capital base. We are also pursuing a number of initiatives to improve the contribution of our Asset Management division to the overall group results.

Our Impact On Society

We are committed to making a strong social impact upon the territories in which we operate and to be a source of pride to our shareholders. The Group supports a variety of charitable organisations, with a focus on fostering health and wellness and youth development through sport and education. With this philosophy, we are determined to encourage and promote the development of our people and the communities we serve.

Insurance only appears to be an intangible product. It is supremely tangible when a loss-event occurs and our policyholders rely on the prompt disbursement of the proceeds of their policies to pick up their lives and those of their dependents and loved ones. In the aftermath of the devastation caused by Hurricanes Irma and Maria and the numerous resulting human tragedies, we are proud of the speed and efficiency with which we settled claims and the selfless devotion and compassion of our staff to alleviating the plight of the affected people. We have contributed financially and in service to the affected communities and remain committed to the reconstruction of the affected islands.

Outlook and Dividend

While the Trinidad and Tobago economy continues to show weakness, exacerbated by excessive bureaucracy and criminality, we are optimistic that the public and private sectors will work together to make the structural changes necessary to put the economy back on a path of growth. On the other hand, the Jamaican economy has been re-established on a growth trajectory and we look forward to benefitting from this positive development. The economies of the remainder of our markets continue to be challenging but we see signs of improvement. Despite these realities, we are confident that there remains tremendous value to be extracted from our core businesses and that we possess the people, the products and support systems, unified within a clearly articulated Group strategy, to achieve sustained profitability improvements. We therefore look to the future with optimism and indeed, confidence. We have a duty to exercise prudence given the level of cash paid out in claims resulting from Hurricanes Irma and Maria and our capital needs to fund our strategic growth plans. Accordingly, your Board has decided to maintain the final dividend at 45¢, the same level as 2016. When added to the interim dividend of 22¢, the total dividend per share of 67¢ would have increased by 2% from 66¢.

In closing, we would like to thank our shareholders and customers for their loyalty to Guardian Group, as well as our staff for their energy and commitment in pursuing our vision of becoming a world-class insurer. To our the staff who displayed such selfless service and compassion in servicing those affected by the catastrophic wind storms of 2017, we thank you.

Deputy Chairman

Group Chief Executive Officer

Finding Harmony Serving Our Community

corporate social responsibility

A HOLISTIC APPROACH TO FAMILY, FUN & FITNESS

Empowering change through fitness, health and wellness, is core to Guardian Group. With a holistic approach and the need to create a mindset of healthy living, Guardian Group has become a champion in promoting and educating on living active throughout the region.

In Trinidad and Tobago, SHINE 2017 (Securing Hope for those in Need) was held on November 25, 2017 at the Nelson Mandela Park. This 5K and 10K Race attracted over 4,500 runners and walkers who all played an important role in raising TT$369,000.00, with 100% proceeds being donated to several charities throughout Trinidad and Tobago.

In Jamaica, the Guardian Group Foundation once again staged the Keep It Alive 5K Night Runs in both Kingston and Montego Bay on May 27 and June 3, 2017 respectively. A total of J$19.5M was raised, with J$18,350,000 donated to the purchase of equipment for the four beneficiaries: University Hospital of the West Indies, Mandeville, Cornwall and St. Ann's Bay regional hospitals. The remaining J$1,166,000 was donated to Service Clubs and High Schools.

In its 34th year, the My Guardian Group Walk & Run, which is held in the Dutch Caribbean took place during the months of May in Bonaire, June in Aruba and October in St. Maarten and Curaçao with a collective total of 10,000 participants for this signature event.

SHINE 2017 5K & 10K Charity Walk/Run

Keep It Alive 5K Night Run

Participants of the My Guardian Group Walk & Run crossing the Juliana Bridge in Curaçao

ACADEMIC DEVELOPMENT

Since its inception in 2012, the Caribbean Science Foundation has been offering the Student Programme for Innovation in Science and Engineering to Caribbean high-school students who are gifted in Science, Technology, Engineering and Mathematics (STEM). The objective of this programme is to afford candidates the opportunity to study and further explore STEM subjects at the university level as well as to encourage an elite group of students to pursue careers in the field of science and technology. Guardian Group Trinidad was proud to sponsor one candidate to attend this programme in Barbados during the months of July and August, 2017. The candidate benefitted from university level classes which included calculus, physics, biochemistry, computer programming, entrepreneurship, robotics and electronics/ renewable energy. Instructors comprised of university professors and senior management professionals from leading biotechnology and pharmaceutical companies in the region and the diaspora, who brought unique expertise and perspectives to the students.

Mr. Keston Nancoo, Group Vice President, Human Resource Services and Dr. Hon. Cardinal Warde, Prof. of Electrical Engineering, M.I.T., Interim Executive Director of Caribbean Science Foundation.

Guardian Group volunteers working on the enhancement of Mucurapo Boys' Roman Catholic Primary School.

During the month of August, Guardian Life Limited in Jamaica disbursed thirty-one scholarships through the GSAT programme, valued at J$2.47M. Additionally, the Foundation expended some $1.7M to assist other secondary and tertiary students with back-to-school expenses and donated to several improvement projects of educational institutions across the island.

COMMUNITY SERVICE & VOLUNTEERISM

National Day of Caring was celebrated on May 21, 2017 in Trinidad and Tobago. Guardian Group made yet another commitment to participate in what can only be described as one of the most outstanding opportunities to bring and inspire hope to the most vulnerable in our society and to those who are genuinely in need. In 2017, the Group focussed on upgrading and outfitting a Standard 5 classroom at Mucurapo Boys' Roman Catholic Primary School, with an objective to enhance the students' learning environment. The refurbishment included sealing the room for air-condition, painting, the provision of a projector and white board and improving the lighting.

TTOC President, Brian Lewis and TTOC Secretary General, Mrs. Annette Knott was presented with a cheque from Group CEO, Ravi Tewari, to aid #10golds24 Athlete Welfare and Preparation Fund.

Guardian General Jamaica supported the Airy Castle Primary School in St. Thomas, where fire damaged a portion of the building, resulting in the destruction of the school's canteen and kitchen. Guardian General Jamaica reached out to the school by providing much-needed items, including a new industrial stove. Given that some of the students travel for miles from home to school without having a proper breakfast, this contribution enabled the school to provide hot meals for over 200 children.

SPORT & YOUTH DEVELOPMENT

Guardian Group Trinidad once again re-affirmed its long-standing partnership and commitment to the Trinidad and Tobago Olympic Committee's (TTOC) Athlete Welfare and Preparation Fund. This programme offers financial assistance and professional support to Trinidad and Tobago's athletes in their preparation for Olympics as well as for life after sport. Guardian Group has a legacy of support to the TTOC. The Group's ongoing commitment helps Trinidad and Tobago's athletes to not only have success in their respective disciplines but also assists them in preparing for life after their athletic careers.

Over the past two years, Guardian Life of the Caribbean in Barbados, through its corporate partnership with the Barbados Football Association, has continued to support youth development through sport, via its sponsorship of the Guardian Group Youth Football Tournament. This tournament, which has been embraced by the football academies across Barbados as their own "World Cup", has brought together young, talented and aspiring players from the academies who continuously perform at high standards in a friendly and competitive sporting environment.

Football Action by the Under 11 division in the Guardian Group Youth Football Tournament.

In addition, Guardian General Insurance Limited, Barbados, has continued its support to the Herman Griffith Primary Schools' Cricket Competition, which is a much-anticipated fixture on the sporting calendar of Barbados and the nursery for grooming of young talent to reach the regional and international levels of cricket. The competition is geared towards 8 to11-year-old boys and girls. In 2017 the event attracted 50 schools who participated in the 8-week long cricket competition.

Winners of the Herman Griffith 2017 Competition – Bayleys Primary School

CONSOLIDATED FINANCIAL HIGHLIGHTS

Revenue	**2017**	**2016**
Life, Health and Pensions business net written premiums	$3,144 million	$3,290 million
Property and Casualty business net written premiums	$783 million	$721 million
Revenue from insurance operations	$4,192 million	$4,295 million
Revenue from investment activities	$1,259 million	$1,089 million
Revenue from brokerage activities	$138 million	$127 million
Total revenue	$5,589 million	$5,511 million

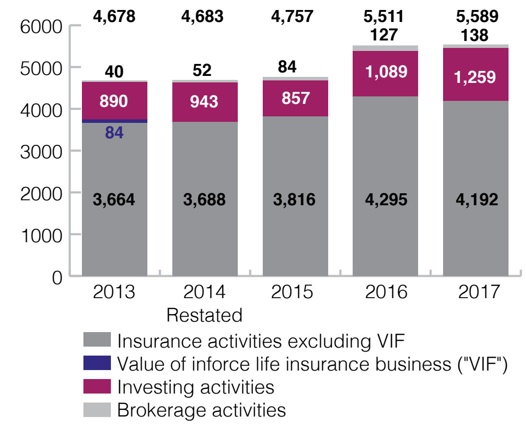
Results		
Profit attributable to equity holders of the parent	$407 million	$396 million
Earnings per ordinary share	$1.75	$1.71
Profit attributable to equity holders of the parent from continuing operations	$407 million	$373 million
Earnings per ordinary share from continuing operations	$1.75	$1.61

Financial position as at December 31		
Total capital & reserves	$3,323 million	$3,064 million
Shareholders' equity	$3,300 million	$3,041 million
Net asset value per share	14.23	13.11

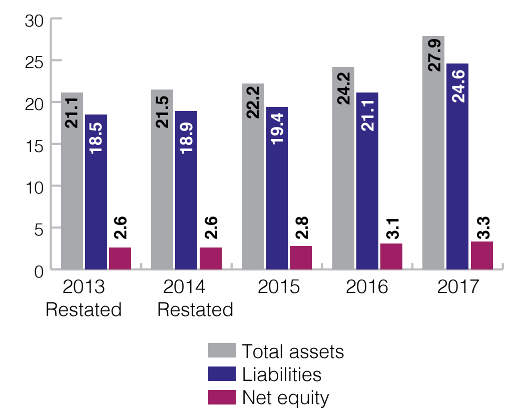
Dividend		
Total dividend for the year per ordinary share	67 cents	66 cents
Dividend cover	2.61	2.44

Conversion Rates	**2017 Average rate**	**2017 Year end rate**
Trinidad & Tobago dollar to one US Dollar	6.7444	6.7628
Trinidad & Tobago dollar to one British Pound	8.9129	9.2197
Trinidad & Tobago dollar to one Euro	7.8259	8.2456
Trinidad & Tobago dollar to one Jamaican Dollar	0.0520	0.0535
Trinidad & Tobago dollar to one Netherlands Antillean Guilder	3.7678	3.7781

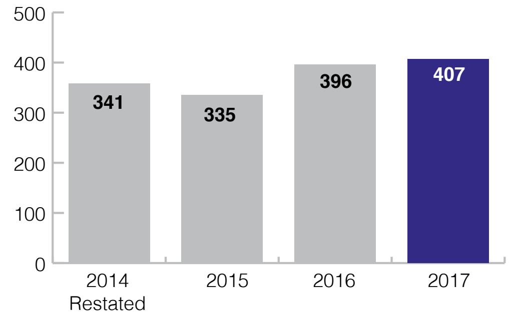
Total Revenue ($ million)



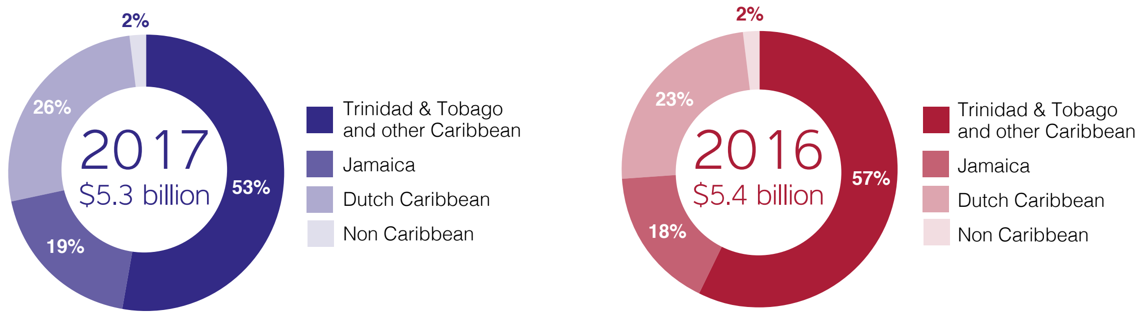
Financial Position ($ billion)



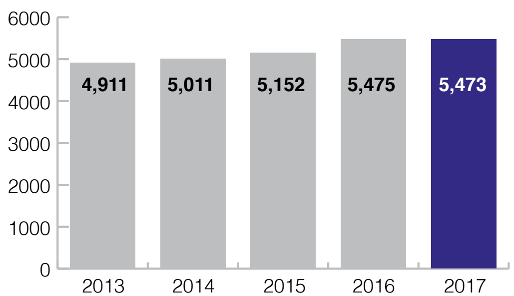
Reported Profit Attributable to Equity Holders of the Parent ($ million)



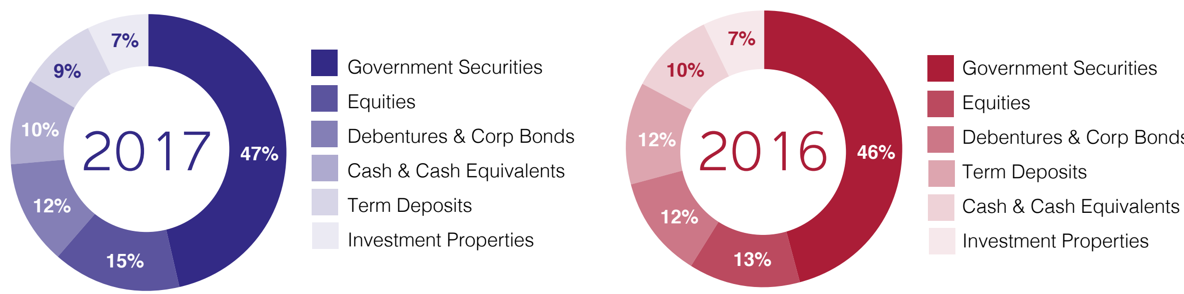
Geographic Distribution of Revenue (excluding realised and unrealised gains/losses) ($ billion)



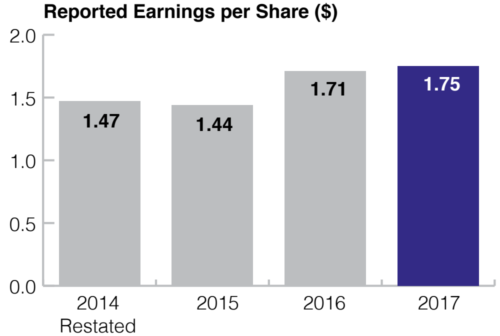
Gross Written Premiums ($ million)



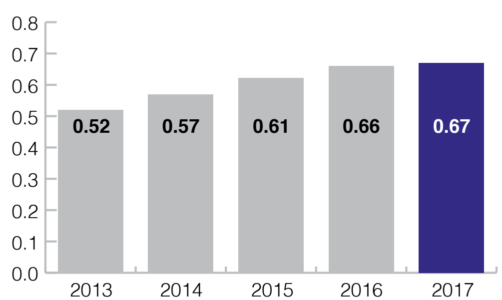
Consolidated Investment Mix



Reported Earnings per Share ($)



Dividends per Share ($)



BOARD OF DIRECTORS

1. Arthur Lok Jack (Chairman)
2. Henry Peter Ganteaume (Deputy Chairman)
3. Ravi Tewari (Group Chief Executive Officer)
4. Fé Lopez-Collymore (Corporate Secretary)
5. Imtiaz Ahamad
6. Dennis Cohen

7. Richard Espinet
8. David Philip Hamel-Smith
9. Patrick Hylton
10. Antony Lancaster
11. Michael Lee-Chin
12. Nicholas Lok Jack
13. Maxim Rochester

GROUP EXECUTIVE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1. Ravi Tewari – Group Chief Executive Officer
2. Kerri Maharaj - Group Chief Financial Officer
3. Richard Espinet – Executive Director/ Group President, Caribbean Property & Casualty
4. Brent Ford – Group Chief Investment Officer/Group President, Asset Management
5. Paul Traboulay – Group Chief Operating Officer
6. Fé Lopez-Collymore – Corporate Secretary
7. Keston Nancoo – Group Vice President, Human Resource Services
8. Prabha Siewrattan – Group Head, Compliance
9. Richard Avey - Group General Counsel
10. Dean Romany - Group Chief Risk Officer
11. Benedict Bito – Head of Internal Audit, Guardian Holdings Limited
12. Anand Pascal – President, Guardian Life of the Caribbean Limited
13. Eric Hosin – President, Guardian Life Limited
14. Karen Bhoorasingh – President, Guardian General Insurance Jamaica Limited
15. Diego Frankel - President Fatum

The Directors have pleasure in submitting their Report for the year ended December 31, 2017.

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	**2017 $'000**	**2016 $'000**
Net income from insurance underwriting activities	403,099	612,654
Net income from investing activities	1,190,957	1,024,898
Net income from brokerage activities	15,733	4,050
Net income from all activities	1,609,789	1,641,602
Operating profit	501,569	517,302
Profit before taxation	520,215	520,587
Taxation	(109,924)	(130,149)
Profit for the year from continuing operations	409,149	374,886
Profit for the year	409,149	397,657
Profit attributable to equity holders of the parent	406,609	395,800
Total assets	27,886,636	24,184,623
Insurance contract liabilities	17,132,813	14,663,168
Equity attributable to owners of the parent	3,299,814	3,041,128

Dividends

An interim dividend of twenty-two (22) cents per share was paid in 2017. At their meeting on March 08, 2018 the Directors declared a Final Dividend of forty-five (45) cents per share which will be paid on April 17, 2018 to shareholders on the Register as at March 21, 2018. The total dividend for 2017 therefore amounts to sixty-seven (67) cents per share.

Directors

Messrs. Arthur Lok Jack, Antony Lancaster and Imtiaz Ahamad having been elected for terms expiring at this Annual Meeting, retire and also offer themselves for re-election.

Directors and Significant Interests

These are shown on pages 20-23 and should be read as part of this report.

Auditors

The Auditors, Ernst & Young, retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 08, 2018

INTERESTS IN SHARES OF THE COMPANY

DIRECTORS' AND SENIOR MANAGERS' INTERESTS

Name	Position	Ordinary Shares as at December 31, 2017	Ordinary Shares as at February 08, 2018
Mr. Arthur Lok Jack (including his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	Chairman	25,401,926	25,401,926
Mr. Henry Peter Ganteaume	Deputy Chairman	645,000	645,000
Mr. Ravi Tewari	Director/Senior Manager (CEO)	240,416	240,416
Mr. Imtiaz Ahamad (including his interest through his holding in Tenetic Limited via Universal Investments Limited)	Director	25,240,609	25,240,609
Mr. Richard Espinet	Director/Senior Manager	211,672	285,307
Mr. David Philip Hamel-Smith	Director	295,124	295,124
Mr. Antony Lancaster	Director	3,517	3,517
Mr. Michael Lee-Chin	Director	69,547,241	69,547,241
Mr. Maxim Rochester	Director	0	0
Mr. Patrick Hylton	Director	0	0
Mr. Dennis Cohen	Director	0	0
Mr. Nicholas Lok Jack	Director	30,957	30,957
Mr. Brent Ford	Senior Manager	323,129	402,811
Mr. Dean Romany	Senior Manager	23,716	23,716
Ms. Fé Lopez-Collymore	Senior Manager	383,553	471,354
Mr. Keston Nancoo	Senior Manager	138,971	219,101
Mr. Kerri Maharaj	Senior Manager	73,034	73,034
Mr. Paul Traboulay	Senior Manager	137,726	156,804
Ms. Prabha Siewrattan	Senior Manager	85,617	112,327
Mr. Richard Avey	Senior Manager	12,495	17,265

TOP TEN SHAREHOLDERS

	Shareholder Name	December 31, 2017 Ordinary Shares	%	February 08, 2018 Ordinary Shares	%
1	NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
2	Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
3	RBC Trust (Trinidad & Tobago) Limited	11,613,229	5.00%	11,613,229	5.00%
4	Republic Bank Limited	8,187,479	3.37%	8,133,294	3.507%
5	Trinidad and Tobago Unit Trust Corporation	7,157,044	3.07%	7,157,044	3.08%
6	First Citizens Trust and Asset Management Ltd	5,179,916	2.23%	5,179,916	2.23%
7	Guardian Holdings ESOP Nominee Limited	5,702,908	2.46%	5,782,790	2.49%
8	Arthur Lok Jack (excluding his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	4,536,769	1.95%	4,536,769	1.95%
9	Universal Investments Limited (excluding interest through Tenetic Limited)	4,351,163	1.87%	4,351,163	1.87%
10	National Insurance Board	2,440,000	1.05%	2,440,000	1.05%

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	December 31, 2017 Ordinary Shares	%	February 08, 2018 Ordinary Shares	%
NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
Arthur Lok Jack (including his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	25,401,926	10.95%	25,401,926	10.95%
Universal Investments Limited (including interest through Tenetic Limited)	25,216,319	10.87%	25,216,319	10.87%

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

	December 31, 2017	February 8, 2018
Ordinary Shares held	5,702,908	5,782,790

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 trustees 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: Through various legal entities, Michael Lee-Chin is the controlling shareholder of NCB Financial Group Limited, which is the holding company for NCB Global Holdings Limited.

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

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

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

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

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

FORWARD LOOKING STATEMENTS – CAUTIONARY LANGUAGE

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

GROUP OVERVIEW

Summary Consolidated Statement of Income – $ million	2017	2016
Gross written premiums	5,473	5,475
Net written premiums	3,927	4,011
Net result from insurance activities	403	613
Net income from investing activities	1,191	1,025
Net income from brokerage activities	16	4
Total net income from all activities	1,610	1,642
Operating expenses	(979)	(995)
Finance charges	(129)	(130)
Taxation and other	(95)	(121)
Profit attributable to equity holders of the parent	407	396

Group profit attributable to equity holders of the parent was $407 million, an increase of $11 million or 3% over $396 million in 2016 despite the cost of net claims of $99 million following the two catastrophic events in 2017, Hurricanes Irma and Maria. The impact of these two events are covered fully in the Property & Casualty (P&C) segment of this review.

Gross and Net written premiums were marginally lower when compared to 2016, principally owing to the acquisition of one significant block of immediate annuities in 2016. Excluding this exceptional transaction, Net written premiums increased organically by $374 million or 10%. The Life, Health and Pensions (LHP) segment grew $312 million or 11%, while the P&C segment grew $62 million or 9%.

Net results from insurance activities declined $210 million from $613 million in 2016 to $403 million in 2017 owing to several factors. In the P&C segment, the impact from catastrophic events was greater in 2017 than 2016. As stated above, 2017's result incorporated the impacts of Hurricanes Irma and Maria, while 2016 included the smaller, but still significant loss of $38 million incurred on Hurricane Matthew. The LHP companies in Trinidad and Tobago and Dutch Caribbean, experienced in 2017 higher-than-trend, policyholders' claims and surrenders, whereas 2016 benefitted from non-recurring favourable actuarial adjustments following the adoption of the Caribbean Policy Premium Method of determining policyowners' reserves as well as the favourable underwriting result from the aforementioned acquisition of the block of annuity business.

The Group's strategic investment decisions and positioning of its portfolio continued to produce excellent results in the year under review. Net income from investing activities was $1,191 million in 2017, an increase of $166 million from $1,025 million in 2016. The improvement was driven by higher net realised and unrealised gains of $148 million from both equities and bonds, increased investment income of $59 million, primarily as a result of the accelerated deployment of investable funds, as well as enhanced property rental income. These improvements were partly offset by a reduction in foreign exchange gains from $56 million in 2016 to a small loss of $3 million in 2017. The foreign exchange gains in 2016 arose principally from the depreciation of the Trinidad and Tobago dollar over the period.

Net income from brokerage activities increased mainly due to the acquisition of two small businesses in the Netherlands that have been successfully merged into our growing network of brokerages operating as Thoma Exploitatie B.V. in that country. The summary table above differs slightly from the audited consolidated financial statements by presenting Management's view of the Group's brokerage operations, on a net basis.

Operating expenses (excluding expenses of our brokerage operations) decreased $16 million or 2% from $995 million to $979 million, primarily because of various cost containment initiatives launched throughout the Group in 2017. The success of these initiatives permitted the Group to incur additional expenses in connection with strategic growth activities without adversely affecting current profitability.

Taxation and other include share of profits of associated companies, amounts attributable to participating policyholders, net gain from discontinued operations, profit attributable to non-controlling interests and taxation. Overall, there were improvements of $26 million, mainly due to higher profitability of our associate companies and a lower effective tax rate for the Group, partly offset by non-repeating income from discontinued operations in 2016.

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. The increase in investable assets from $19.7 billion to $21.6 billion is largely driven by net inflows of premium income from inforce policies and fair value appreciation.

Reinsurance assets increased by $1.4 billion from $0.8 billion to $2.2 billion in 2017, principally because of high levels of claims submitted following Hurricanes Irma and Maria. As part of the Group's risk management strategies, losses above predetermined levels are reinsured externally and the balances recoverable from reinsurers decline as client claims are processed and settled.

Insurance contracts comprise obligations to holders of long-term insurance and short-term non-life insurance policies, which are estimated using prudent actuarial and accounting principles. Insurance contract liabilities that relate principally to the Group's long-term business increased $0.9 billion from $12.9 billion to $13.8 billion owing to an increase in inforce policies and changes to actuarial estimates. Insurance contract liabilities associated with the Group's short-term non-life business increased by $1.5 billion from $1.8 billion to $3.3 billion, owing mainly to catastrophe claims reserves, which are stated gross of reinsurance recoverables, noted in the preceding paragraph.

Summary Consolidated Statement of Financial Position - $ million	2017	2016
Financial assets, investment properties and cash	21,640	19,699
Reinsurance assets	2,212	791
Other assets	4,035	3,695
Total assets	27,887	24,185
Insurance contracts	17,133	14,663
Financial liabilities	2,348	2,171
Investment contract liabilities	1,989	1,812
Reinsurance liabilities	559	202
Other liabilities	2,535	2,273
Equity	3,323	3,064
Total equity and liabilities	27,887	24,185

The Group's capital base consists of shareholders' equity (issued share capital and reserves) and borrowings. Equity and debt as a proportion of total capital were unchanged at 59% and 41% respectively each year. Group equity increased by $259 million from $3,064 million to $3,323 million from retained comprehensive profits less dividends paid for the year. Financial liabilities increased $177 million from $2,171 million to $2,348 million following the Group's refinancing activities during December 2017 when a short-term loan of $400 million was repaid through the proceeds of two new facilities, a $150 million unsecured one-year note and a $450 million five-year secured bond.

Comprehensive income attributable to shareholders includes the reported profit for the year, together with other items of income and expense that are not permitted by accounting standards to form part of profit in the Consolidated Statement of Income.

Shareholder Metrics - $ million	2017	2016	2015
Profit for the year attributable to equity holders of the parent	407	396	335
Comprehensive income attributable to equity holders of the parent	434	471	279
	2017	**2016**	**2015**
Earnings per share	$1.75	$1.71	$1.44
Dividends per share declared	$0.67	$0.66	$0.61
Book value per share	$14.23	$13.11	$11.77
Market value per share (year-end)	$17.03	$12.65	$13.25

Examples of these are property revaluation gains, exchange differences on translating foreign operations and actuarial reserve movements for post-employment benefits. The reduction in comprehensive income was principally due to unfavourable actuarial reserve movements on post-employment benefit plans and lower property revaluation gains, partly offset by higher foreign exchange gains on translating overseas operations.

Earnings per share increased from $1.44 in 2015 to $1.75 in 2017, while dividends per share increased over the same period from $0.61 to $0.67.

Future Accounting Developments

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

IFRS 9 Financial Instruments (IFRS 9)

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement, effective January 1, 2018. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. In September 2016, the IASB issued amendments to IFRS 4, to allow insurance entities whose predominant activities are to issue contracts within the scope of IFRS 4, an optional temporary exemption from applying IFRS 9 until 2021 (the "deferral approach"). The Group and its insurance subsidiaries qualify and after a detailed review, has elected the deferral approach permitted under the amendments. Consequently, the Group will continue to apply IAS 39, the existing financial instrument standard, in its consolidated financial statements until 2021 or earlier.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

IFRS 15, which is effective from January 1, 2018, establishes the principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard provides a single, principles-based five-step model for revenue recognition to be applied to contracts with customers except for revenue arising from items such as financial instruments, insurance contracts and leases. The Group plans to adopt IFRS 15 from January 1, 2018 but does not expect a material impact from implementing the standard.

IFRS 16 Leases (IFRS 16)

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

IFRS 17 Insurance Contracts (IFRS 17)

IFRS 17, which is effective from January 1, 2021, establishes for the first time a comprehensive insurance standard that provides guidance on the recognition, measurement, presentation and disclosure of insurance contracts. The new standard will replace the guidance in IFRS 4, Insurance Contracts and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognised as the service is provided over the coverage period. This is a fundamental new departure in the accounting framework for insurance companies, the implementation of which will require a significant level of investment, both management time and financially, owing to the expected changes to systems and processes. As a Group, we are in the processing of mobilising resources to begin the project.

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

LIFE, HEALTH & PENSIONS

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

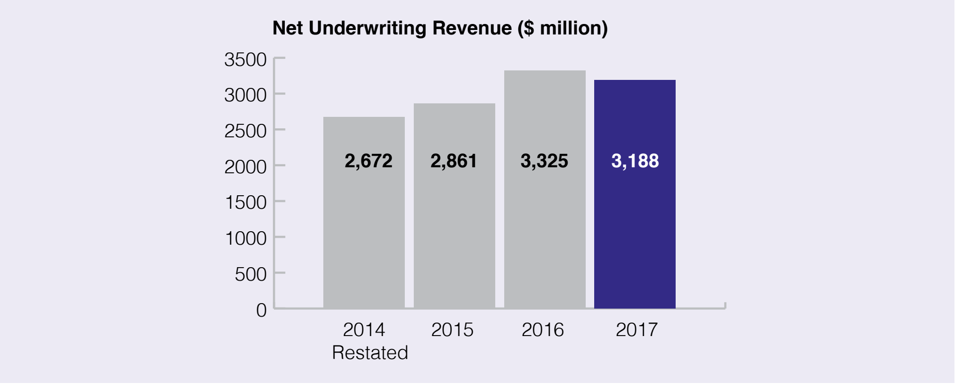
The global economic recovery continued during 2017, with growth expected to increase to 3.6%. Caribbean economies remained weak but show signs of improvement. Regional growth was measured at 0.6% in 2017 compared to -1.0% in 2016. Among the major economies, Jamaica's 1.7% growth is built on the successful implementation of the structural adjustments commenced a few years ago. This was again evidenced by the performance of the Jamaican stock market as it continued its phenomenal run with 49.98% growth in the Jamaica Stock Exchange Main Index for 2017. The Trinidad and Tobago economy, while improved over 2016, remains sluggish with 2017 growth of 1%. There were noted business closures during the year with consequent job losses, however, unemployment remains at a manageable 5%.

There were no material changes in accounting rules or legislation during 2017. However, at time of writing, the new Trinidad and Tobago insurance legislation has been passed through the House of Representatives and will be debated by the Senate during March 2018. We are delighted that the legislation has reached this stage and look forward to it ultimately becoming law. This will bring the Trinidad and Tobago and Jamaican jurisdictions under similar types of regulatory regimes. The major improvements include, inter alia, more robust capital management processes and improved investment administration. This would lead to greater latitude in our investment options, subject to capital requirements. Occurring in tandem, is the review of the fiscal rules governing life insurance companies in Trinidad and Tobago. While we are not yet aware of the direction that tax reform will take, we do not anticipate that it will be materially unfavourable to the Group. We expect that 2018 will be a highly transformative one from a regulatory perspective, but the Group is ready in all material respects for these changes.

Performance Review

The LHP group's net income from insurance activities fell by $171 million or 68%. Most of this variance was attributable to movements in reserves in GLOC. This was due to refinements in actuarial assumptions in 2016 that did not recur in 2017.

Net underwriting revenue declined to $3.2 billion or 4% from 2016. This was mainly caused by the one-off acquisition of a significant block of immediate annuities in 2016 in GLOC. Excluding this transaction, recurring underwriting revenue grew by 11% with all business units contributing to this growth.

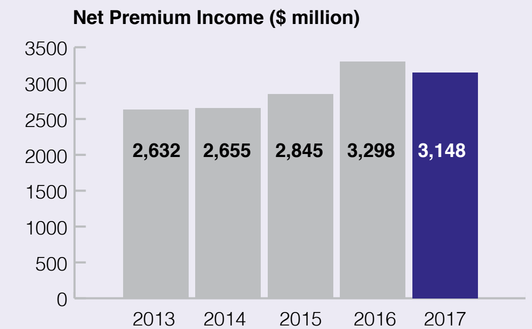


Income from investing activities improved by $127 million or 13.6% to $1.1 billion. This was driven by GLOC and GLL, contributing $66 million and $58 million respectively. Both portfolios benefitted from the increasing interest rate trends noted during 2017 as well as the deployment of short-term assets into longer-term vehicles. In addition, GLL also significantly benefitted from fair value gains of $119 million. Most of this was derived on their local equity portfolio.

Overall, the LHP group achieved net profits after taxes of $484 million, which was 10% lower than 2016.

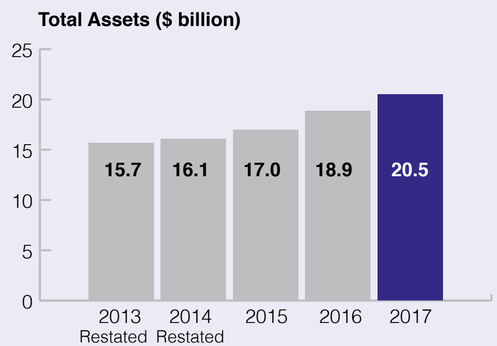
The LHP group continues to invest in activities to ensure that we place ourselves in a position to serve our clients and offer them protection from the risks that they and their families face each day. This has led to growth in new sales of 1.5% over 2016. That relatively slow rate of growth was mainly attributable to a slowdown in the T&T portfolio. Despite that, GLOC has grown its market share and maintained its dominant position in the Trinidad and Tobago life insurance market. GLL experienced a very creditable 17% growth over 2016 and FATUM continues to improve its market position.

Persistency and retention rates are important metrics in life and health operations due to their impact on renewal premium income. We have seen an overall improvement in these metrics over the year and have implemented plans to make further sustained improvements. Overall, net premium income earned was $3.1 billion, 5% lower than 2016. Excluding the one-off pension buy-out in GLOC, net premium income grew by 11%. All lines of business (protection, annuities and health) contributed to this performance. GLOC accounted for 61% or $1.9 billion of net premium income.



The LHP group maintained its focus on operating efficiencies during 2017. The cost to income (excluding one-off income) ratio for the LHP group fell to 18% (2016: 19%). In 2016, we launched a series of initiatives geared toward both revenue growth and operating efficiency. These activities gained further momentum in fiscal 2017. We will leverage these technology and process improvements throughout the operations for further improvements in 2018 and future years.

The asset base of the LHP group at the close of the year grew to $20.5 billion, an 8% increase over 2016. This was mainly driven by the growth in financial assets of $1.5 billion or 10% to stand at $15.5 billion. This strong growth came from new cash flows from the insurance portfolios and fair value gains on our equity portfolios. The LHP group achieved a 13.8% return on average capital employed, down from 17.5% in 2016. Under the proposed legislative regime, the minimum capital for Trinidad and Tobago insurers is 150% of the regulatory capital required. GLOC ended 2017 with a ratio in excess of 200%. In addition, GLOC's A.M. Best Rating of A- Excellent was reaffirmed during the year for the 16th 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 202%, 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

The Group's Property and Casualty business collectively spans twenty-one countries regionally, covering the entire English and Dutch-speaking Caribbean. It includes Guardian General Insurance Jamaica Limited, which operates in Jamaica, Fatum General in the Dutch Caribbean and Guardian General Insurance Limited (GGIL) based in Trinidad and Tobago and operating in the rest of the English-speaking Caribbean. This division also includes Guardian Re (SAC) Limited, a Bermuda-registered Class 3A reinsurer, which conducts primarily captive business together with a small share of treaties from non-Caribbean third-party cedants and run-off liabilities from Zenith Insurance Plc following the Group's decision to exit that business in 2009.

The significant events which impacted our operations in 2017 were the passage of two Category 5 Hurricanes, Irma and Maria, both of which made landfall in the Caribbean in September. It is highly unusual for Category 5 Hurricanes to form in the Atlantic.

The 2017 Atlantic hurricane season was extremely destructive with the highest number of hurricanes since 2005. There were seventeen named storms, with a record ten consecutive hurricanes, six of which developed into major (category 3+) hurricanes. Category 5 Hurricanes Irma and Maria struck the northern islands of Barbuda, the US Virgin Islands, the British Virgin Islands and the Dutch island of St. Maarten with devastating effect in September, causing $99 million in net losses to the Group.

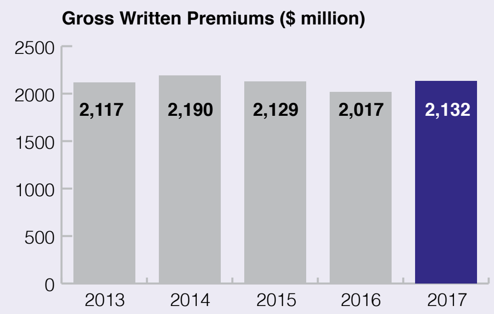
Our reinsurance programme was modelled to accommodate these scenarios and has withstood the test of our worst ever hurricane season. Potential claims have been fully reserved for and will be paid, already over 70% of hurricane losses incurred have been finalised and settled. There were no major losses arising from earthquakes in the region.

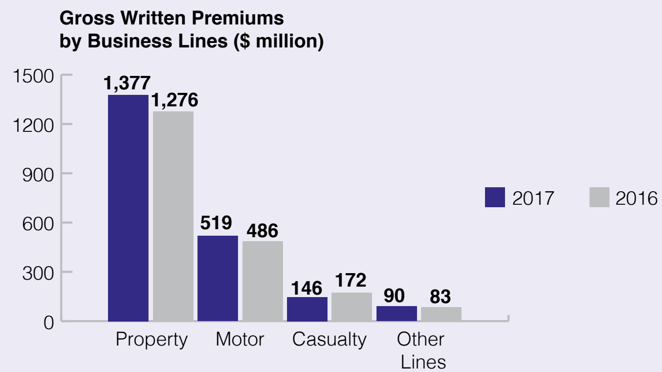
We expect these unusually high hurricane losses to return stability to the market after a prolonged period of declining rates caused by a combination of successive benign Atlantic hurricane seasons and unprecedented levels of capital in the insurance and reinsurance markets.

Performance Review

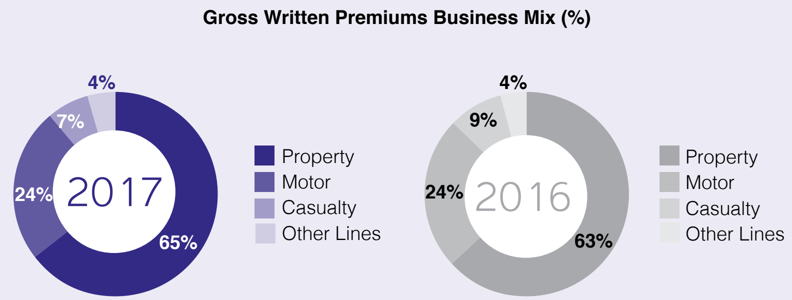
Gross written premiums of $2.1 billion improved by $115 million from a prior year of $2.0 billion even as premium rates continued to decline from the soft market conditions which existed last year and persisted throughout this year. The pre-hurricane soft market conditions were mostly driven by the benign catastrophe losses over the last five years, and the consequential declining reinsurance costs, exacerbated by the high capital investment in the reinsurance market. Gross premiums for the second consecutive year was also affected by the revised insurance programmes of our major clients in the energy industry caused by the low oil prices which persisted throughout 2017.

The growth in gross written premiums of 5.7% was mainly in the Property and Motor lines of business, our leading gross premium income lines.

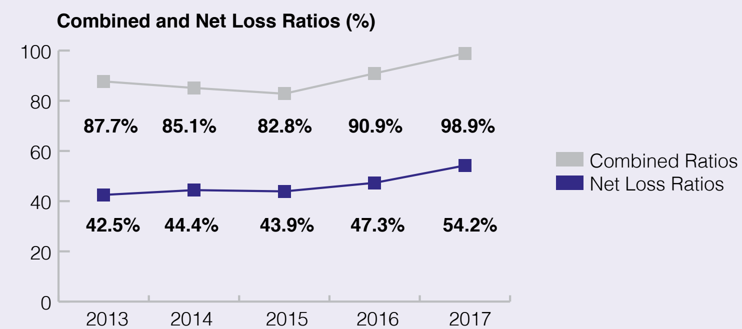




The gross premiums business mix was similar to last year with a slight increase in the Property line and a marginal decline in the Casualty Line. These changes were mainly in GGIL and Fatum.

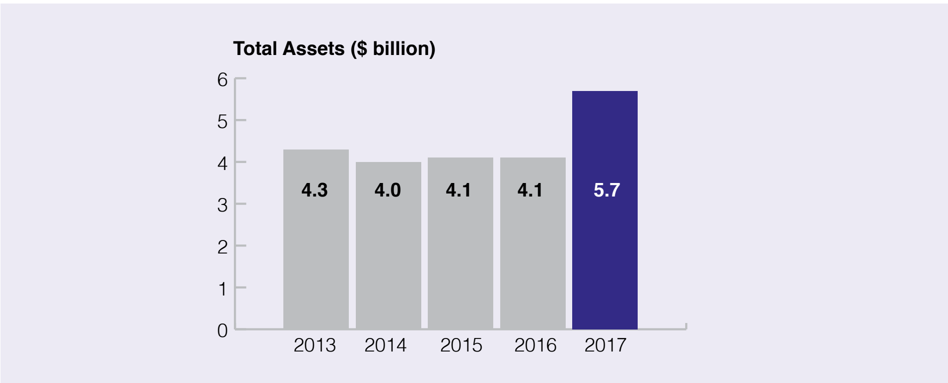


Continuing profit after tax of $99 million declined by 12% from $113 million in 2016, mainly as a result of the losses incurred from Category 5 Hurricanes Irma and Maria. This is also reflected in the higher combined ratio of 98.9% when compared to the 2016 ratio of 90.9%.



In spite of the insurance market challenges, this division continues to produce excellent technical results. The combined ratios have been consistently below 90% over the prior years and only above this year as a result of the losses incurred from the Category 5 Hurricanes Irma and Maria.

Overall total assets increased to $5.7 billion.



Once again, all companies within the division have maintained solvency margins substantially in excess of the minimum regulatory requirements of the various jurisdictions in which they operate, despite the significant hurricane losses, GGIL has maintained its AM Best rating of A-Excellent with a stable outlook in the Financial Size Category VII, the highest size category for any indigenous Caribbean Property and Casualty insurer.

For the regional insurance industry, the outlook for the Atlantic hurricane season is an important forecast. Whilst some forecasters suggest another busy season on the backdrop of a hyperactive 2017 season, a huge amount of uncertainty remains due to prevailing atmospheric conditions and how they will affect the Atlantic in 2018.

Current soft market conditions are expected to stabilise in 2018 with premium rates increasing particularly in the hurricane affected territories.

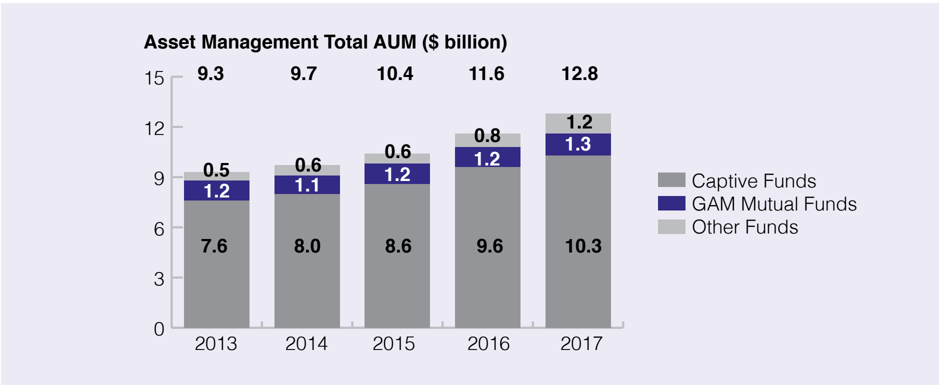
The Group is committed to embracing technology as a means of streamlining our operations and enhancing our customer experience. Our mobile app was launched in Trinidad and Tobago in 2016 and will roll out in selected markets across the region over the coming year. We are also currently working on developing systems to facilitate a better online experience for our clients and intend to provide, among other things, access to online quotes, premium payments, access to policy information and claims status updates.

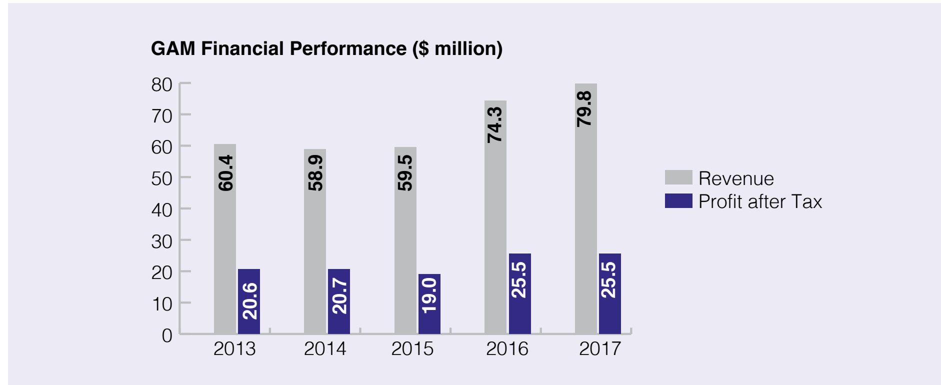
We have partnered with Forensys, a claims management specialist company, to offer on-the-scene assistance to our motor claimants in Trinidad, for the recording and reporting of claims. We expect this service to improve the turnaround time on claims handling and to enhance the overall claims experience for our clients. This service is already being offered in Curaçao and Aruba.

ASSET MANAGEMENT

We are pleased to report that the Asset Management division, which comprises of Guardian Group Trust Limited and Guardian Asset Management & Investment Services Limited—collectively referred to as Guardian Asset Management (GAM)—had another successful year in 2017. Assets Under Management as at the end of 2017 was $12.8 billion, an increase of $11.6 billion in 2016. Profit after tax remained relatively flat at $26 million in 2017.

Total Assets Under Management (AUM) rose by 10% or $1.2 billion in 2017 to $12.8 billion. This was mainly driven by growth in the captive portfolio which added $0.7 billion to AUM, an increase of 7% over 2016. This stemmed mainly from capital appreciation, more active management of operating cash and increased Net premium income. Growth in private wealth and proprietary assets accelerated in 2017, accounting for $0.4 billion of the increase in AUM for the year. Mutual Funds' AUM also increased by $0.1 billion over 2017. Growth across all business lines therefore continues to demonstrate the capability of, and confidence in, GAM's management of client assets.





Total revenue for the Asset Management division rose by 7% to $80 million. This increase was mainly due to improvements in investment income and in structuring and trading gains for the year. Overall, Net profit after tax held flat as the companies successfully solidified gains made last year by substituting foreign exchange revaluation gains with gains from investment, capital market and trading activity. This level of diversification of revenue streams has proven to be key to the company producing favourable results in varying market conditions. Holding profitability steady in the face of higher tax rates attest to the division's sound business acumen.

Over 2017 our TT and US Income funds remained competitive in the income fund segment and delivered favourable returns compared to other locally managed fixed Net Asset Value (NAV) funds. Our equity-based funds also provided positive and attractive returns in 2017 with the best performing funds generating returns between 26%-35%.

International equity markets experienced a positive year in almost all sectors and across all regions. Globally, improving economic data such as accelerating GDP and unemployment numbers drove demand for more risky assets. In addition to this, US tax cuts and greater confidence in policies being implemented helped to stabilise the markets. In several emerging market territories, however, lower inflation levels saw rate cuts by the relevant central banks although through most of the global space the economic environment generally called for tighter monetary policies. In the US market, in particular, equities delivered positive returns in every month of 2017, while unemployment fell to the lowest levels since 2000. The US tax reform also helped to boost expected earnings and share prices.

In the fixed income space, the US Federal Reserve implemented three rate hikes which caused some rate volatility during the course of 2017. Returns for this asset class were however supported by lukewarm inflation data and resulted in rates ending the year at 2.41%, 3 bps lower than the 2016 level of 2.44%. Market optimism fostered by promising economic data, however, continued to drive the outlook for further rate increases in 2018 even with a change in leadership at the US Federal Reserve set to take effect in the new year.

In Trinidad and Tobago, interest rates have generally remained flat with slight improvements seen for shorter tenors. These minimal changes were mainly because of a) weak economic data leading the Central Bank of Trinidad and Tobago to hold the Repo Rate flat throughout the year (the Repo Rate has been held constant since September 2015) and; b) excess liquidity levels for 2017, which fluctuated between TT$1.6 billion and TT$3.6 billion throughout the year. In addition, in April 2017 the country's credit rating was downgraded from A- to BBB+, one year after a similar one notch credit rating downgrade from the rating agency Standard and Poor's (S&P). The downgrade was based on the increased debt burden taken on in the face of falling energy revenues. The rating agency, however, improved the country's outlook to 'stable' as they held the view that the "current economic policies, including deficit reduction and stabilisation of the debt burden, will result in modest economic recovery over the medium-term period 2017 to 2020."

Equity performance on the local equity market was mixed for 2017, with the T&T securities registering negative returns of 5.75% for the year. Cross-listed stocks, however, showed significant positive returns advancing by 38.65% during 2017, driven mainly by good performance in banking sector.

corporate governance

CORPORATE GOVERNANCE REPORT

Guardian Group is the largest financial services institution throughout the English and Dutch Speaking Caribbean. The Group understands and takes very seriously its responsibility to strengthen and build upon the pillars of good corporate governance. The Group constantly reinforces its commitment to maintain a governance framework of the highest standards while nurturing a culture that is compliant, transparent and accountable.

The following sections focus on the key aspects of the Group's Corporate Governance framework and its corporate governance activities for the financial year ended December 31, 2017.

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

BOARD COMPOSITION

The Board of Guardian Holdings Limited (GHL) comprises twelve directors, two of whom are Executives and ten who are Non-Executive. The members of the Board during the reporting period are:

1. Arthur Lok Jack	Chairman Non-Executive
2. Henry Peter Ganteaume	Deputy Chairman Non-Executive
3. Ravi Tewari	Group Chief Executive Officer Executive
4. Imtiaz Ahamad	Non-Executive
5. Dennis Cohen	Non-Executive
6. Richard Espinet	Executive
7. David Philip Hamel-Smith	Non-Executive
8. Patrick Hylton	Non-Executive
9. Antony Lancaster	Non-Executive
10. Michael Lee-Chin	Non-Executive
11. Nicholas Lok Jack	Non-Executive
12. Maxim Rochester	Non-Executive

The Chairman, Mr. Arthur Lok Jack is a Non-Executive Director but, as a significant shareholder, does not meet the independence criteria of the Company's by-laws. Mr. Henry Peter Ganteaume has been identified as the Lead Independent Director in keeping with the recommendations of the Trinidad and Tobago Corporate Governance Code (TTCGC).

INDEPENDENT DIRECTORS

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

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

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

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

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

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

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

vi) Is not, nor has been at any time during the past three years, affiliated with or employed by a present or former auditor of the Company or any 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 test set out in (i) to (vi) (were he a director of the Company)

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

The Board annually considers and evaluates the independence of its directors and can confirm that the following four directors (being 33% of the Board) meet the criteria for independence. They are:

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

MATERIAL CHANGES

On December 8, 2017 NCB Global Holdings Limited (NCBGH) issued an Offer and Take-Over Bid Circular to acquire up to Seventy - Four Million, Two Hundred and Thirty Thousand, Seven Hundred and Fifty (74,230,750) ordinary shares in order to achieve a total shareholding of up to 62% of GHL. NCBGH is a limited liability company incorporated in Trinidad and Tobago and is a wholly-owned direct subsidiary of NCB Financial Group Limited (NCBFG), a publicly traded company incorporated in Jamaica.

The Offer was expected to close on January 12, 2018. However, this Closing Date was extended to February 23, 2018. On this date, NCBGH issued a press release informing the public that the Bid had lapsed and disclosed the decision of the Trinidad and Tobago Securities and Exchange Commission ("TTSEC") to convene a Hearing in respect of the facts and circumstances surrounding NCBGH's equity interest in GHL and the issuance of the Bid. Certain matters raised with the TTSEC by some GHL minority shareholders will also form the subject matter of the Hearing. The TTSEC has since convened a Hearing in which NCBGH and GHL are named as parties, along with entities controlled by the Lok Jack and Ahamad families. At the Hearing convened on the February 26, 2018 directions were given for the parties to file their respective Statements of Case with the TTSEC. At the time of printing this Annual Report, GHL filed its Statement of Case with the TTSEC on March 19, 2018 and awaits the Hearing Date of March 26, 2018. The shareholding of NCBGH in GHL remains at 29.99%.

COMMITTEE REPORTS

REPORT OF THE AUDIT, COMPLIANCE & RISK COMMITTEE

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

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

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

MEETINGS:

The Committee held five meetings in 2017 to discharge its responsibilities. The Group Chief Risk Officer, the Group Head Compliance Officer and representatives of the Group's Internal Audit department attended all meetings of the Committee and provided comprehensive reports on internal audit activities as well as all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group.

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

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

STRUCTURE OF INTERNAL AUDIT:

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

INDEPENDENCE OF INTERNAL AUDIT:

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

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

EXTERNAL AUDIT:

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

The Committee has reviewed and approved the external auditors' approach to and the scope of their examination of the financial statements for the 2017 financial year. The members are satisfied that the external auditors have planned the audit to obtain reasonable assurance that the financial statements are free of material misstatement and present a fair view of the financial position of the Group as at December 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

FINANCIAL STATEMENTS:

During 2017, the interim unaudited financial statements were presented to the Committee at its quarterly meetings for review and recommendation for adoption by the Board. The Committee is also satisfied that the audited financial statements contained in this Annual Report are complete, consistent with information known to its members and in conformity with approved accounting principles that have been consistently applied.

RISK MANAGEMENT:

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

- Maintaining a comprehensive oversight of all financial and non-financial risk that may create an adverse effect on the Group's earnings and shareholder value
- Managing risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off
- Building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk
- Increasing our resistance to financial contagion and resilience to the impact of external events

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

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

CYBER RISK MANAGEMENT:

GHL recognises that the widespread use of technology in society has resulted in increased exposure to cyber threats across all our business segments. Global incidences of cyber-attacks have shown the extent of damage done to the operations and reputation of companies.

Our Risk Management team has responded to this threat by making cybersecurity initiatives a top priority. The team has collaborated with the Group's experienced technology experts; the Chief Information Officer, the Chief Digital Officer and the Security Risk Architect, to implement suitable policies and robust controls to address emerging cyber-attacks.

The Audit, Compliance and Risk Committee provides oversight of the Group's cybersecurity programme and ensures that our capabilities are adequate to meet evolving threats.

FUTURE ACCOUNTING DEVELOPMENTS:

The Committee together with the Finance team actively monitor developments and changes in accounting standards promulgated by the International Accounting Standards Board (IASB). The Committee evaluates the impact of adopting the new standards and also evaluates and make recommendations on elections available during transition. Considerable work has been carried out by the Committee during the year on the following two major standards:

IFRS 9:

IFRS 9 has replaced IAS 39 Financial Instruments with effect from January 1, 2018. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial asset and hedge accounting. In September 2016, the IASB issued amendments to IFRS 4, to allow insurance entities whose predominant activities are to issue contracts within the scope of IFRS 4, an optional temporary exemption from applying IFRS 9 until 2021 (the "deferral approach"). The Group and its insurance subsidiaries qualify and after a detailed review, has elected the deferral approach permitted under the amendments. Consequently, the Group will continue to apply IAS 39, the existing financial instrument standard, in its consolidated financial statements until 2021 or earlier.

IFRS 17:

IFRS 17, which is effective from January 1, 2021, 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 and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognised as the service is provided over the coverage period. Compliance with this standard when it takes effect requires significant work, with plans already being established.

GROUP COMPLIANCE:

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

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

REPORT OF THE REMUNERATION COMMITTEE

COMMITTEE STRUCTURE

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

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

The Board has confirmed to the Committee its satisfaction that, as currently composed, the Committee demonstrates the required level of independent thought in its deliberations.

MEETINGS:

During 2017, the Committee held five meetings at which the Committee conducted its regular business including the review of subsidiary directors' fees, CEO and senior executives' performance and the setting of their respective objectives, as well as consideration of succession plans for senior executive positions within the Group. Following consideration of these matters, recommendations were made by the Committee and approved by the Board to adjust directors' fees of some subsidiaries. The Committee is satisfied that the remuneration of directors and senior management is fair, reasonable and competitive.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

COMMITTEE STRUCTURE

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

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

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

MEETINGS:

The Committee held six meetings during 2017, at which the Committee conducted its regular business including:

- Consideration of nominations for appointment to all boards within the Group
- Reviewing the composition of board and committees of GHL and its subsidiaries
- Reviewing the results of succession planning exercises undertaken during the year
- Receiving a report of a training program to develop internal talent

APPENDIX TO THE CORPORATE GOVERNANCE REPORT

FRAMEWORK FOR EFFECTIVE GOVERNANCE

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

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

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

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

ADOPTION OF TRINIDAD AND TOBAGO CORPORATE GOVERNANCE CODE

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

BOARD INFORMATION AND DECISION MAKING

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

The Board is expected to meet at least quarterly to deal with routine business. Meetings are convened as necessary for special business matters such as strategic planning or major transactions. The Company is committed to managing its lines of business in a socially conscious way, while maintaining ethical corporate governance practices in all territories in which it operates. The Company also takes into account the legitimate interest and expectations of all stakeholders. During 2017, the Board held four regular board meetings and its annual shareholders' meeting.

COMMITMENT OF TIME

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

CONFLICTS OF INTERESTS

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

DIRECTOR TENURE

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

RELATIONSHIPS WITH SHAREHOLDERS

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

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

COMMITTEES

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

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

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

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

AUDIT, COMPLIANCE AND RISK COMMITTEE

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

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

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

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

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for making recommendations pertaining to:

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

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

The Company's remuneration policy is designed to provide competitive remuneration to attract and retain outstanding talent, taking into account market conditions and long-term interest of the Company.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

Non-Executive directors are remunerated by means of a fixed annual retainer, with a separate annual retainer payable for service on standing Committees. Fees for service on ad hoc Committees are established at the time of the formation of such Committees and take into account 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 the office. The Board may also approve supplemental fees, in addition to the annual retainer, for directors who provide additional services on the Company's behalf other than the routine work ordinarily required of a director.

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

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

REMUNERATION OF EXECUTIVES (INCLUDING EXECUTIVE DIRECTORS)

The Group's Executive remuneration systems are designed to attract, retain and motivate exceptional professionals focused on the attainment of the strategic objectives of the Group.

Executive remuneration comprises fixed salaries and benefits, as well as a variable component. The fixed salary considers standards in the market, the desired executive competencies and the needs of the Group from time to time.

Standard benefits include membership of group life and health insurance plans as well as the provision of a motor vehicle. The variable component of the Group's Executive remuneration is designed to reward and recognise excellent performance. It is linked to the achievement of specific, quantifiable, pre-established objectives that are closely aligned with the Group's strategic goals and objectives.

Executives who are directors on the Board of GHL receive the same fees as non-executive directors for such service.

However, executives who serve as directors on Group subsidiary companies receive no fees for such service.

CORPORATE GOVERNANCE COMMITTEE

The objectives of the Corporate Governance Committee are to develop, implement and periodically review guidelines for appropriate corporate governance of the GHL member companies. The Corporate Governance Committee's (CGC) responsibilities 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 process of the Board and its committees and overseeing the annual self-evaluations
- Developing, implementing and regularly reviewing an induction programme for newly appointed directors to group member companies
- Developing, implementing and regularly reviewing an ongoing education programme for directors of group member companies
- Reviewing annually the composition of the Boards of all GHL member companies and their committees and making recommendations to the respective Boards with respect to changes thereof
- Interviewing all candidates for election or appointment as directors and making recommendations thereon to the board of respective Group companies
- Ensuring that the membership of the Board collectively provides appropriate years of experience and diversity of age as well as strong skill sets and ensuring corporate alignment of business initiatives with mission, values and long-term strategic plan

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

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of Shareholders of Guardian Holdings Limited for 2018 will be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings, on April 24, 2018 at 4:30 in the afternoon for the following purposes:

1. To review and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2017 and the Reports of the Directors and Auditors thereon and for such purpose and (if thought fit) to pass the following resolution.

   "BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2017 and Reports of the Directors and the Auditors thereon be received and adopted."

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

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

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

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

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

   "BE IT RESOLVED THAT Ernst & Young be reappointed as auditors of the Company and that the Directors be authorised to fix their remuneration for the ensuing year."

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 08, 2018

1. MEETING REQUIREMENTS

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

Proxies

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

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

Representatives of Corporations

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

Delivery to the Company

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

Proof of Identity

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

Persons Entitled to Notice

In accordance with section 110(2) of the Companies Act Ch. 81:01 the Directors of the Company have fixed March 21, 2018 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. Only shareholders on record at the close of business on March 21, 2018 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

2. DIRECTORS' CONTRACTS

There are no contracts during or at the end of the year ended December 31, 2017 in which a director of the company is or was materially interested and which is or was significant in relation to the company's business.

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

Financial Strength Remains Key to Our Growth

financials

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matters	How our audit addressed the key audit matter
Estimates used in the calculation of Insurance Contracts´ Liability	
The Group has significant insurance liabilities of TT$17.1 billion representing 70% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgment and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short term insurance contracts. Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long term insurance contracts. For short term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience. The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, interest rate, policy maintenance and administrative expenses, inflation, tax and lapse rates. • Recalculation of technical provisions produced by the models on a sample basis. • An assessment of the internal controls regarding the maintenance of the policyholder database. • An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. • We considered whether the Group's disclosures in Notes 2, 4 and 21 of the consolidated financial statements in relation to insurance contract liabilities were compliant with the relevant accounting requirements.

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

Key Audit Matters (continued)	**How our audit addressed the key audit matter (continued)**
Fair value measurement of investments and related disclosures	
The Group invests in various asset classes, of which 35% or TT$9.7 billion is carried at fair value in the statement of financial position. Of these assets, 58% or TT$5.6 billion are related to investments for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets in Note 41 within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. The fair value of these assets cannot be measured reliably and are therefore held at cost, being the fair value of the consideration paid on acquisition. These assets are regularly assessed for impairment. External valuators are involved in the valuation of freehold and leasehold properties and investment properties.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guideline. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. With respect to the valuation of freehold properties and investment properties, our valuation experts considered the objectivity, independence and expertise of the external appraisers. They also assessed the correctness of the property-related data used as input for the valuations, analyzed the valuations and challenged the underlying assumptions. We further evaluated the adequacy of the disclosures on the valuation of freehold properties and investment properties included in notes 2.5, 2.6, 5 and 6 of the consolidated financial statements. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk in notes 3 (c) and 41.

Other information included in the Group's 2017 Annual Report

Other information consists of the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Ernst & Young

Port of Spain,

TRINIDAD:

8 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

Expressed in Trinidad and Tobago Dollars

	Notes	2017 $'000	2016 $'000
Assets			
Property, plant and equipment	5	602,744	593,434
Investment properties	6	1,454,364	1,256,946
Intangible assets	7	528,985	515,163
Investment in associated companies	8	220,844	211,566
Financial assets	9	16,640,755	15,391,785
Financial assets of mutual fund unit holders	9	1,011,404	976,307
Loans and receivables	10	2,302,980	1,978,073
Properties for development and sale	11	103,475	168,972
Pension plan assets	12	82,957	106,140
Deferred tax assets	13	40,130	24,346
Reinsurance assets	14	2,211,824	790,796
Deferred acquisition costs	15	92,615	88,498
Taxation recoverable		163,179	177,151
Cash and cash equivalents	16	2,059,318	1,744,053
Cash and cash equivalents of mutual fund unit holders	16	371,062	161,142
Assets held for sale	17	–	251
Total assets		27,886,636	24,184,623
Equity and liabilities			
Share capital	18	1,993,473	2,032,282
Reserves	19	(395,592)	(547,186)
Retained earnings		1,701,933	1,556,032
Equity attributable to owners of the parent		3,299,814	3,041,128
Non-controlling interests in subsidiary	20	23,071	22,467
Total equity		3,322,885	3,063,595

	Notes	2017 $'000	2016 $'000
Liabilities			
Insurance contracts	21	17,132,813	14,663,168
Financial liabilities	22	2,347,739	2,170,647
Investment contract liabilities	23	1,989,472	1,811,761
Third party interests in mutual funds	24	1,177,879	1,082,711
Pension plan liabilities	12	130,208	68,253
Post-retirement medical benefit obligations	25	105,804	89,646
Deferred tax liabilities	13	273,352	246,783
Provision for taxation		58,026	76,841
Other liabilities	26	1,348,458	910,967
Liabilities related to assets held for sale	17	–	251
Total liabilities		24,563,751	21,121,028
Total equity and liabilities		27,886,636	24,184,623

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

On 8 March 2018, 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 2017
Expressed in Trinidad and Tobago Dollars

	Notes	2017 $'000	2016 $'000
Insurance activities			
Insurance premium income	27 (a)	5,447,404	5,499,429
Insurance premium ceded to reinsurers	27 (b)	(1,528,838)	(1,456,934)
Reinsurance commission income		273,790	252,303
Net underwriting revenue		4,192,356	4,294,798
Policy acquisition expenses	28	(683,427)	(643,139)
Net insurance benefits and claims	29	(3,105,830)	(3,039,005)
Underwriting expenses		(3,789,257)	(3,682,144)
Net result from insurance activities		403,099	612,654
Investing activities			
Investment income	30	876,092	817,485
Net realised gains	31	14,899	55,734
Net fair value gains	32	245,573	56,951
Fee income	33	53,355	53,723
Other income	34	68,418	105,412
Investment contract benefits		(67,380)	(64,407)
Net income from investing activities		1,190,957	1,024,898
Fee and commission income from brokerage activities		138,311	127,002
Net income from all activities		1,732,367	1,764,554
Operating expenses	35	(1,101,905)	(1,117,647)
Finance charges	36	(128,893)	(129,605)
Operating profit		501,569	517,302
Share of profit after tax of associated companies	8	18,646	3,285
Profit before taxation		520,215	520,587
Taxation	37	(109,924)	(130,149)
Profit after taxation		410,291	390,438
Amount attributable to participating policyholders	21.1(d)	(1,142)	(15,552)
Profit from continuing operations		409,149	374,886
Net gain on discontinued operations	17	–	22,771
Profit for the year		409,149	397,657
Profit attributable to non-controlling interests		(2,540)	(1,857)
Profit attributable to equity holders of the parent		406,609	395,800
Earnings per share			
- Basic	38	$ 1.75	$ 1.71
- Basic - for continuing operations	38	$ 1.75	$ 1.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017
Expressed in Trinidad and Tobago Dollars

	Notes	2017 $'000	2016 $'000
Profit for the year		409,149	397,657
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		153,041	41,093
Net other comprehensive income that may be reclassified subsequently to profit or loss		153,041	41,093
Items that will not be reclassified subsequently to profit or loss:			
(Losses)/gains on property revaluation		(3,073)	30,657
Remeasurement of pension plans	12	(81,742)	13,963
Remeasurement of post-retirement medical benefit obligations	25	(12,025)	(5,354)
Other reserve movements		(29,916)	(352)
Taxation		913	(3,948)
Net other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss		(125,843)	34,966
Other comprehensive income for the period, net of tax		27,198	76,059
Total comprehensive income for the period, net of tax		436,347	473,716
Comprehensive income attributable to non-controlling interests		(2,224)	(3,143)
Comprehensive income attributable to equity holders of the parent		434,123	470,573

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Trinidad and Tobago Dollars

	Attributable to equity holders of the parent					
	Share capital $'000	Reserves (Note 19) $'000	Retained earnings $'000	Total Ordinary Shareholders' equity $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017	2,032,282	(547,186)	1,556,032	3,041,128	22,467	3,063,595
Unallocated shares movement	(11,145)	–	–	(11,145)	–	(11,145)
Total comprehensive income	–	149,837	284,286	434,123	2,224	436,347
Transfer to/from retained earnings	–	1,757	(1,757)	–	–	–
Share option scheme:						
- value of lapsed options (Note 18)	(6,127)	–	6,127	–	–	–
- repurchased vested options (Note 18)	(21,537)	–	12,618	(8,919)	–	(8,919)
Dividends (Note 39)	–	–	(155,373)	(155,373)	(1,620)	(156,993)
Balance at 31 December 2017	1,993,473	(395,592)	1,701,933	3,299,814	23,071	3,322,885
Balance at 1 January 2016	2,038,280	(597,775)	1,289,905	2,730,410	23,599	2,754,009
Unallocated shares movement	(4)	–	–	(4)	–	(4)
Total comprehensive income	–	64,782	405,791	470,573	3,143	473,716
Acquisition of non-controlling interest	–	–	(56)	(56)	(2,818)	(2,874)
Transfer to/from retained earnings	–	(495)	495	–	–	–
Disposal of asset held for sale (Note 17)	–	(13,698)	–	(13,698)	–	(13,698)
Share option scheme:						
- value of lapsed options (Note 18)	(5,994)	–	5,994	–	–	–
Dividends (Note 39)	–	–	(146,097)	(146,097)	(1,457)	(147,554)
Balance at 31 December 2016	2,032,282	(547,186)	1,556,032	3,041,128	22,467	3,063,595

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

Expressed in Trinidad and Tobago Dollars

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before taxation from continuing operations		520,215	520,587
Profit before taxation from discontinued operations	17	–	22,771
Adjustment for specific items included on the accruals basis:			
- Finance charges		128,893	129,605
- Investment income		(890,823)	(829,081)
Adjustment for non-cash items	40	(259,320)	(242,209)
Interest received		831,049	756,131
Dividends received		90,285	73,630
Operating profit before changes in operating assets/liabilities		420,299	431,434
Net increase in insurance liabilities		2,475,337	1,419,659
Net increase in reinsurance assets		(1,421,027)	(88,249)
Net increase in investment contracts		177,711	114,167
Purchase of financial assets		(5,226,716)	(6,359,407)
Proceeds from sale of financial assets		4,328,699	5,124,000
Purchase of/additions to investment properties		(64,386)	(234,734)
Proceeds from sale of investment properties		14,500	10,475
Additions to properties for development and sale		(2,978)	(18,143)
Proceeds from sale of properties for development and sale		7,144	5,594
Net increase in loans and receivables		(321,033)	(236,452)
Net decrease in other operating assets/liabilities		374,127	67,775
Cash provided by operating activities		761,677	236,119
Interest paid		(138,757)	(141,009)
Net taxation paid		(108,775)	(119,164)
Net cash provided by/(used in) operating activities		514,145	(24,054)

	Notes	2017 $'000	2016 $'000
Cash flows from investing activities			
Acquisition of subsidiaries		(13,498)	(9,094)
Acquisition of non-controlling interest in subsidiary		–	(2,874)
Investment in associated company		–	(172)
Purchase of property, plant and equipment	5	(61,194)	(52,452)
Proceeds on sale of property, plant and equipment		1,169	876
Purchase of intangible assets	7	(3,782)	(2,504)
Net cash used in investing activities		(77,305)	(66,220)
Cash flows from financing activities			
Repurchase of vested options		(8,919)	–
Proceeds from borrowings		250,290	98,460
Repayments of borrowings	22	(78,810)	(100,254)
Dividends paid to equity holders of the parent	39	(155,373)	(146,097)
Dividends paid to non-controlling interests		(1,620)	(1,457)
Net subscriptions to mutual funds		69,753	29,619
Net cash provided by/(used in) financing activities		75,321	(119,729)
Net increase/(decrease) in cash and cash equivalents	16	512,161	(210,003)

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

1. INCORPORATION AND PRINCIPAL ACTIVITIES OF THE GROUP

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value.

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 2017

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments to IAS 7 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has provided the information for both the current and comparative period in Note 22.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Asset for Unrealised Losses

The amendments to IAS 12 clarify the following:

- Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value, for which the tax base remains at cost, give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;
- An entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses.

Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments have no impact on the Group's financial position or performance.

Annual Improvements to IFRSs 2014 - 2016 Cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of the disclosure requirements in IFRS 12

The amendments clarify the scope of IFRS 12 by specifying that its disclosure requirements, except for those in paragraphs B10-B16 (summarised financial information for subsidiaries, joint ventures and associates), apply to an entity's interests irrespective of whether they are classified (or included in a disposal group that is classified) as held for sale or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

As at 31 December 2017, the Group did not have any subsidiaries or associates classified as held for sale; therefore, the amendments have no impact on the Group's consolidated financial statements.

(b) 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 2017 and have not been early adopted by the Group. For all standards, interpretations and amendments effective 1 January 2018, except for IFRS 9 Financial Instruments, the Group is currently evaluating the impact of adoption, but does not anticipate they would have a material impact on its consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

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

Effective 1 January 2018:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Amendments to IFRS 2 Share-based Payments: Classification and Measurement of Share-based Payment Transaction
- Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 9 Financial Instruments (see note (c) below)
- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.
- IFRS 15 Revenue from Contracts with Customers
- Annual Improvements to IFRSs 2014 - 2016 Cycle:
  - IAS 28 Investment in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
  - IFRS 1 First-time Adoption of International Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

Effective 1 January 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments

Effective 1 January 2021:

- IFRS 17 Insurance Contracts

(c) IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments, which replaces IAS 39 Financial Instruments: Recognition and Measurement, with an effective date of 1 January 2018. IFRS 9 includes guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

Financial assets classification is based on the cash flow characteristics and the business model in which an asset is held. The classification determines how a financial instrument is accounted for and measured. IFRS 9 also introduces an impairment model for financial instruments not measured at fair value through profit or loss that requires recognition of expected losses at initial recognition of a financial instrument and the recognition of full lifetime expected losses if certain criteria are met. In addition, a new model for hedge accounting was introduced to achieve better alignment with risk management activities.

In September 2016, the IASB issued amendments to IFRS 4, to allow insurance entities whose predominant activities are to issue contracts within the scope of IFRS 4, an optional temporary exemption from applying IFRS 9 until 2021 (the "deferral approach"). The Group and its insurance subsidiaries qualify, and has elected the deferral approach permitted under the amendments. Consequently, the Group will continue to apply IAS 39, the existing financial instrument standard, in its consolidated financial statements until 2021 or earlier.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of income and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

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

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

A listing of the Group's principal subsidiaries is set out in Note 45.

(b) Associated companies

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

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

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

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

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

A listing of the Group's associates is set out in Note 45.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(c) Mutual funds

The Group manages and controls certain mutual funds through its trust and asset management subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited. By virtue of its beneficial ownership interest in the said funds, they have been consolidated in these financial statements in accordance with IFRS 10. Refer to note 2.2 (a) where control has been defined and when consolidation begins and ceases.

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 main segments above are aggregated and reported under 'Other including consolidation adjustments' segment. These activities mainly include the following: the Group's property development in Martinique, the Group's investment in RGM Limited, the Group's shared services subsidiary and the activities of the Parent.

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Trinidad and Tobago dollars, which is also the Parent's functional currency.

(b) Transactions and balances in the consolidated financial statements

Foreign currency transactions 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.

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

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 against fair value reserves directly in the consolidated statement of comprehensive income; all other decreases are charged to the consolidated statement of income.

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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.

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 accredited external valuators. 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 equity as a revaluation of property. 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 acquired in a business combination. They are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, customer-related intangibles are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the intangibles over their useful lives, which range between 7 and 15 years.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Intangible assets (continued)

(c) Brands

Brands acquired through direct purchase or through a business combination are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of brands over their estimated useful lives, which range between 3 and 10 years.

(d) Computer software and website development costs

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

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

2.8 Properties for development and sale

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

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 spaces, 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 condominiums, data from binding sales transactions are used to assess the net realisable value.

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

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

2.9 Financial assets

(a) Initial recognition and measurement

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

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

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

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

(b) Financial assets at fair value through profit or loss

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Financial assets (continued)

(c) Held-to-maturity financial assets

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

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are included in the cost of the investment. After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method. Gains and losses are recognised in the consolidated statement of income when the investments are derecognised or impaired, as well as through the amortisation process.

(e) Fair value of financial assets

The fair value of quoted investments (primarily equity securities) is based on current bid prices at the consolidated statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), 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.

If the fair value of unquoted equities cannot be measured reliably, these financial assets are measured at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

(f) 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.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.10 Impairment of assets

(a) Financial assets carried at amortised cost

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of assets (continued)

(a) Financial assets carried at amortised cost (continued)

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

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

(b) Impairment of non-financial assets

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

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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Fair value measurement (continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

2.12 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Insurance and investment contracts (continued)

(b) Recognition and measurement

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

(i) Short-term insurance contracts

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

Property insurance contracts indemnify the Group's customers in the event of a loss from a specified insured peril such as fire, windstorm or earthquake (not limited to these perils) up to the insured amount and within the terms of the policy conditions. These contracts are issued for both private and commercial risks. Customers who undertake commercial activities on their premises could also receive compensation for consequential loss/business interruption caused by the insured perils.

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. Unearned premiums relating to group life are calculated based on 25% of net premiums written.

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

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

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

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

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

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)

For the Jamaican life insurance subsidiary, actuarial liabilities are calculated using the Policyholder Premium Method as required under the Insurance Act 2001 of Jamaica. The Trinidad and Tobago life insurance subsidiary uses the very similar Caribbean Policyholder Premium Method (CPPM) outlined in draft regulations issued by the Central Bank of Trinidad and Tobago. 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 Banks of the Netherlands Antilles and of Aruba.

Unit-linked and interest-sensitive insurance contracts

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

Unit-linked insurance contracts

For the Jamaican life insurance subsidiary, the portion of the premium covering the insured risk is recorded as premium income. The portion of the premium that accumulates a cash value for the policyholder is recorded as a liability and is credited to the account of the policyholder in the respective segregated fund to which the contract is linked.

The liabilities arising from the unit-linked contracts comprise the liability for the insured risk and the accumulated cash value. The liability for the insured risk is determined in a manner identical to the liability for contracts with fixed and guaranteed terms and is included in the policyholders' liability balance, while the liability for the accumulated cash value is carried at fair value of the assets which fund the liabilities. The liabilities for the accumulated cash values are included in the segregated funds' liability balance. The Group bears no risk in relation to segregated funds' liability. With the adoption of IFRS 10, the Group no longer recognises the segregated funds' assets and liabilities in these unit-linked contracts.

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

Interest-sensitive insurance contracts

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

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

(iii) Long-term insurance contracts without fixed terms

Unit-linked insurance contracts

For the Trinidad and Tobago life insurance subsidiary, 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Taxation

Tax on the profit or loss for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment of tax payable for previous years.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit. Deferred tax assets are taxes recoverable in future periods in respect of deductible temporary differences and tax losses carried forward. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax on the profit is charged at varying rates depending on the type of business that the individual entities are engaged in and the country in which they reside.

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

Effective 1 January 2017 the Group replaced its equity-settled share-based compensation plan with a cash-based long-term performance incentive plan. Accruals are made annually based on the ultimate expected and approved payments to eligible executives. The prior year expense was derived from the then-operated share based compensation plan.

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

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

(e) Bonus plans

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Rental income is recognised in the consolidated statement of income on the accrual basis. Dividend income is recognised when the right to receive payment is established. Realised and unrealised investment gains and losses are recognised in the consolidated statement of income in the period in which they arise.

(c) Commission income

Commissions are recognised on the accrual basis when the services have been provided.

(d) 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 company 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

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.

2.22 Dividend distributions

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

2.23 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 parent entity by the weighted average number of ordinary shares outstanding during the period.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares, such as convertible debt and share options granted to employees. Potential or contingent share issuances are treated as dilutive when their conversion to shares would decrease net earnings per share.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims, in particular, for claims arising from motor, casualty and health insurance contracts. At 31 December 2017, the carrying amount of short-term insurance contracts (claims) was $2.5 billion (2016: $1 billion).

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

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

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

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

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)

The carrying amount of long-term insurance contracts (claims) as at 31 December 2017 was $13.8 billion (2016: $12.9 billion).

(c) 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 2017, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $3.5 billion (2016: $3.3 billion).The following shows the effect on the profit or loss to changes in the market yields.

	Effect on consolidated income			
	2017		2016	
	$'000	$'000	$'000	$'000
For the Trinidadian subsidiaries:				
Decrease/(increase) in market yields (+ / - 1%)	(43,197)	43,856	(51,720)	52,122
For the Jamaican subsidiaries:				
Decrease/(increase) in market yields (+ / - 2%)	(67,226)	67,226	(45,949)	45,949
For the Dutch Caribbean subsidiaries:				
Decrease/(increase) in market yields (+ / - 1%)	(67,953)	67,953	(60,724)	60,724

(d) Impairment losses on loans and receivables

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

The carrying amount of impairment provisions on loans and receivables as at 31 December 2017 was $68 million (2016: $69 million).

(e) Income taxes

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.

(f) Held-to-maturity investments

The Group follows the IAS 39 guideline on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire category. The investments would therefore be measured at fair value, not at amortised cost. The carrying amount of held-to-maturity investments as at 31 December 2017 was $9.2 billion (2016: $8.8 billion). If the entire class of held to maturity investments is tainted, the carrying value would increase by $619 million as at 31 December 2017 (as at 31 December 2016: increase of $488 million) with a corresponding entry in consolidated statement of income.

(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 most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of impairment provisions on non-financial assets as at 31 December 2017 was $97 million (2016: $229 million).

(h) Post-employment benefits

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

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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.1 Casualty insurance risks (continued)

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

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 notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

4.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

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

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

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

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

(c) Changes in assumptions

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

4.1.3 Property insurance contracts

(a) Frequency and severity of claims

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

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

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

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

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

4.1.4 Long-term insurance contracts

(a) Frequency and severity of claims

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

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)

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 insurance contracts without fixed terms. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk.

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

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

For the Jamaican life insurance subsidiary: **2017 - Total benefits insured**

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

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

For the Jamaican life insurance subsidiary: **2016 - 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)	11,213,538	85.8%	11,161,410	90.4%
J$5,001 - 10,000 (TT$350 - TT$699)	1,140,539	8.7%	942,172	7.6%
J$10,001 - 15,000 (TT$699 - TT$1,049)	241,558	1.8%	123,515	1.0%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	183,605	1.4%	66,059	0.5%
J$20,001 and over (TT$1,398 and over)	289,379	2.3%	55,677	0.5%
Total	13,068,619	100.0%	12,348,833	100.0%

For the Trinidadian life insurance subsidiaries: **2017 - Total benefits insured**

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

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

2016 - Total benefits insured

	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	21,054,624	31.1%	20,307,084	44.4%
251 - 500 (TT$)	20,636,821	30.5%	15,613,895	34.2%
501 - 1,000 (TT$)	15,652,163	23.2%	7,681,881	16.8%
1,001 - 3,000 (TT$)	6,897,570	10.2%	1,701,464	3.8%
More than 3,000 (TT$)	3,354,611	5.0%	385,737	0.8%
Total	67,595,789	100.0%	45,690,061	100.0%

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Dutch Caribbean life insurance subsidiaries:

	2017 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $´000	**TT$´000**	**%**	**TT$´000**	**%**
NAF$0 - 500 (TT$0 - TT$1,769)	6,399,297	87.6%	6,238,737	91.2%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	574,026	7.9%	381,312	5.6%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	207,414	2.8%	135,997	2.0%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	75,247	1.0%	50,615	0.7%
More than NAF$2,000 (TT$7,075)	45,191	0.7%	33,426	0.5%
Total	7,301,175	100.0%	6,840,087	100.0%

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

	2016 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $´000	**TT$´000**	**%**	**TT$´000**	**%**
NAF$0 - 500 (TT$0 - TT$1,769)	6,487,796	87.9%	6,345,949	91.9%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	581,251	7.9%	366,025	5.3%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	172,698	2.3%	118,863	1.7%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	94,189	1.3%	58,180	0.8%
More than NAF$2,000 (TT$7,075)	43,505	0.6%	16,231	0.3%
Total	7,379,439	100.0%	6,905,248	100.0%

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

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

For the Jamaican life insurance subsidiary:

	Total annuities payable per annum			
	2017		2016	
Annuity payable per annum per life	**TT$´000**	**%**	**TT$´000**	**%**
J$ 0 - 200,000 (TT$0 - TT$13,980)	89,391	29.1%	81,123	30.7%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	30,105	9.8%	26,132	9.9%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	26,964	8.8%	23,325	8.8%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	18,990	6.3%	16,288	6.2%
More than J$500,000 (More than TT$34,950)	141,286	46.0%	117,787	44.4%
Total	306,736	100.0%	264,655	100.0%

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

For the Trinidadian life insurance subsidiaries:

	Total annuities payable per annum			
	2017		2016	
Annuity payable per annum per life	**TT$´000**	**%**	**TT$´000**	**%**
0 - 5,000 (TT$)	5,707	3.9%	6,269	4.0%
5,001 - 10,000 (TT$)	18,679	12.6%	18,839	12.0%
10,001 - 20,000 (TT$)	33,664	22.8%	32,657	20.8%
More than 20,000 (TT$)	89,741	60.7%	99,490	63.2%
Total	147,791	100.0%	157,255	100.0%

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

For the Dutch Caribbean life insurance subsidiaries:

	Total annuities payable per annum			
	2017		2016	
Annuity payable per annum per life	**TT$´000**	**%**	**TT$´000**	**%**
NAF$0 - 10,000 (TT$0 - TT$35,900)	31,792	30.9%	30,507	32.9%
NAF$10,001 - 20,000 (TT$35,900 - TT$71,700)	23,773	23.1%	22,431	24.2%
NAF$20,001 - 30,000 (TT$71,700 - TT$107,600)	14,360	13.9%	13,477	14.5%
NAF$30,001 - 40,000 (TT$107,600 - TT$143,400)	8,248	8.0%	7,941	8.6%
NAF$40,001 - 50,000 (TT$143,400 - TT$179,300)	6,039	5.9%	5,159	5.6%
More than NAF$50,001 (TT$179,300)	18,833	18.2%	13,205	14.2%
Total	103,045	100.0%	92,720	100.0%

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(b) Process used to decide on assumptions

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

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

- **Mortality & morbidity**

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

- **Voluntary terminations and persistency**

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

- **Investment returns**

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

- **Policy maintenance expense and inflation**

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

- **Tax**

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

(c) Change in assumptions

	2017 $'000	2016 $'000
Determination of liabilities:		
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	25,855	4,372
Changes in lapse assumptions	(13,678)	(94)
Changes in investment returns	(58,934)	(19,127)
Other assumptions	(7,306)	(59,778)
For the Trinidadian life insurance subsidiaries:		
Changes in expense assumptions	(25,317)	(45,463)
Changes in lapse assumptions	(104,253)	163,163
Changes in investment returns	237,977	(227,875)
Changes in mortality assumptions	(127,666)	69,154

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.

(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 2017	Change in liability 2017 $'000	Change in variable 2016	Change in liability 2016 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:				
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	63,950	+ 10.0%	68,490
Lowering of investment returns	- 2.0%	303,947	- 2.0%	279,317
Worsening of base renewal expense level	+ 5.0%	31,317	+ 5.0%	27,734
Worsening of expense inflation rate	+ 1.0%	89,222	+ 1.0%	78,977
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	17,069	+ 10.0%	13,899
Improvement of annuitant mortality	+ 0.5%	37,130	+ 0.5%	31,726
Lowering of investment returns	- 1.0%	210,238	- 1.0%	208,327
Worsening of base renewal expense level	+ 5.0%	4,209	+ 5.0%	4,321
Worsening of expense inflation rate	+ 1.0%	10,525	+ 1.0%	10,948

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(d) Sensitivity analysis (continued)
Long-term insurance contracts with fixed and guaranteed terms and without DPF: (continued)

	Change in variable 2017	Change in liability 2017 $'000	Change in variable 2016	Change in liability 2016 $'000
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	17,934	+ 10.0%	18,575
Improvement of annuitant mortality	+ 10.0%	15,984	+ 10.0%	14,976
Lowering of investment returns	- 10.0%	569	- 10.0%	366
Worsening of base renewal expense level	+ 10.0%	3,279	+ 10.0%	2,943
Long-term insurance contracts with fixed and guaranteed terms and with DPF:				
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	70	+ 10.0%	71
Lowering of investment returns	- 2.0%	1,625	- 2.0%	862
Worsening of basis renewal expense level	+ 5.0%	533	+ 5.0%	498
Worsening of expense inflation	+ 1.0%	925	+ 1.0%	849
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	331	+ 10.0%	375
Lowering of investment returns	- 1.0%	10,733	- 1.0%	10,624
Worsening of base renewal expense level	+ 5.0%	145	+ 5.0%	159
Worsening of expense inflation rate	+ 1.0%	306	+ 1.0%	336
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	31,977	+ 10.0%	31,958
Improvement of annuitant mortality	+ 10.0%	33,353	+ 10.0%	30,421
Lowering of investment returns	- 10.0%	221,579	- 10.0%	192,320
Worsening of base renewal expense level	+ 10.0%	30,999	+ 10.0%	31,076

Long-term insurance contracts without fixed terms:	Change in variable 2017	Change in liability 2017 $'000	Change in variable 2016	Change in liability 2016 $'000
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	55,458	+ 10.0%	45,219
Improvement of annuitant mortality	+ 0.5%	61,689	+ 0.5%	70,718
Lowering of investment returns	- 1.0%	484,598	- 1.0%	399,542
Worsening of base renewal expense level	+ 5.0%	18,835	+ 5.0%	22,471
Worsening of expense inflation rate	+ 1.0%	42,039	+ 1.0%	45,809

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.

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(a) Currency risk (continued)

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 2017								
Total assets	9,242,332	8,069,041	4,519,197	3,184,231	225,774	1,196,220	1,449,841	27,886,636
Total liabilities	11,662,182	3,508,818	5,679,217	2,514,757	186,223	289,401	723,153	24,563,751
	(2,419,850)	4,560,223	(1,160,020)	669,474	39,551	906,819	726,688	3,322,885
As at 31 December 2016								
Total assets	8,972,385	5,532,718	4,471,950	2,784,335	259,006	1,032,945	1,131,284	24,184,623
Total liabilities	10,752,577	1,757,955	5,151,954	2,340,809	178,379	260,817	678,537	21,121,028
	(1,780,192)	3,774,763	(680,004)	443,526	80,627	772,128	452,747	3,063,595

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

Change in variables	US	NAF	JMD	GBP	Euro	Other
2017	0.8%	0.8%	-4.0%	1.8%	2.2%	-1.4% to 1.3%
2016	1.1%	1.1%	-4.0%	6.8%	4.6%	-1.6% to 2.1%

	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
Impact on statement of income							
2017	46,584	–	(1,882)	131	(200)	4,158	48,791
2016	47,854	1	(1,828)	3,225	1,585	3,660	54,497
Impact on equity							
2017	13,356	5,639	(112,309)	681	17,410	3,024	(72,199)
2016	11,713	6,811	(101,440)	1,720	420	2,794	(77,982)

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.1 Market risk (continued)

(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 2017 for the Trinidadian market (2016 - 1%), a 2% movement was used for 2017 for the Jamaican market (2016 - 2%) and a 1% movement for 2017 was used for the Dutch Caribbean (2016 - 1%). The estimated effect of an increase in the above rates would result in a decrease in the consolidated statement of income and equity of $231,339,000 for 2017 (2016: decrease of $210,943,000). The estimated effect of a decrease in the above rates would result in an increase in the consolidated statement of income and equity of $231,339,000 for 2017 (2016: increase of $210,943,000).

(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 4% movement in prices of local equities was used for 2017 for the Trinidadian market (2016 - 2%), a 10% movement in prices of local equities was used for 2017 for the Jamaican market (2016 - 10%) and a 1% movement for 2017 was used for Dutch Caribbean (2016 - 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 $136,537,000 for 2017 (2016: $67,938,000).

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 reinsurance and financial assets and 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. Reinsurance and financial assets are at contractual or expected discounted cash flows.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

			Contractual/Expected Undiscounted Cash Flows		
	Carrying amount $'000	No stated maturity $'000	Less than one year $'000	One - five years $'000	Over five years $'000
Insurance and financial liabilities					
As at 31 December 2017					
Long-term insurance contracts	13,813,503	7,653,035	210,405	2,035,639	16,849,509
Short-term insurance contracts	3,319,310	–	2,259,140	1,023,537	11,487
Investment contracts	1,989,472	1,934,429	55,043	–	–
Medium-term borrowings	2,097,414	–	142,610	1,752,729	665,578
Short-term borrowings	216,816	–	225,014	–	–
Third party interests in mutual funds	1,177,879	–	1,177,879	–	–
Interest payable	33,509	–	33,509	–	–
Other liabilities	1,348,458	–	1,348,458	–	–
Total	23,996,361	9,587,464	5,452,058	4,811,905	17,526,574
As at 31 December 2016					
Long-term insurance contracts	12,856,375	6,311,254	159,434	1,069,034	16,861,748
Short-term insurance contracts	1,806,793	–	1,429,780	352,405	7,325
Investment contracts	1,811,761	1,763,046	48,715	–	–
Medium-term borrowings	1,695,813	–	121,826	1,260,682	760,415
Short-term borrowings	441,039	–	458,589	–	–
Third party interests in mutual funds	1,082,711	–	1,082,711	–	–
Interest payable	33,795	–	33,795	–	–
Other liabilities	910,967	–	910,967	–	–
Total	20,639,254	8,074,300	4,245,817	2,682,121	17,629,488

			Contractual/Expected Discounted Cash Flows		
	Carrying amount $'000	No stated maturity $'000	Less than one year $'000	One - five years $'000	Over five years $'000
Reinsurance and financial assets					
As at 31 December 2017					
Financial assets at fair value through profit and loss	7,480,460	3,051,814	1,066,310	1,102,861	2,259,475
Held-to-maturity financial assets	9,160,295	–	1,519,878	1,993,697	5,646,720
Financial assets of mutual fund unit holders	1,011,404	–	1,011,404	–	–
Loans and receivables	2,302,980	9	1,326,778	405,210	570,983
Long-term reinsurance assets	31,037	26,455	1,330	2,248	1,004
Short-term reinsurance assets	2,180,787	–	1,624,492	553,618	2,677
Cash and cash equivalents	2,059,318	–	2,059,318	–	–
Cash and cash equivalents of mutual fund unit holders	371,062	–	371,062	–	–
Total	24,597,343	3,078,278	8,980,572	4,057,634	8,480,859

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

Reinsurance and financial assets	Carrying amount $´000	No stated maturity $´000	Contractual/Expected Discounted Cash Flows Less than one year $´000	One - five years $´000	Over five years $´000
As at 31 December 2016					
Financial assets at fair value through profit and loss	6,614,952	2,324,525	1,220,368	1,303,410	1,766,649
Held-to-maturity financial assets	8,776,833	–	1,844,117	2,220,735	4,711,981
Financial assets of mutual fund unit holders	976,307	–	976,307	–	–
Loans and receivables	1,978,073	9	1,003,419	325,259	649,386
Long-term reinsurance assets	34,384	23,090	1,737	7,146	2,411
Short-term reinsurance assets	756,412	–	565,214	188,818	2,380
Cash and cash equivalents	1,744,053	–	1,744,053	–	–
Cash and cash equivalents of mutual fund unit holders	161,142	–	161,142	–	–
Total	21,042,156	2,347,624	7,516,357	4,045,368	7,132,807

4.2.3 Credit risk

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

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

(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.

	Neither past due nor impaired $´000	Past due but not impaired $´000	Impaired $´000	Total $´000
As at 31 December 2017				
Debt securities	11,760,487	2,212	–	11,762,699
Financial assets of mutual fund unit holders	871,502	–	–	871,502
Deposits (more than 90 days)	1,793,776	–	–	1,793,776
Other financial assets	30,607	–	–	30,607
Interest receivable	229,467	615	–	230,082
Loans and receivables	2,001,417	73,988	109,038	2,184,443
Reinsurance assets	2,211,824	–	–	2,211,824
Deferred acquisition costs	92,615	–	–	92,615
Cash and cash equivalents	2,430,380	–	–	2,430,380
	21,422,075	76,815	109,038	21,607,928
As at 31 December 2016				
Debt securities	10,796,251	449	454	10,797,154
Financial assets of mutual fund unit holders	851,646	–	2,844	854,490
Deposits (more than 90 days)	2,228,172	181	–	2,228,353
Other financial assets	22,647	–	–	22,647
Interest receivable	236,504	618	–	237,122
Loans and receivables	1,659,856	84,994	107,137	1,851,987
Reinsurance assets	790,796	–	–	790,796
Deferred acquisition costs	88,498	–	–	88,498
Cash and cash equivalents	1,905,195	–	–	1,905,195
	18,579,565	86,242	110,435	18,776,242

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired 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. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard & Poor's issued credit rating.

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 includes obligations due from individuals, short-term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Group.

	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
As at 31 December 2017							
Debt securities	80,619	259,429	642,151	7,265,316	3,170,442	342,530	11,760,487
Financial assets of mutual fund unit holders	–	–	30,426	585,558	246,520	8,998	871,502
Deposits (more than 90 days)	–	320,838	237,924	800,193	397,334	37,487	1,793,776
Other financial assets	–	–	–	7,791	3,978	18,838	30,607
Interest receivable	284	5,675	17,295	140,943	47,720	17,550	229,467
Loans and receivables	–	58,877	253,232	15,003	283,257	1,391,048	2,001,417
Reinsurance assets	–	–	2,203,105	–	–	8,719	2,211,824
Deferred acquisition costs	–	–	4,010	–	–	88,605	92,615
Cash and cash equivalents	–	323,039	293,419	1,252,763	552,005	9,154	2,430,380
	80,903	967,858	3,681,562	10,067,567	4,701,256	1,922,929	21,422,075
As at 31 December 2016							
Debt securities	68,809	276,908	4,142,446	3,221,775	2,876,525	209,788	10,796,251
Financial assets of mutual fund unit holders	–	–	392,843	240,573	218,230	–	851,646
Deposits (more than 90 days)	–	319,256	224,139	999,456	638,221	47,100	2,228,172
Other financial assets	–	–	–	7,439	3,550	11,658	22,647
Interest receivable	264	6,512	95,333	80,734	45,517	8,144	236,504
Loans and receivables	–	–	259,683	247	140,143	1,259,783	1,659,856
Reinsurance assets	–	65,996	697,090	–	–	27,710	790,796
Deferred acquisition costs	–	–	4,315	–	–	84,183	88,498
Cash and cash equivalents	–	318,221	219,209	497,768	853,042	16,955	1,905,195
	69,073	986,893	6,035,058	5,047,992	4,775,228	1,665,321	18,579,565

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Assets that are past due but not impaired

	Carrying Value					
	Less than 3 months $'000	Between 3 and 6 months $'000	Between 6 and 9 months $'000	Between 9 and 12 months $'000	More than 12 months $'000	Total $'000
As at 31 December 2017						
Debt securities	2,212	–	–	–	–	2,212
Interest receivable	110	5	–	–	500	615
Loans and receivables	43,276	17,261	5,150	93	8,208	73,988
	45,598	17,266	5,150	93	8,708	76,815
As at 31 December 2016						
Debt securities	–	–	–	248	201	449
Deposits (more than 90 days)	–	181	–	–	–	181
Interest receivable	70	56	58	–	434	618
Loans and receivables	44,506	15,072	880	1,806	22,730	84,994
	44,576	15,309	938	2,054	23,365	86,242

(d) Financial assets that are impaired

	Carrying Value 2017 $'000	Carrying Value 2016 $'000
Debt securities	–	454
Loans and receivables	109,038	107,137
Financial assets of mutual fund unit holders	–	2,844
	109,038	110,435

(e) Allowance for impairment

	Loans and receivables: Premiums and reinsurance receivables $'000	Loans and receivables: Other loans and receivables $'000	Total $'000
Balance at 1 January 2017	55,444	13,749	69,193
Exchange differences	185	427	612
Provision for impairment	4,975	2,103	7,078
Amounts written off during the year as uncollectible	–	(1,615)	(1,615)
Amounts recovered/released during the year	(6,790)	(723)	(7,513)
Balance at 31 December 2017	53,814	13,941	67,755
Balance at 1 January 2016	53,240	10,233	63,473
Exchange differences	2,091	99	2,190
Provision for impairment	7,454	4,319	11,773
Amounts written off during the year as uncollectible	(84)	(297)	(381)
Amounts recovered/released during the year	(7,257)	(605)	(7,862)
Balance at 31 December 2016	55,444	13,749	69,193

(f) Concentrations of risks of 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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

The following table breaks down the Group's main credit risk exposure at their carrying amounts, as categorised by the industry sectors of counterparties.

	Financial institutions $'000	Manu-facturing $'000	Real estate $'000	Wholesale & retail trade $'000	Public sector $'000	Other industries $'000	Individuals $'000	Total $'000
As at 31 December 2017								
Debt securities	866,453	189,205	599,645	274,878	9,203,934	628,584	–	11,762,699
Financial assets of mutual fund unit holders	312,143	–	53,118	19,339	426,262	60,640	–	871,502
Deposits	1,727,945	–	–	–	65,831	–	–	1,793,776
Other financial assets	–	–	–	–	–	30,607	–	30,607
Interest receivable	50,339	454	3,328	286	157,590	18,085	–	230,082
Loans and receivables	69,618	–	280,994	–	9,320	1,506,137	318,374	2,184,443
Reinsurance assets	–	–	–	–	–	2,211,824	–	2,211,824
Deferred acquisition costs	–	–	–	–	–	92,615	–	92,615
Cash and cash equivalents	2,430,380	–	–	–	–	–	–	2,430,380
	5,456,878	189,659	937,085	294,503	9,862,937	4,548,492	318,374	21,607,928
As at 31 December 2016								
Debt securities	694,220	183,769	556,563	252,066	8,441,534	669,002	–	10,797,154
Financial assets of mutual fund unit holders	234,913	–	47,533	12,577	513,894	45,573	–	854,490
Deposits	2,224,421	–	–	–	3,932	–	–	2,228,353
Other financial assets	–	–	–	–	–	22,647	–	22,647
Interest receivable	53,805	9	4,678	46	165,307	13,277	–	237,122
Loans and receivables	34,979	–	266,354	–	17,485	1,200,895	332,274	1,851,987
Reinsurance assets	–	–	–	–	–	790,796	–	790,796
Deferred acquisition costs	–	–	–	–	–	88,498	–	88,498
Cash and cash equivalents	1,901,855	–	–	–	3,340	–	–	1,905,195
	5,144,193	183,778	875,128	264,689	9,145,492	2,830,688	332,274	18,776,242

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (continued)

4.2 Financial risk (continued)

4.2.4 Capital management

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

The Group's objectives when managing capital are:

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2017.

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	
	2017 $'000	2016 $'000
Guardian Re (SAC) Limited	29,296	32,236
Guardian General Insurance (OECS) Limited	12,473	12,642
Guardian Life (OECS) Limited	374	-
Guardian General Insurance Limited	62,194	65,469
Guardian General Insurance Jamaica Limited	157,313	141,524
Guardian Life Limited	326,744	258,734
Trinidad Life Insurance Companies	647,888	570,693
Dutch Caribbean Insurance Companies	375,979	349,229

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 2017					
Balance at beginning of year	452,221	103,300	14,948	22,965	593,434
Exchange rate adjustments	3,802	1,539	182	162	5,685
Revaluation loss	(3,073)	–	–	–	(3,073)
Additions	30,172	17,917	7,593	5,512	61,194
Assets on acquisition of subsidiaries	–	367	112	–	479
Disposals and adjustments	–	(7,392)	(1,588)	–	(8,980)
Transfers	1,377	17,809	–	(19,186)	–
Depreciation charge	(14,555)	(26,575)	(4,865)	–	(45,995)
Balance at end of year	469,944	106,965	16,382	9,453	602,744
At 31 December 2017					
Cost or valuation	571,967	590,457	40,078	9,453	1,211,955
Accumulated depreciation	(102,023)	(483,492)	(23,696)	–	(609,211)
Balance at end of year	469,944	106,965	16,382	9,453	602,744

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	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 2016					
Balance at beginning of year	417,892	115,335	14,650	16,050	563,927
Exchange rate adjustments	5,564	767	386	(78)	6,639
Revaluation surplus	30,657	–	–	–	30,657
Additions	12,163	18,111	5,727	16,451	52,452
Disposals and adjustments	–	(2,690)	(1,545)	–	(4,235)
Transfers	592	7,985	881	(9,458)	–
Re-classification (to)/from investment properties (Note 6)	(24)	427	–	–	403
Depreciation charge	(14,623)	(36,635)	(5,151)	–	(56,409)
Balance at end of year	452,221	103,300	14,948	22,965	593,434
At 31 December 2016					
Cost or valuation	541,836	574,480	36,700	22,965	1,175,981
Accumulated depreciation	(89,615)	(471,180)	(21,752)	–	(582,547)
Balance at end of year	452,221	103,300	14,948	22,965	593,434

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

Guardian Life of the Caribbean Limited	-	September 2017
Bancassurance Caribbean Limited	-	September 2017
Guardian Life Limited	-	December 2017
Fatum Holding NV	-	October and November 2016
Guardian General Insurance Limited	-	September 2017
Guardian Shared Services Limited	-	September 2017

Valuations were made on the basis of open market value by external independent valuators, 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 $45,995,000 (2016 - $56,409,000) has been charged in other operating expenses.

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

	2017 $´000	2016 $´000
Cost	422,407	394,935
Accumulated depreciation	(168,734)	(153,760)
Net book value	253,673	241,175

6. INVESTMENT PROPERTIES

	2017 $´000	2016 $´000
Investment properties (excluding Pointe Simon)	951,433	900,318
Pointe Simon	502,931	356,628
	1,454,364	1,256,946

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

	2017 $´000	2016 $´000
Investment properties (excluding Pointe Simon)		
Balance at beginning of year	900,318	628,134
Exchange rate adjustments	16,246	(5,697)
Additions	44,994	233,981
Fair value adjustments (Note 32)	9,306	44,233
Disposals	(15,393)	(11,742)
Re-classification from fixed assets (Note 5)	–	24
Fair value adjustments directly related to the unit-linked funds	1,228	11,385
Other movements	(5,266)	–
Balance at end of year	951,433	900,318
Rental income	58,490	44,698
Direct operating expenses incurred in respect of investment property that generated rental income during the year	2,077	2,322
Direct operating expenses incurred in respect of investment property that did not generate rental income during the year	596	577

6. INVESTMENT PROPERTIES (continued)

	2017 $´000	2016 $´000
Pointe Simon		
Investment property	502,930	356,628
Properties for development and sale (Note 11)	103,475	168,972
	606,405	525,600
Balance at beginning of year	525,600	510,756
Exchange rate adjustments	72,898	9,282
Additions	22,369	18,896
Disposals	(7,361)	(5,663)
Re-classification to fixed assets (Note 5)	–	(427)
Fair value adjustment	(7,101)	(7,244)
Balance at end of year	606,405	525,600

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

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

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

Commercial properties are primarily valued using the income and sales comparison approach, which involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to the model throughout the Group range from 5% to 9% (2016: 6% to 9.5%) as deemed most appropriate by the valuators in the respective territories.

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

7. INTANGIBLE ASSETS

	Goodwill $´000	Customer-related intangibles $´000	Other $´000	Total $´000
Year ended 31 December 2017				
Balance at beginning of year	426,687	71,836	16,640	515,163
Exchange rate adjustments	13,477	3,808	130	17,415
Acquisition of subsidiaries (see note (a) below)	13,233	–	–	13,233
Additions	–	3,468	314	3,782
Impairment	(1,130)	–	–	(1,130)
Amortisation	–	(16,890)	(2,588)	(19,478)
Balance at end of year	452,267	62,222	14,496	528,985
At 31 December 2017				
Cost	453,400	175,206	33,760	662,366
Accumulated amortisation	(1,133)	(112,984)	(19,264)	(133,381)
Balance at end of year	452,267	62,222	14,496	528,985
Year ended 31 December 2016				
Balance at beginning of year	447,505	53,775	3,817	505,097
Exchange rate adjustments	7,292	1,585	(77)	8,800
Acquisition of subsidiaries	9,094	–	–	9,094
Additions	–	179	2,325	2,504
Transfers	(37,204)	35,792	13,767	12,355
Amortisation	–	(19,495)	(3,192)	(22,687)
Balance at end of year	426,687	71,836	16,640	515,163
At 31 December 2016				
Cost	426,687	164,571	32,841	624,099
Accumulated amortisation	–	(92,735)	(16,201)	(108,936)
Balance at end of year	426,687	71,836	16,640	515,163

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

(a) During the year, the Group acquired 100% of the issued share capital of two insurance brokerage companies, Risiko Analyse Buro B.V. and RAB Assurandeuren B.V., through its subsidiary Thoma Exploitatie B.V. The goodwill recognised was $13,233,000.

7. INTANGIBLE ASSETS (continued)

Goodwill

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

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

	2017 $'000	2016 $'000
Guardian General Insurance Limited	97,459	97,459
Guardian Insurance Limited	153,977	153,977
Guardian General Insurance Jamaica Limited	6,599	6,582
Thoma Exploitatie B.V.	91,028	65,858
Royal & Sun Alliance Insurance (Antilles) N.V.	26,780	26,712
Kruit en Venema Assuradeuren B.V.	18,297	16,988
Fatum Brokers Holding B.V.	58,127	59,111
	452,267	426,687

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

	Discount Rate		Growth Rate	
Cash generating unit	**2017**	**2016**	**2017**	**2016**
Guardian General Insurance Limited	9.0%	9.6%	5.0%	5.0%
Guardian Insurance Limited (Trinidad and Tobago based subsidiaries)	9.1%	10.0%	5.0%	5.0%
Guardian Insurance Limited (Jamaica based subsidiary)	9.1%	10.0%	5.0%	5.0%
Guardian General Insurance Jamaica Limited	9.0%	12.0%	5.0%	5.0%
Thoma Exploitatie B.V.	11.1%	11.7%	1.0%	2.0%
Royal & Sun Alliance Insurance (Antilles) N.V.	9.5%	10.3%	2.0%	2.0%
Kruit en Venema Assuradeuren B.V.	11.1%	11.7%	-1.7%	2.0%
Fatum Brokers Holding B.V.	9.9% to 10.3%	10.5% to 11.1%	2.0%	2.0%

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

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

8. INVESTMENT IN ASSOCIATED COMPANIES

	2017 $'000	2016 $'000
Balance at beginning of year	211,566	212,125
Exchange rate adjustments	176	3,140
Investment in associated company	–	172
Share of profit after tax	18,646	3,285
Dividends received	(8,646)	(6,799)
Reserve and other movements	(898)	(357)
Balance at end of year	220,844	211,566

The summarised financial information below, for the Group's principal associates (see Note 45), represents amounts shown in the respective associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	RoyalStar Holdings Limited		RGM Limited	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Total assets	555,405	519,633	882,828	894,995
Total liabilities	(290,501)	(287,454)	(429,432)	(443,598)
Equity	264,904	232,179	453,396	451,397
Carrying amount of the investment	69,712	61,100	151,132	150,466
Revenue	164,928	167,874	175,752	153,012
Profit/(loss) for the year	32,056	(6,035)	30,631	15,152
Other comprehensive loss	–	–	(2,693)	(1,070)
Total comprehensive income/(loss)	32,056	(6,035)	27,938	14,082
Dividends received during the year	–	3,655	8,646	3,144

8. INVESTMENT IN ASSOCIATED COMPANIES (continued)

The associated companies had no contingent liabilities at 31 December 2017 or 2016.

RGM Limited has capital commitments in respect of investment properties in the amount of $7,575,000 (2016: $6,697,000). RoyalStar Holdings Limited has no capital commitments at 31 December 2017 or 2016.

9. FINANCIAL ASSETS

	2017		2016	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets	16,640,755	17,259,822	15,391,785	15,879,888
Financial assets of mutual fund unit holders	1,011,404	1,011,404	976,307	976,307
	17,652,159	18,271,226	16,368,092	16,856,195
Financial assets at fair value through profit or loss	8,491,864	8,491,864	7,591,259	7,591,259
Held to maturity financial assets	9,160,295	9,779,362	8,776,833	9,264,936
Total financial assets	17,652,159	18,271,226	16,368,092	16,856,195

	Carrying value	
Financial assets at fair value through profit or loss	**2017 $'000**	**2016 $'000**
Equity securities:		
- Listed	2,979,871	2,354,039
- Unlisted	169,919	69,566
	3,149,790	2,423,605
Debt securities:		
- Government securities	2,727,534	2,526,536
- Debentures and corporate bonds	1,859,809	1,736,575
	4,587,343	4,263,111
Deposits (more than 90 days)	605,021	763,429
Other	30,607	22,647
	635,628	786,076
	8,372,761	7,472,792
Interest receivable	119,103	118,467
	8,491,864	7,591,259

	Carrying value	
	2017 $'000	2016 $'000
Current	2,077,714	2,196,675
Non-current	6,414,150	5,394,584
	8,491,864	7,591,259

The carrying amount of financial assets above that were pledged as collateral for liabilities was $43,037,000 (2016: $23,398,000).

	2017		2016	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Held-to-maturity financial assets				
Debt securities:				
- Government securities	7,007,499	7,607,220	6,455,838	6,930,555
- Debentures and corporate bonds	781,085	800,431	647,650	661,036
	7,788,584	8,407,651	7,103,488	7,591,591
Deposits (more than 90 days)	1,216,042	1,216,042	1,506,559	1,506,559
	9,004,626	9,623,693	8,610,047	9,098,150
Interest receivable	155,669	155,669	166,786	166,786
	9,160,295	9,779,362	8,776,833	9,264,936

	Carrying value	
	2017 $'000	2016 $'000
Current	1,519,878	1,844,117
Non-current	7,640,417	6,932,716
	9,160,295	8,776,833

10. LOANS AND RECEIVABLES

	2017 $'000	2016 $'000
Debt securities:		
- Government securities	–	3,946
- Debentures and corporate bonds	186,292	191,333
	186,292	195,279
Premiums receivable	614,339	488,182
Deposits with/balances due from reinsurers	267,520	227,987
Provision for impairment of premium and reinsurance receivables	(53,814)	(55,444)
Mortgages	376,821	394,225
Policy loans	53,694	54,266
Other loans and receivables	860,259	672,474
Provision for impairment of other loans and receivables	(13,941)	(13,749)
	2,104,878	1,767,941
Interest receivable	11,810	14,853
	2,302,980	1,978,073
Current	1,326,778	1,003,419
Non-current	976,202	974,654
	2,302,980	1,978,073

The carrying amounts of loans and receivables (excluding debt securities) are reasonable approximations of their fair values. The fair value of debt securities amounted to $188,076,000 (2016: $196,517,000). There were no loans and receivables pledged as collateral for liabilities at year end (2016: nil).

11. PROPERTIES FOR DEVELOPMENT AND SALE

	2017 $'000	2016 $'000
Properties for development and sale (Note 6)	103,475	168,972

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 condominium units in 2014 (2013 – three units). The sums received were recorded as other income.

While legal title has been transferred to third parties, the arrangement contemplates that at the expiration of a six-year period (2019 and 2020), the units will return to the Group's legal ownership, and will be available for disposal to third parties at the prevailing market price. Accordingly, the Group has not derecognised these assets, and continues to account for these units within Properties for development and sale. During the year, properties fair valued at $88,334,000 were transferred to investment properties.

During 2014, the Group sold the hotel property to a Martinique incorporated company known as Sas Compagnie Hoteliere de la Pointe Simon (CHPS). As part of the sale negotiation, the Group acquired a 24% interest in CHPS for nominal consideration.

The Group financed the sale to CHPS and at 31 December 2017 the outstanding balance, included in loans and other receivables, was €15 million (2016: €15.1 million). The loan has three components, with terms as follows:

1. €11.1 million repayable in 20 biannual instalments of €0.4 million with a bullet at maturity of €6.2 million. Interest is fixed at 3.3%.
2. €0.6 million repayable over 3 years at 3.3% per annum.
3. €6.4 million to be repaid upon receipt of certain subsidies and tax refunds from the French government.

12. PENSION PLAN ASSETS/LIABILITIES

The following information explains the quantification of the assets and liabilities recognised in the consolidated statement of financial position and the net income for the year in accordance with the provisions of IAS 19.

	Pension plan asset		Pension plan liability		Net pension plan asset/(liability)	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
	$´000	**$´000**	**$´000**	**$´000**	**$´000**	**$´000**
Fair value of pension plan assets	405,495	403,036	475,325	459,070	880,820	862,106
Less: Present value of funded obligations	(322,538)	(296,896)	(604,662)	(526,442)	(927,200)	(823,338)
	82,957	106,140	(129,337)	(67,372)	(46,380)	38,768
Less: Present value of unfunded obligations	–	–	(871)	(881)	(871)	(881)
IAS 19 Consolidated statement of financial position assets/(liabilities)	82,957	106,140	(130,208)	(68,253)	(47,251)	37,887

The amount in the consolidated statement of income is made up as follows:

	2017	**2016**
	$´000	**$´000**
Net interest expense	506	374
Current service cost	(23,585)	(24,150)
Past service cost	(662)	–
Net loss for the year (Note 34)	(23,741)	(23,776)
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	7,638	–
- changes in financial assumptions	(52,774)	30,082
- experience adjustment	(36,606)	(16,119)
	(81,742)	13,963

12. PENSION PLAN ASSETS/LIABILITIES (continued)

The movement in the fair value of pension plan assets of the year is as follows:

	2017 $´000	2016 $´000
Balance at beginning of year	862,106	813,045
Exchange rate adjustments	1,242	18,860
Benefit payments	(34,853)	(27,577)
Company contributions	20,083	25,661
Contributions by plan participants	1,288	1,357
Settlements	15,284	15,962
Remeasurement arising from experience adjustment	(12,915)	(9,122)
Interest income	28,585	23,920
Balance at end of year	880,820	862,106

The movement in the obligation to plan members over the year is as follows:

	2017 $´000	2016 $´000
Balance at beginning of year	824,219	796,138
Exchange rate adjustments	1,018	13,962
Current service cost	23,585	24,150
Interest cost	43,325	39,274
Past service cost	662	–
Contributions by plan participants	1,288	1,357
Remeasurement arising from changes in demographic assumptions	(7,638)	–
Remeasurement arising from changes in financial assumptions	52,774	(30,082)
Remeasurement arising from experience adjustment	23,691	6,997
Benefits paid	(34,853)	(27,577)
Balance at end of year	928,071	824,219

The principal actuarial assumptions used for accounting purposes were:

	2017	2016
Discount rates	3.6% - 7.8%	4.2% - 7.8%
Future salary increases	0.0% - 5.0%	0.0% - 5.0%
Post-retirement mortality	GAM 94/ NIS 2012/ GBM/GBV2000 - 2005	GAM 94/ GBM/GBV2000 - 2005
Pre-retirement mortality	NIS 2012 / GAM 94	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	Nil	Nil
Life expectation of pensioners at the age of 65 - male	15.3 to 18.3 years	15.3 to 18.3 years
Life expectation of pensioners at the age of 65 - female	19.0 to 21.9 years	19.0 to 21.8 years

The actual return on plan assets was $30,944,000 (2016: $30,854,000).

Pension plan assets are comprised as follows:

	2017 $´000	2017 %	2016 $´000	2016 %
Quoted investments				
Equity securities				
- Trinidad and Tobago	134,002	15.2%	131,715	15.3%
- Non-Caribbean	20,601	2.3%	16,871	2.0%
Government securities				
- Trinidad and Tobago	102,640	11.7%	95,413	11.1%
- Non-Caribbean	43,471	4.9%	40,637	4.7%
Corporate bonds				
- Trinidad and Tobago	69,125	7.8%	51,379	6.0%
- Non-Caribbean	125,122	14.2%	123,507	14.3%
Unquoted investments				
Government securities				
- Other Caribbean	91,671	10.4%	138,964	16.1%
Corporate bonds				
- Other Caribbean	2,491	0.3%	–	0.0%
Cash and cash equivalents	34,456	3.9%	8,060	0.9%
Property	18,400	2.1%	16,700	1.9%
Other	238,841	27.2%	238,860	27.7%
	880,820	100.0%	862,106	100.0%

12. PENSION PLAN ASSETS/LIABILITIES (continued)

The defined benefit plan assets as at 31 December 2017 include the Group's financial instruments of $7,601,000 (2016: $10,353,000). Included in the plan's assets is a property with a fair value of $18,400,000 (2016: $16,700,000), 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 2018 are $24,839,000.

The duration of the defined benefit plans obligation at the end of the reporting period is 14 to 24 years (2016: 14 to 25 years).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is shown below:

	Impact on the net defined benefit obligation	
	Increase	**Decrease**
1% increase/decrease in discount rate	(120,086)	152,706
1% increase/decrease in future salary increases	33,163	(28,737)
1% increase in future pension increases	53,610	(44,965)
Life expectancy increase/decrease by 1 year - male	10,499	(10,517)
Life expectancy increase/decrease by 1 year - female	17,523	(17,635)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

13. DEFERRED TAXATION

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

	2017 $'000	**2016 $'000**
Deferred tax assets:		
- To be recovered after more than 12 months	23,706	14,543
- To be recovered within 12 months	16,424	9,803
	40,130	24,346
Deferred tax liabilities:		
- Crystallising after more than 12 months	(254,508)	(236,591)
- Crystallising within 12 months	(18,844)	(10,192)
	(273,352)	(246,783)
Net deferred tax liability	(233,222)	(222,437)

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.

	2017 $'000	**2016 $'000**
The movement on the net deferred tax account is as follows:		
Balance at beginning of year	(222,437)	(213,739)
Exchange rate adjustments	(2,743)	(1,227)
(Charge)/credit for the year (Note 37)	(8,955)	8,832
Tax charged to equity in respect of revaluation of properties	(447)	(5,682)
Other movements	1,360	(10,621)
Balance at end of year	(233,222)	(222,437)

13. DEFERRED TAXATION (continued)

The movement in the net deferred tax assets and liabilities during the year is attributable to the following items:

	Balance at beginning 2017 $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Balance at end 2017 $'000
Future distributions	(129,152)	(206)	(7,491)	–	–	(136,849)
Zero coupon bonds	(5,549)	–	2,519	–	–	(3,030)
Pension plan assets	3,255	(13)	(55)	–	1,236	4,423
Accelerated tax depreciation	(28,018)	(588)	(12,782)	–	–	(41,388)
Tax losses carried forward	11,322	104	14,237	–	–	25,663
Investments at fair value through profit or loss	(48,223)	(673)	(6,481)	–	–	(55,377)
Intangibles	(17,421)	(978)	3,506	–	–	(14,893)
Revaluation of properties	(13,667)	(389)	1	(447)	–	(14,502)
Post-retirement medical benefit obligation	5,016	–	(2,409)	–	124	2,731
	(222,437)	(2,743)	(8,955)	(447)	1,360	(233,222)

	Balance at beginning 2016 $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Balance at end 2016 $'000
Future distributions	(127,057)	122	(2,217)	–	–	(129,152)
Zero coupon bonds	(4,872)	–	(677)	–	–	(5,549)
Pension plan assets	3,460	(54)	74	–	(225)	3,255
Accelerated tax depreciation	(26,005)	(730)	(1,055)	–	(228)	(28,018)
Tax losses carried forward	6,149	96	5,057	–	20	11,322
Investments at fair value through profit or loss	(33,050)	(546)	(14,627)	–	–	(48,223)
Intangibles	(9,469)	(254)	4,657	–	(12,355)	(17,421)
Revaluation of properties	(8,533)	143	118	(5,682)	287	(13,667)
Post-retirement medical benefit obligation	2,954	(4)	186	–	1,880	5,016
Catastrophe reserve	(17,316)	–	17,316	–	–	–
	(213,739)	(1,227)	8,832	(5,682)	(10,621)	(222,437)

There are tax losses relating to subsidiaries that are available for set-off against future chargeable profits of $93,705,000 (2016 - $50,526,000). These tax losses expire over varying periods. No deferred tax asset has been recognised on tax losses carried forward of $41,528,000 (2016 - $29,325,000), due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax authorities.

14. REINSURANCE ASSETS

	2017 $'000	2016 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long-term insurance contracts:		
With fixed and guaranteed terms	31,037	34,384
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 21.1(e))	1,733,078	366,831
Claims incurred but not reported (Note 21.1(e))	99,995	61,506
Unearned premiums (Note 21.1(f))	347,714	328,075
	2,180,787	756,412
Total reinsurers' share of insurance liabilities	2,211,824	790,796
Current	1,624,492	565,214
Non-current	587,332	225,582
Total reinsurers' share of insurance liabilities	2,211,824	790,796

15. DEFERRED ACQUISITION COSTS

	2017 $'000	2016 $'000
Short-term insurance contracts:		
Balance at beginning of year	88,498	88,240
Exchange rate adjustments	2,018	2,143
Increase in the year	90,593	87,389
Release in the year	(88,494)	(89,274)
Balance at end of year	92,615	88,498
Current	92,615	88,498
Non-current	–	–
	92,615	88,498

16. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and in hand	1,734,233	1,437,498
Short-term deposits (90 days or less)	325,085	306,555
Cash and cash equivalents	2,059,318	1,744,053
Cash and cash equivalents in mutual funds	371,062	161,142
Net cash and cash equivalents	2,430,380	1,905,195
At beginning of year	1,905,195	2,051,058
Exchange rate adjustments	11,936	64,140
Acquisition of subsidiaries	1,088	–
	1,918,219	2,115,198
At end of year	2,430,380	1,905,195
Net increase/(decrease) in cash used in cash flow	512,161	(210,003)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

17. ASSETS AND LIABILITIES HELD FOR SALE

In accordance with the requirements of IFRS 5, the Group classified certain operations as "Assets held for sale" and "Liabilities related to assets held for sale" during 2016. The net results of the disposal group, presented below, were consolidated into one line on the consolidated statement of income as Net gain on Discontinued Operations.

	2017 $'000	2016 $'000
Revenue	–	1,718
Expenses	–	(430)
Reversal of impairment of loan	–	7,785
Translation gain recognised on disposal of Ocho Rios Beach Resorts Limited	–	13,698
Net gain on discontinued operations (attributable to equity holders of the parent)	–	22,771

17. ASSETS AND LIABILITIES HELD FOR SALE (continued)

The major classes of assets and liabilities classified as held for sale are as follows:

	2017 $'000	2016 $'000
Assets held for sale		
Financial assets	–	251
Liabilities related to assets held for sale		
Other liabilities	–	251

18. SHARE CAPITAL

	2017 $'000	2016 $'000
Authorised		
An unlimited number of ordinary shares of no par value		
An unlimited number of preferred shares of no par value		
Issued and fully paid		
231,899,986 ordinary shares of no par value (2016: 231,899,986 ordinary shares)	1,993,473	2,032,282

	Number of shares (thousands)	Share capital $'000	Share option plan $'000	Total $'000
Balance at 1 January 2017	231,900	1,967,613	64,669	2,032,282
Movement in unallocated shares	(688)	(11,145)	–	(11,145)
Executive share option plan:				
- value of lapsed options	–	–	(6,127)	(6,127)
- repurchased vested options	–	–	(21,537)	(21,537)
Balance at 31 December 2017	231,212	1,956,468	37,005	1,993,473
Balance at 1 January 2016	231,900	1,967,617	70,663	2,038,280
Movement in unallocated shares	–	(4)	–	(4)
Executive share option plan:				
- value of lapsed options	–	–	(5,994)	(5,994)
Balance at 31 December 2016	231,900	1,967,613	64,669	2,032,282

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, adjusted to take into account of bonus issues and stock dividends to date, is as follows (in thousands):

	2017	2016
Total shares allocated to the plan	33,890	33,890
Issued pursuant to exercise of options	(9,586)	(9,586)
Outstanding options	(4,603)	(16,199)
Remaining shares allocated to plan in respect of which options have not been granted	19,701	8,105

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

	2017 Average exercise price	2017 Options (thousands)	2016 Average exercise price	2016 Options (thousands)
At beginning of year	$ 20.69	16,199	$ 21.31	16,995
Lapsed	$ 43.33	(634)	$ 33.79	(796)
Repurchased vested options	$ 18.00	(10,962)	–	–
At end of year	$ 24.00	4,603	$ 20.69	16,199

As stated in Note 2.18(c), 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

	Property revaluation reserve $´000	Statutory reserves $´000	Translation reserves $´000	Total $´000
Balance at 1 January 2017	207,892	16,287	(771,365)	(547,186)
Other comprehensive income/(loss)	(3,520)	–	153,357	149,837
Transfer to/from retained earnings	–	1,757	–	1,757
Balance at 31 December 2017	204,372	18,044	(618,008)	(395,592)
Balance at 1 January 2016	183,944	15,755	(797,474)	(597,775)
Other comprehensive income	24,975	–	39,807	64,782
Disposal of asset held for sale (Note 17)	–	–	(13,698)	(13,698)
Transfer to/from retained earnings	(1,027)	532	–	(495)
Balance at 31 December 2016	207,892	16,287	(771,365)	(547,186)

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 SUBSIDIARY

	2017 $´000	2016 $´000
Non-controlling interests in subsidiary	23,071	22,467

At the end of the year, the non-controlling interest balance represents a 40.6% effective shareholding in Guardian General Insurance (OECS) Limited.

During 2016, the Group acquired 5.4% of the outstanding non-controlling interests´ shares in Guardian General Insurance (OECS) Limited for EC$1,153,000 (TT$2,874,000). The following summarises the additional interest acquired in Guardian General Insurance (OECS) Limited during 2016:

	2017 $´000	2016 $´000
Cash consideration paid to non-controlling shareholder	–	2,874
Carrying value of the additional interest in Guardian General Insurance (OECS) Limited	–	(2,818)
Additional interest acquired - recognised in retained earnings within equity	–	56

21. INSURANCE CONTRACTS

	2017 $´000	2016 $´000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 21.1(a))	8,429,513	7,947,787
With fixed and guaranteed terms and with DPF (Note 21.1 (b))	112,220	111,195
Without fixed terms (Note 21.1(c))	4,796,322	4,323,422
	13,338,055	12,382,404
Participating policyholders´ share of the surplus from long-term insurance business (Note 21.1(d))	475,448	473,971
	13,813,503	12,856,375
Short-term insurance contracts:		
Property and casualty claims reported and loss adjustment expenses (Note 21.1(e))	2,319,532	888,638
Property and casualty claims incurred but not reported (Note 21.1(e))	172,868	135,674
Property and casualty unearned premiums (Note 21.1(f))	799,316	763,888
Group life claims (Note 21.1(g))	27,594	18,593
	3,319,310	1,806,793
Total gross insurance liabilities	17,132,813	14,663,168
Current	2,284,283	1,447,062
Non-current	14,848,530	13,216,106
	17,132,813	14,663,168

21. INSURANCE CONTRACTS (continued)

21.1 Movements in insurance liabilities and reinsurance assets

	2017 $´000	2016 $´000
(a) Long-term insurance contracts with fixed and guaranteed terms and without DPF		
At beginning of year	7,947,787	6,973,219
Exchange rate adjustments	49,942	204,162
Valuation premiums received	453,097	366,578
Liabilities released for payments on death, surrender and other terminations in the year	(279,213)	(255,211)
Accretion of interest	202,803	189,239
Cash paid for claims settled in the year	(172,213)	(144,275)
Increase in liabilities	178,037	161,199
Other movements	49,273	452,876
At end of year	8,429,513	7,947,787
(b) Long-term insurance contracts with fixed and guaranteed terms and with DPF		
At beginning of year	111,195	123,849
Exchange rate adjustments	984	(520)
Change in lapse rates	(367)	1,286
Change in interest rates	3,920	(9,301)
Change in expenses	(58)	(112)
Normal decrease due to the passage of time	(3,454)	(4,007)
At end of year	112,220	111,195
(c) Long-term insurance contracts without fixed terms		
At beginning of year	4,323,422	3,948,657
Exchange rate adjustments	668	1,745
Premiums received	366	449
Liabilities released for payments on death, surrender and other terminations in the year	(3,161)	(2,306)
Changes in unit prices	1,229	286
Cash paid for claims settled in the year	(249,987)	(272,593)
Increase in liabilities	269,517	271,112
Other movements	454,268	376,072
At end of year	4,796,322	4,323,422

	2017 $´000	2016 $´000
(d) Participating policyholders´ share of the surplus from long-term insurance business		
At beginning of year	473,971	461,355
Surplus arising from operations	1,142	15,552
Translation reserve	335	(2,936)
At end of year	475,448	473,971

Short-term insurance contracts:

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

	2017			2016		
	Gross $´000	Reinsurance $´000	Net $´000	Gross $´000	Reinsurance $´000	Net $´000
Year ended 31 December						
Notified claims	888,638	(366,831)	521,807	792,544	(279,280)	513,264
Incurred but not reported	135,674	(61,506)	74,168	147,572	(71,061)	76,511
Total at beginning of year	1,024,312	(428,337)	595,975	940,116	(350,341)	589,775
Cash paid for claims settled in the year	(1,663,933)	747,368	(916,565)	(1,146,087)	240,670	(905,417)
Increase in liabilities (Note 29)	3,130,912	(2,124,647)	1,006,265	1,239,255	(335,216)	904,039
Net exchange differences	1,109	(27,457)	(26,348)	(8,972)	16,550	7,578
Total at end of year	2,492,400	(1,833,073)	659,327	1,024,312	(428,337)	595,975
Notified claims	2,319,532	(1,733,078)	586,454	888,638	(366,831)	521,807
Incurred but not reported	172,868	(99,995)	72,873	135,674	(61,506)	74,168
	2,492,400	(1,833,073)	659,327	1,024,312	(428,337)	595,975

21. INSURANCE CONTRACTS (continued)

21.1 Movements in insurance liabilities and reinsurance assets (continued)

Short-term insurance contracts: (continued)

	2017			2016		
	Gross $'000	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
(f) Provisions for unearned premiums						
Total at beginning of year	763,888	(328,075)	435,813	768,623	(315,394)	453,229
Increase in the period	789,115	(344,957)	444,158	751,748	(323,508)	428,240
Release in the period	(763,874)	328,099	(435,775)	(776,041)	316,768	(459,273)
Net exchange differences	10,187	(2,781)	7,406	19,558	(5,941)	13,617
Total at end of year	799,316	(347,714)	451,602	763,888	(328,075)	435,813
(g) Group life claims						
Total at beginning of year	18,593	–	18,593	15,949	–	15,949
Cash paid for claims settled in the year	(36,609)	4,817	(31,792)	(37,175)	4,929	(32,246)
Increase in liabilities	45,027	(4,817)	40,210	40,060	(4,929)	35,131
Net exchange differences	583	–	583	(241)	–	(241)
Total at end of year	27,594	–	27,594	18,593	–	18,593

21.2 Claims development tables - property and casualty insurance contracts

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. Claims development tables are disclosed on an accident year basis (where the reference is to the actual date of the event that caused the claim), with the exception of international property and casualty claims, which is disclosed by underwriting year account.

The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year/underwriting year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing on the consolidated statement of financial position as per summary below.

	Total $'000
Insurance claims - gross	
- By accident year	2,282,848
- By underwriting year	209,552
Total liability (Note 21.1 (e))	2,492,400
Insurance claims - net	
- By accident year	603,086
- By underwriting year	56,241
Total liability (Note 21.1 (e))	659,327

Insurance claims - gross Accident year	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of accident year	1,057,731	1,072,487	1,263,854	1,304,067	3,274,126	–
- one year later	1,013,866	1,028,673	1,198,477	1,226,304	–	–
- two years later	981,137	1,030,162	1,193,121	–	–	–
- three years later	980,736	1,024,591	–	–	–	–
- four years later	972,311	–	–	–	–	–
Current estimate of cumulative claims	972,311	1,024,591	1,193,121	1,226,304	3,274,126	7,690,453
Cumulative payments to date	(944,051)	(954,214)	(1,094,035)	(1,122,293)	(1,388,470)	(5,503,063)
Liability recognised in the consolidated statement of financial position	28,260	70,377	99,086	104,011	1,885,656	2,187,390
Liability in respect of prior years						95,458
Total liability						2,282,848

21. INSURANCE CONTRACTS (continued)

21.2 Claims development tables - property and casualty insurance contracts (continued)

Insurance claims - gross

Underwriting year	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	63,900	36,806	28,383	23,764	24,635	–
- one year later	73,511	45,905	37,152	27,090	–	–
- two years later	69,867	42,018	34,063	–	–	–
- three years later	68,669	40,899	–	–	–	–
- four years later	67,449	–	–	–	–	–
Current estimate of cumulative claims	67,449	40,899	34,063	27,090	24,635	194,136
Cumulative payments to date	(63,402)	(35,317)	(23,861)	(12,474)	(6,625)	(141,679)
Liability recognised in the consolidated statement of financial position	4,047	5,582	10,202	14,616	18,010	52,457
Liability in respect of prior years						157,095
Total liability						209,552

Insurance claims - net

Accident year	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of accident year	796,966	874,730	932,486	950,534	1,216,798	–
- one year later	724,351	829,805	868,332	873,737	–	–
- two years later	705,557	834,373	863,433	–	–	–
- three years later	724,879	824,530	–	–	–	–
- four years later	717,413	–	–	–	–	–
Current estimate of cumulative claims	717,413	824,530	863,433	873,737	1,216,798	4,495,911
Cumulative payments to date	(693,738)	(763,530)	(807,976)	(783,748)	(913,419)	(3,962,411)
Liability recognised in the consolidated statement of financial position	23,675	61,000	55,457	89,989	303,379	533,500
Liability in respect of prior years						69,586
Total liability						603,086

21. INSURANCE CONTRACTS (continued)

21.2 Claims development tables - property and casualty insurance contracts (continued)

Insurance claims - net

Underwriting year	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	63,900	36,806	28,383	23,764	24,635	–
- one year later	73,511	45,905	37,152	27,090	–	–
- two years later	69,867	42,018	34,063	–	–	–
- three years later	68,669	40,899	–	–	–	–
- four years later	67,449	–	–	–	–	–
Current estimate of cumulative claims	67,449	40,899	34,063	27,090	24,635	194,136
Cumulative payments to date	(63,402)	(35,317)	(23,861)	(12,474)	(6,625)	(141,679)
Liability recognised in the consolidated statement of financial position	4,047	5,582	10,202	14,616	18,010	52,457
Liability in respect of prior years						3,784
Total liability						56,241

22. FINANCIAL LIABILITIES

	2017 $'000	**2016 $'000**
Non-current portion of financial liabilities		
Medium-term borrowings (Note 22.1)	2,038,043	1,639,461
Current portion of financial liabilities		
Medium-term borrowings	59,371	56,352
Short-term borrowings	216,816	441,039
Total current portion of borrowings (Note 22.1)	276,187	497,391
Interest payable	33,509	33,795
	309,696	531,186
Total	2,347,739	2,170,647

The fair value of medium-term borrowings amounted to $2,235,929,000 (2016: $1,785,949,000). These fair value of borrowings are determined by applying a discounted cash flow model for the remaining term to maturity using a current yield curve for a similar debt instrument. The discount rate used in the valuation technique is based on the borrowing rates of 4.23% - 7.03% (2016: 4.22% - 7.27%) for Trinidad and Tobago debt, 7.09% (2016: 7.87%) for Jamaica debt and 3.63% (2016: 4.01%) for Dutch Caribbean debt. For short-term debt, the carrying amounts approximate their fair value.

The Group has not had any defaults of principal, interest or other breaches with respect to their borrowings during the period (2016 - Nil).

22.1 Borrowings

	2017 $'000	**2016 $'000**
Parent company	1,987,366	1,797,105
Subsidiaries	326,864	339,747
	2,314,230	2,136,852
Current	276,187	497,391
Non-current	2,038,043	1,639,461
	2,314,230	2,136,852

22. FINANCIAL LIABILITIES (continued)

22.1 Borrowings (continued)

The movements in borrowings are summarised below:	2017 $'000	2016 $'000
Balance at beginning of year	2,136,852	2,118,740
Exchange rate adjustments	2,382	16,299
Proceeds from borrowings	252,340	102,098
Repayment of borrowings	(78,810)	(100,254)
Transaction costs on new borrowings capitalised	(2,050)	(3,638)
Transaction costs expensed during the year	3,516	3,607
Balance at end of year	2,314,230	2,136,852

Details of major total current and non-current loans are as follows:

Parent company

Facility 1 – $1 billion

This is a fixed rate 12-year bond ending in December 2023 and comprises two series. Interest is charged at 7.975% per annum and is paid semi-annually. Series 1 principal repayments commenced on 27 July 2011 by 7 equal half-yearly installments of $3,375,000, 16 equal half-yearly installments of $18,750,000 and a final balloon installment of $576,375,000. Series 2 principal repayments commenced 27 January 2012 by 6 equal half-yearly installments of $375,000, 16 equal half-yearly installments of $2,083,333 and a final balloon installment of $64,416,667.

Facility 2 – $517 million

This is a fixed rate 5-year bond ending in December 2019. Interest is charged at 4.25% per annum and is payable in 10 half-yearly installments, which commenced June 2015. The principal is to be repaid at maturity.

Facility 3 – $450 million

This is a secured 5-year fixed rate loan ending in December 2022. Interest is charged at 5.92% per annum and is paid semi-annually. The principal is payable at maturity.

Facilities 1, 2 and 3 are secured by a debenture creating a charge over the fixed and floating assets of Guardian Holdings Limited.

Facility 4 – $150 million

This is an unsecured 1-year fixed rate loan ending in December 2018. Interest is charged at 4.22% per annum. Both the principal and interest are to be repaid at maturity.

Subsidiaries

Loan 1 – US$50 million

This is an unsecured fixed rate 5-year loan ending in June 2021. Interest is fixed at 4.5% and is payable semi-annually. The principal is to be repaid at maturity.

Loan 2 – J$1.8 billion

This is an unsecured fixed rate 7-year loan ending in October 2019. Interest is charged at 8.75% and is payable quarterly in arrears. The principal is repayable by 21 equal quarterly payments of J$79,600,000 and a final payment of J$80,400,000, which commenced 31 July 2014. This loan is guaranteed by Guardian Holdings Limited.

23. INVESTMENT CONTRACT LIABILITIES

The movements in the liabilities arising from investment contracts are summarised below:	2017 $'000	2016 $'000
Balance at beginning of year	1,811,761	1,697,594
Premiums received	286,662	238,440
Fees deducted from account balances	(17,453)	(9,972)
Account balances paid on surrender and other terminations in the year	(183,496)	(183,351)
Interest credited through income	67,652	64,128
Other movements	2,979	5,792
Exchange rate adjustments	21,367	(870)
Balance at end of year	1,989,472	1,811,761

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

24. THIRD PARTY INTERESTS IN MUTUAL FUNDS

	2017 $'000	2016 $'000
Balance at beginning of year	1,082,711	1,045,130
Change in liability for interest in consolidated funds (Note 32)	17,295	28,391
Unrealised gains/(losses)	21,192	(8,412)
Net change in mutual fund holder balances	69,753	29,847
Distributions	(13,072)	(12,245)
Balance at end of year	1,177,879	1,082,711

25. POST-RETIREMENT MEDICAL BENEFIT OBLIGATIONS

	2017 $´000	2016 $´000
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of obligations	105,804	89,646
The amount in the consolidated statement of income is made up as follows:		
Interest cost	4,517	3,456
Current service cost	2,264	2,358
Expense for the year (Note 35)	6,781	5,814
The movement in the liability is as follows:		
Balance at beginning of year	89,646	78,636
Exchange rate adjustments	163	2,298
Remeasurement of obligation (actuarial losses)	12,025	5,354
Employer contributions	(2,811)	(2,456)
Expense as per above	6,781	5,814
Balance at end of year	105,804	89,646

The principal actuarial assumptions used were as follows:

	2017	2016
Discount rate	3.6% - 8%	4.2% - 9%
Healthcare cost escalation	2% - 8%	2.5% - 9%
Retiree premium escalation:		
Existing retirees	0% - 5%	0% - 5%
Future retirees	0% - 5%	0% - 5%
Pre-retirement mortality	GBM/GBV 2000-2005	GBM/GBV 2000-2005
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2017 is shown below:

	Impact on the obligation Increase $´000	Decrease $´000
1% increase/decrease in discount rate	(15,821)	20,534
1% increase/decrease in medical cost trend rate	19,973	(15,670)

Expected contributions to post-employment benefit plans for the year ending 31 December 2018 are $2,869,000.

26. OTHER LIABILITIES

	2017 $´000	2016 $´000
Deposits and premiums received in advance	97,301	102,449
Amount due to reinsurers	559,314	202,139
Sundry payables	691,843	606,379
	1,348,458	910,967

27. NET PREMIUM INCOME

	2017 $´000	2016 $´000
(a) Insurance premium income		
Long-term insurance contracts	2,352,924	2,518,048
Short-term insurance contracts:		
- premiums receivable	3,119,720	2,957,088
- change in unearned premium provision	(25,240)	24,293
	5,447,404	5,499,429
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(97,614)	(98,230)
Short-term reinsurance contracts:		
- premiums payable	(1,448,082)	(1,365,444)
- change in unearned premium provision	16,858	6,740
	(1,528,838)	(1,456,934)

28. POLICY ACQUISITION EXPENSES

	2017 $´000	2016 $´000
Commissions	628,807	592,639
Other expenses for the acquisition of insurance and investment contracts	54,620	50,500
	683,427	643,139

29. NET INSURANCE BENEFITS AND CLAIMS

	2017 $´000	2016 $´000
Insurance benefits - gross	2,143,680	2,184,929
Insurance benefits - recovered from reinsurers	(44,115)	(49,963)
Insurance claims and loss adjustment expenses - gross (Note 21.1(e))	3,130,912	1,239,255
Insurance claims and loss adjustment expenses - recovered from reinsurers (Note 21.1(e))	(2,124,647)	(335,216)
	3,105,830	3,039,005

Insurance benefits 2017	Gross $´000	Reinsurance $´000	Net $´000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	802,546	(6,347)	796,199
- increase in liabilities	400,801	907	401,708
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	482,851	(33,858)	448,993
- change in unit prices	411,291	–	411,291
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	1,844	–	1,844
- decrease in liabilities	(680)	–	(680)
Short-term insurance contracts - life	45,027	(4,817)	40,210
Total cost of policyholder benefits	2,143,680	(44,115)	2,099,565

Insurance benefits 2016	Gross $´000	Reinsurance $´000	Net $´000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	645,390	(21,026)	624,364
- increase in liabilities	740,272	678	740,950
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	426,054	(24,686)	401,368
- change in unit prices	332,170	–	332,170
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	1,667	–	1,667
- decrease in liabilities	(684)	–	(684)
Short-term insurance contracts - life	40,060	(4,929)	35,131
Total cost of policyholder benefits	2,184,929	(49,963)	2,134,966

30. INVESTMENT INCOME

	2017 $´000	2016 $´000
Fair value through profit or loss assets - interest income	238,876	222,730
Fair value through profit or loss assets - dividend income	81,642	66,830
Held-to-maturity assets - interest income	496,925	464,574
Loans and receivables - interest income	66,783	64,532
Cash and cash equivalents - interest income	6,597	10,415
Direct investment expenses	(14,731)	(11,596)
	876,092	817,485

31. NET REALISED GAINS/(LOSSES)

	2017 $´000	2016 $´000
Equity securities	11,221	57,729
Debt securities	4,569	(793)
Other assets	(891)	(1,202)
	14,899	55,734

32. NET FAIR VALUE GAINS/(LOSSES)

	2017 $´000	2016 $´000
Net fair value gains on financial assets at fair value through profit or loss	252,824	44,459
Provision for impairment	738	(3,350)
Change in liability for mutual funds (Note 24)	(17,295)	(28,391)
Fair value adjustment on investment properties (Note 6)	9,306	44,233
	245,573	56,951

33. FEE INCOME

	2017 $´000	2016 $´000
Policy administration and asset management services:		
- Insurance contracts	10,637	8,166
- Investment contracts without a discretionary participation feature	29,001	25,821
Surrender charges – insurance contracts	6,935	13,422
Other	6,782	6,314
	53,355	53,723

34. OTHER INCOME/(LOSS)

	2017 $´000	2016 $´000
Rental income	72,800	49,850
Foreign exchange (losses)/gains	(2,734)	56,060
Net loss for the year on pension plan assets (Note 12)	(23,741)	(23,776)
Other income	22,093	23,278
	68,418	105,412

35. OPERATING EXPENSES

	2017 $´000	2016 $´000
Staff cost	588,475	591,346
Depreciation and amortisation	65,473	79,096
Auditors´ remuneration	11,888	12,247
Directors´ fees	8,178	7,804
Other expenses	427,891	427,154
	1,101,905	1,117,647
Staff cost includes:		
Wages, salaries and bonuses	439,384	417,185
Health and medical	15,865	15,429
Staff training	2,894	4,245
National insurance	45,702	45,870
Pension costs	22,963	20,516
Post-retirement medical benefit obligations (Note 25)	6,781	5,814
Termination benefits	5,685	7,529
Other	49,201	74,758
	588,475	591,346

36. FINANCE CHARGES

	2017 $´000	2016 $´000
Interest on borrowings	128,893	129,605

37. TAXATION

	2017 $´000	2016 $´000
Current tax	98,263	131,000
Business levy/green fund levy	6,247	7,221
Prior year taxation adjustment	(3,541)	760
Deferred tax (Note 13)	8,955	(8,832)
	109,924	130,149

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

	2017 $´000	2016 $´000
Profit before taxation	520,215	520,587
Prima facie tax calculated at domestic corporation tax rate of 30% (2016: 25%)	156,065	130,147
Effect of different tax rate of life insurance companies	(17,055)	(20,096)
Effect of different tax rate in other countries	(43,085)	(6,200)
Income not subject to tax	(257,210)	(289,775)
Expenses not deductible for tax purposes	223,022	293,297
Net adjustment to recognised and unrecognised tax losses	(65)	(1,759)
Tax reliefs and deductions	(17,413)	(3,108)
Business levy/green fund levy	6,247	7,221
Prior year taxation adjustment	(3,541)	760
Other	62,959	19,662
Tax charge for the period	109,924	130,149

38. EARNINGS PER SHARE

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

	2017 $'000	2016 $'000
Net profit attributable to ordinary shareholders	406,609	395,800
Net profit attributable to ordinary shareholders from continuing operations	406,609	373,029
Net profit attributable to ordinary shareholders from discontinued operations	–	22,771
	Number of shares ('000)	
Weighted average number of ordinary shares in issue (thousands)	231,691	231,900
	$	**$**
Basic earnings per ordinary share	1.75	1.71
Basic earnings per ordinary share from continuing operations	1.75	1.61
Basic earnings per ordinary share from discontinued operations	-	0.10

39. DIVIDENDS

	2017 $'000	2016 $'000
Final dividend for 2016 - 45¢ per share (2015 - 42¢ per share)	104,355	97,398
Interim dividend for 2017 - 22¢ per share (2016 - 21¢ per share)	51,018	48,699
	155,373	146,097

On 8 March 2018, the Board of Directors declared a final dividend of 45 cents per share (2016 - 45 cents), a total dividend to be paid of $104 million (2016: $104 million). These consolidated financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2018.

40. ADJUSTMENT FOR NON-CASH ITEMS

	2017 $'000	2016 $'000
Share of profit from associated companies (Note 8)	(18,646)	(3,285)
Net fair value gains on financial and other assets	(260,364)	(49,380)
Change in liability for interest in consolidated funds (Note 24)	17,295	28,391
Net realised gains on financial and other assets	(15,790)	(57,805)
Impairment of financial assets	(298)	1,026
Net loss for the year on post-employment benefits	30,522	29,590
Depreciation and amortisation (Note 35)	65,473	79,096
Loss on disposal of property, plant & equipment	7,766	3,272
Change in fair value of other investment properties (Note 6)	(9,306)	(44,233)
Change in fair value adjustment on Pointe Simon (Note 6)	7,101	7,244
Loss on disposal of investment property	893	1,267
Foreign exchange gains	(86,709)	(262,822)
Other non-cash expense	2,743	25,430
	(259,320)	(242,209)

41. 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 consolidated statement of financial position.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2017				
Assets measured at fair value:				
Freehold properties	–	343,920	118,997	462,917
Investment properties	–	1,450,493	3,871	1,454,364
Financial assets at fair value through profit or loss:				
Equity securities	2,977,445	14,504	157,841	3,149,790
Government securities	836,333	1,878,799	12,402	2,727,534
Debentures & corporate bonds	257,924	1,593,910	7,975	1,859,809
Other	3,227	15,788	11,592	30,607
	4,074,929	5,297,414	312,678	9,685,021

41. FAIR VALUE MEASUREMENT (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2016				
Assets measured at fair value:				
Freehold properties	–	325,625	119,787	445,412
Investment properties	–	1,252,426	4,520	1,256,946
Financial assets at fair value through profit or loss:				
Equity securities	2,349,844	4,229	69,532	2,423,605
Government securities	851,476	1,662,652	12,408	2,526,536
Debentures & corporate bonds	163,768	1,561,409	11,398	1,736,575
Other	3,029	7,959	11,659	22,647
Assets held for sale	251	–	–	251
	3,368,368	4,814,300	229,304	8,411,972

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

Reconciliation of movements in level 3 financial instruments 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.

	At 1 Jan 2017 $'000	Exchange rate adjustments $'000	Total gain/(loss) in statement of income $'000	Purchases $'000	Sales $'000	Transfers into/(out of) level 3 $'000	Other movements $'000	At 31 Dec 2017 $'000
Assets measured at fair value:								
Freehold properties	119,787	300	–	2,342	–	–	(3,432)	118,997
Investment properties	4,520	12	(43)	–	(618)	–	–	3,871
Financial assets at fair value through profit or loss:								
Equity securities	69,532	249	(379)	93,018	(550)	(3,779)	(250)	157,841
Government securities	12,408	(163)	–	16,443	(16,286)	–	–	12,402
Debentures & corporate bonds	11,398	(109)	17	6,237	(9,115)	(453)	–	7,975
Other	11,659	(102)	160	–	(125)	–	–	11,592
	229,304	187	(245)	118,040	(26,694)	(4,232)	(3,682)	312,678

41. FAIR VALUE MEASUREMENT (continued)

Reconciliation of movements in level 3 financial instruments measured at fair value (continued)

	At 1 Jan 2016 $'000	Exchange rate adjustments $'000	Total gain/(loss) in statement of income $'000	Purchases $'000	Sales $'000	Transfers into/(out of) level 3 $'000	Other movements $'000	At 31 Dec 2016 $'000
Assets measured at fair value:								
Freehold properties	105,301	5,336	–	9,079	–	–	71	119,787
Investment properties	8,421	411	(1,146)	113	(3,279)	–	–	4,520
Financial assets at fair value through profit or loss:								
Equity securities	35,528	1,060	(265)	33,173	(1)	–	37	69,532
Government securities	10,202	497	–	19,744	(18,129)	94	–	12,408
Debentures & corporate bonds	15,950	400	(1,854)	7,695	(7,162)	(3,631)	–	11,398
Other	11,515	120	302	–	(278)	–	–	11,659
	186,917	7,824	(2,963)	69,804	(28,849)	(3,537)	108	229,304

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

	2017 $'000	2016 $'000
Assets measured at fair value:		
Financial assets at fair value through profit or loss:		
Equity securities	(404)	(265)
Debentures & corporate bonds	18	(1,854)
Other	160	302
	(226)	(1,817)

Gains or losses (realised and unrealised) for the year are presented in the consolidated statement of income as follows:

	Realised losses $'000	Fair value losses $'000	Total $'000
2017			
Total losses included in the consolidated statement of income for the year	(19)	(226)	(245)
Total losses included in the consolidated statement of income for the year for assets and liabilities held at the end of the year	–	(226)	(226)
2016			
Total losses included in the consolidated statement of income for the year	(1,146)	(1,817)	(2,963)
Total losses included in the consolidated statement of income for the year for assets and liabilities held at the end of the year	–	(1,817)	(1,817)

The Group does not regard that any reasonable change in the valuation assumptions of level 3 assets and liabilities will have any significant impact on the financial statements.

41. FAIR VALUE MEASUREMENT (continued)

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 2017				
Assets for which fair values are disclosed:				
Held to maturity financial assets:				
Government securities	–	7,607,220	–	7,607,220
Debentures & corporate bonds	–	800,431	–	800,431
Loans and receivables (debt securities)	–	188,076	–	188,076
	–	8,595,727	–	8,595,727
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	2,235,929	–	2,235,929
At 31 December 2016				
Assets for which fair values are disclosed:				
Held to maturity financial assets:				
Government securities	–	6,930,555	–	6,930,555
Debentures & corporate bonds	–	661,036	–	661,036
Loans and receivables (debt securities)	–	196,517	–	196,517
	–	7,788,108	–	7,788,108
Liabilities for which fair values are disclosed:				
Medium-term borrowings	–	1,785,949	–	1,785,949

42. SEGMENT INFORMATION

The segment results for the year ended 31 December 2017 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2017					
Insurance activities					
Insurance premium income	3,345,538	2,101,866	–	–	5,447,404
Insurance premium ceded to reinsurers	(197,211)	(1,331,627)	–	–	(1,528,838)
Commission income	39,608	234,182	–	–	273,790
Net underwriting revenue	3,187,935	1,004,421	–	–	4,192,356
Policy acquisition expenses	(419,131)	(268,112)	–	3,816	(683,427)
Net insurance benefits and claims	(2,688,719)	(417,111)	–	–	(3,105,830)
Underwriting expenses	(3,107,850)	(685,223)	–	3,816	(3,789,257)
Net result from insurance activities	80,085	319,198	–	3,816	403,099
Investing activities					
Investment income	806,700	63,154	63,733	(57,495)	876,092
Net realised gains/(losses)	7,975	(588)	8,291	(779)	14,899
Net fair value gains/(losses)	231,435	33,344	(7,580)	(11,626)	245,573
Fee income	19,052	7,726	35,030	(8,453)	53,355
Other income/(loss)	62,958	(3,352)	2,008	6,804	68,418
Investment contract benefits	(67,380)	–	–	–	(67,380)
Net income/(loss) from investing activities	1,060,740	100,284	101,482	(71,549)	1,190,957
Fee and commission income from brokerage activities	–	138,311	–	–	138,311
Net income/(loss) from all activities	1,140,825	557,793	101,482	(67,733)	1,732,367
Operating expenses	(566,716)	(433,486)	(49,120)	(52,583)	(1,101,905)
Finance charges	(4,583)	(16,904)	(1,268)	(106,138)	(128,893)

42. SEGMENT INFORMATION (continued)

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Operating profit/(loss)	569,526	107,403	51,094	(226,454)	501,569
Share of profit after tax of associated companies	–	8,436	–	10,210	18,646
Profit/(loss) before taxation	569,526	115,839	51,094	(216,244)	520,215
Taxation	(84,847)	(16,656)	(10,388)	1,967	(109,924)
Profit/(loss) after taxation	484,679	99,183	40,706	(214,277)	410,291
Amount attributable to participating policyholders	(1,142)	–	–	–	(1,142)
Profit/(loss) for the year	483,537	99,183	40,706	(214,277)	409,149

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

The segment results for the year ended 31 December 2016 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2016					
Insurance activities					
Insurance premium income	3,466,407	2,033,022	–	–	5,499,429
Insurance premium ceded to reinsurers	(168,044)	(1,288,890)	–	–	(1,456,934)
Commission income	26,961	225,342	–	–	252,303
Net underwriting revenue	3,325,324	969,474	–	–	4,294,798
Policy acquisition expenses	(386,374)	(262,832)	–	6,067	(643,139)
Net insurance benefits and claims	(2,687,372)	(351,633)	–	–	(3,039,005)
Underwriting expenses	(3,073,746)	(614,465)	–	6,067	(3,682,144)

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Net result from insurance activities	251,578	355,009	–	6,067	612,654
Investing activities					
Investment income	738,372	69,133	61,639	(51,659)	817,485
Net realised gains/(losses)	49,789	(47)	10,307	(4,315)	55,734
Net fair value gains/(losses)	83,714	15,129	(31,152)	(10,740)	56,951
Fee income	26,654	3,269	27,988	(4,188)	53,723
Other income/(loss)	99,857	8,453	10,553	(13,451)	105,412
Investment contract benefits	(64,407)	–	–	–	(64,407)
Net income/(loss) from investing activities	933,979	95,937	79,335	(84,353)	1,024,898
Fee and commission income from brokerage activities	–	127,002	–	–	127,002
Net income/(loss) from all activities	1,185,557	577,948	79,335	(78,286)	1,764,554
Operating expenses	(546,602)	(410,119)	(41,028)	(119,898)	(1,117,647)
Finance charges	(4,921)	(21,437)	(397)	(102,850)	(129,605)
Operating profit/(loss)	634,034	146,392	37,910	(301,034)	517,302
Share of profit/(loss) after tax of associated companies	–	(1,588)	–	4,873	3,285
Profit/(loss) before taxation	634,034	144,804	37,910	(296,161)	520,587
Taxation	(96,000)	(32,117)	(8,502)	6,470	(130,149)
Profit/(loss) after taxation	538,034	112,687	29,408	(289,691)	390,438
Amount attributable to participating policyholders	(15,552)	–	–	–	(15,552)
Profit/(loss) from continuing operations	522,482	112,687	29,408	(289,691)	374,886
Net gain on discontinued operations	14,568	8,203	–	–	22,771
Profit/(loss) for the year	537,050	120,890	29,408	(289,691)	397,657

42. SEGMENT INFORMATION (continued)

The segment assets and liabilities are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2017					
Assets					
Intangible assets	137,488	177,125	–	214,372	528,985
Investment in associated companies	–	69,711	–	151,133	220,844
Financial assets	15,538,345	1,146,310	117,519	(161,419)	16,640,755
Financial assets of mutual fund unit holders	86,133	–	1,073,022	(147,751)	1,011,404
Loans and receivables	1,441,389	581,354	132,402	147,835	2,302,980
Properties for development and sale	–	–	–	103,475	103,475
Reinsurance assets	42,328	2,169,496	–	–	2,211,824
Deferred acquisition costs	3,537	89,078	–	–	92,615
Cash and cash equivalents of mutual fund unit holders	209,615	10,254	371,064	(219,871)	371,062
Other assets	3,032,780	1,438,028	83,617	(151,733)	4,402,692
Total assets	20,491,615	5,681,356	1,777,624	(63,959)	27,886,636
Liabilities					
Insurance liabilities	14,021,411	3,134,932	–	(23,530)	17,132,813
Other liabilities	2,766,044	1,095,667	1,582,452	1,986,775	7,430,938
Total liabilities	16,787,455	4,230,599	1,582,452	1,963,245	24,563,751
Capital expenditure	82,729	26,725	47	36,550	146,051
Year ended 31 December 2016					
Assets					
Intangible assets	139,092	164,651	–	211,420	515,163
Investment in associated companies	–	61,099	–	150,467	211,566
Financial assets	14,074,498	1,366,607	108,292	(157,612)	15,391,785
Financial assets of mutual fund unit holders	74,992	–	1,062,084	(160,769)	976,307
Loans and receivables	1,274,523	493,360	84,465	125,725	1,978,073
Properties for development and sale	–	–	–	168,972	168,972
Reinsurance assets	56,788	734,008	–	–	790,796
Deferred acquisition costs	2,955	85,543	–	–	88,498

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Cash and cash equivalents of mutual fund unit holders	182,071	10,033	159,986	(190,948)	161,142
Assets held for sale	–	251	–	–	251
Other assets	3,105,242	1,093,011	147,588	(443,771)	3,902,070
Total assets	18,910,161	4,008,563	1,562,415	(296,516)	24,184,623
Liabilities					
Insurance liabilities	13,036,645	1,639,267	–	(12,744)	14,663,168
Liabilities related to assets held for sale	–	251	–	–	251
Other liabilities	2,555,184	913,741	1,383,268	1,605,416	6,457,609
Total liabilities	15,591,829	2,553,259	1,383,268	1,592,672	21,121,028
Capital expenditure	251,841	31,845	180	33,231	317,097

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

	Total revenue from external customers 2017 $'000	2016 $'000	Non-current assets 2017 $'000	2016 $'000
Trinidad and Tobago	2,481,702	2,639,872	1,053,850	1,055,173
Jamaica	1,140,052	1,036,084	717,310	648,991
Barbados	175,655	165,532	52,031	57,438
Dutch Caribbean	1,419,647	1,248,087	323,728	330,237
Latin America	106,641	128,921	–	–
Other countries	265,307	292,609	763,493	654,242
	5,589,004	5,511,105	2,910,412	2,746,081

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.

43. CONTINGENT LIABILITIES

Legal proceedings

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

44. COMMITMENTS

Capital commitments

As at the year end, the Group has no material capital commitments.

Operating lease commitments – where a Group company is the lessee

	2017 $´000	2016 $´000
The aggregate minimum lease payments under operating leases are as follows:		
Not later than one year	24,828	24,203
Later than one year and no later than five years	49,587	57,280
	74,415	81,483

Rental expense under these leases amounted to $20,442,000 for the year ended 31 December 2017 (2016 - $26,147,000).

45. RELATED PARTY DISCLOSURES

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

Principal subsidiaries	Country of Incorporation	Effective percentage of interest held 2017	2016
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 & Investment Services Limited	Trinidad and Tobago	100.0	100.0
Bancassurance Caribbean Limited	Trinidad and Tobago	100.0	100.0
Laevulose Inc. Limited	Trinidad and Tobago	100.0	100.0
Guardian Shared Services Limited	Trinidad and Tobago	100.0	100.0
Fatum Holding N.V.	Curaçao	100.0	100.0
Fatum Accident & Health N.V.	Curaçao	100.0	100.0
Fatum General Insurance Aruba N.V.	Aruba	100.0	100.0
Fatum General Insurance N.V.	Curaçao	100.0	100.0
Fatum Life Aruba N.V.	Aruba	100.0	100.0
Fatum Life N.V.	Curaçao	100.0	100.0
Homes & Properties N.V.	Curaçao	100.0	100.0
Thoma Exploitatie B.V.	Netherlands	100.0	100.0
Kruit en Venema Assuradeuren B.V.	Netherlands	100.0	100.0
Guardian Life Limited	Jamaica	100.0	100.0
Guardian General Insurance Jamaica Limited	Jamaica	100.0	100.0
Guardian Resorts (Jamaica) Limited	Jamaica	100.0	100.0
Guardian Re (SAC) Limited	Bermuda	100.0	100.0
Guardian Group St. Lucia Holdings Limited	St. Lucia	100.0	100.0
Guardian General Insurance (OECS) Limited	Grenada	59.4	59.4
Guardian Life (OECS) Limited	Grenada	100.0	100.0
Gamay Investments Limited	Malta	100.0	100.0

45. RELATED PARTY DISCLOSURES (continued)

Associated companies	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held 2017	2016
RoyalStar Holdings Limited	Property and Casualty Insurer	Bahamas	26.3%	26.3%
RGM Limited	Property Development & Facilities Management	Trinidad and Tobago	33.3%	33.3%
Sas Compagnie Hoteliere de la Pointe Simon	Hotel Operations	Martinique	24.0%	24.0%

A number of transactions are entered into with related parties in the normal course of business. These transactions are carried out on commercial terms and conditions at market rates. The following transactions were carried out with related parties:

	2017 $´000	2016 $´000
(a) Sales of insurance contracts and other services:		
- Key management personnel	260	267
(b) Interest income from:		
- Key associates	23,176	14,992
(c) Financial assets of:		
- Key associates	344,620	345,927
(d) Key management personnel compensation:		
- Salaries and other short-term employee benefits	125,165	103,189
- Post-employment benefits	25,272	20,277
(e) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	35,955	30,214
Exchange rate adjustments	568	147
Loans advanced during the year	5,936	8,548
Loan repayments received	(6,131)	(2,948)
Interest charged	1,303	1,284
Interest received	(1,315)	(1,290)
Balance at end of year	36,316	35,955

	2017 $´000	2016 $´000
Loans to key associates:		
Balance at beginning of year	116,599	126,554
Exchange rate adjustments	16,092	2,179
Loans advanced during the year	–	2,898
Loan repayments received	(5,396)	(19,101)
Interest charged	2,536	4,069
Interest received	(3,052)	–
Balance at end of year	126,779	116,599

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2016: 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.

Loans to key management of the Group are secured and settlement occurs in cash. The details of the loan advanced to CHPS are disclosed in Note 11.

46. 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	
	2017	**2016**
	$'000	**$'000**
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	476,593	417,971
Investments	3,340,024	2,564,272
Interest and other receivables	124,058	106,007
	3,940,675	3,088,250

47. 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:

	2017	**2016**
	$'000	**$'000**
Statutory deposits/funds	9,370,896	8,295,699

FINANCIALS EXPRESSED IN US DOLLARS

31 December 2017

The Group's Consolidated Statement of Financial Position and Consolidated Statement of 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$6.76275 to US$1.00.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2017 US$'000	2016 US$'000
Assets		
Property, plant and equipment	89,127	87,750
Investment properties	215,055	185,863
Intangible assets	78,220	76,177
Investment in associated companies	32,656	31,284
Financial assets	2,460,649	2,275,965
Financial assets of mutual fund unit holders	149,555	144,365
Loans and receivables	340,539	292,495
Properties for development and sale	15,301	24,986
Pension plan assets	12,267	15,695
Deferred tax assets	5,934	3,600
Reinsurance assets	327,060	116,934
Deferred acquisition costs	13,695	13,086
Taxation recoverable	24,129	26,195
Cash and cash equivalents	304,509	257,891
Cash and cash equivalents of mutual fund unit holders	54,869	23,828
Assets held for sale	–	37
Total assets	4,123,565	3,576,151
Equity and liabilities		
Share capital	294,773	300,511
Reserves	(58,495)	(80,912)
Retained earnings	251,663	230,089
Equity attributable to owners of the parent	487,941	449,688
Non-controlling interests in subsidiary	3,411	3,322
Total equity	491,352	453,010
Liabilities		
Insurance contracts	2,533,409	2,168,226
Financial liabilities	347,157	320,971
Investment contract liabilities	294,181	267,903
Third party interests in mutual funds	174,172	160,099
Pension plan liabilities	19,254	10,092
Post-retirement medical benefit obligations	15,645	13,256
Deferred tax liabilities	40,420	36,492
Provision for taxation	8,580	11,362
Other liabilities	199,395	134,703
Liabilities related to assets held for sale	–	37
Total liabilities	3,632,213	3,123,141
Total equity and liabilities	4,123,565	3,576,151

CONSOLIDATED STATEMENT OF INCOME	2017 US$'000	2016 US$'000
Insurance activities		
Insurance premium income	805,501	813,194
Insurance premium ceded to reinsurers	(226,068)	(215,435)
Reinsurance commission income	40,485	37,308
Net underwriting revenue	619,918	635,067
Policy acquisition expenses	(101,058)	(95,100)
Net insurance benefits and claims	(459,255)	(449,374)
Underwriting expenses	(560,313)	(544,474)
Net result from insurance activities	59,605	90,593
Investing activities		
Investment income	129,547	120,881
Net realised gains	2,203	8,241
Net fair value gains	36,313	8,421
Fee income	7,890	7,944
Other income	10,117	15,587
Investment contract benefits	(9,963)	(9,524)
Net income from investing activities	176,107	151,550
Fee and commission income from brokerage activities	20,452	18,780
Net income from all activities	256,164	260,923
Operating expenses	(162,937)	(165,265)
Finance charges	(19,059)	(19,165)
Operating profit	74,168	76,493
Share of profit after tax of associated companies	2,757	486
Profit before taxation	76,925	76,979
Taxation	(16,254)	(19,245)
Profit after taxation	60,671	57,734
Amount attributable to participating policyholders	(169)	(2,300)
Profit from continuing operations	60,502	55,434
Net gain on discontinued operations	–	3,367
Profit for the year	60,502	58,801
Profit attributable to non-controlling interests	(376)	(275)
Profit attributable to equity holders of the parent	60,126	58,526
Earnings per share		
- Basic	$ 0.26	$ 0.25
- Basic - for continuing operations	$ 0.26	$ 0.24

Financials Expressed in US Dollars (continued)
31 December 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	2017 US$'000	2016 US$'000
Profit for the year	60,502	58,801
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	22,630	6,076
Net other comprehensive income that may be reclassified subsequently to profit or loss	22,630	6,076
Items that will not be reclassified subsequently to profit or loss:		
(Losses)/gains on property revaluation	(454)	4,533
Remeasurement of pension plans	(12,087)	2,065
Remeasurement of post-retirement medical benefit obligations	(1,778)	(792)
Other reserve movements	(4,424)	(52)
Taxation	135	(584)
Net other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(18,608)	5,170
Other comprehensive income for the period, net of tax	4,022	11,246
Total comprehensive income for the period, net of tax	64,524	70,047
Comprehensive income attributable to non-controlling interests	(329)	(465)
Comprehensive income attributable to equity holders of the parent	64,195	69,582

Name of Company: GUARDIAN HOLDINGS LIMITED

Company No. G – 967 (C)

I. Particulars of Meeting:

Annual Meeting of the Company to be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings on Tuesday, April 24, 2018 at 4:30 in the afternoon

II. Solicitation:

It is intended to vote the proxy solicited hereby (unless the shareholder directs otherwise) in favour of all resolutions specified therein

III. Any director's statement submitted pursuant to section 76 (2):

No statement has been received from any Director pursuant to Section 76 (2) of the Companies Act, Ch. 81:01

IV. Any auditor's statement submitted pursuant to section 171 (1):

No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of the Companies Act, Ch. 81:01

V. Any shareholder's proposal submitted pursuant to sections 116 (a) and 117 (2):

No proposal has been received from any Shareholder pursuant to Sections 116 (a) and 117 (2) of the Companies Act, Ch. 81:01

Date	Name and Title	Signature
March 08, 2018	Fé Lopez-Collymore Corporate Secretary	

FORM OF PROXY

REPUBLIC OF TRINIDAD AND TOBAGO
THE COMPANIES ACT, CH 81:01
[SECTION 143 (1)]

1. Name of Company: **GUARDIAN HOLDINGS LIMITED** Company No. G - 967 (C)
2. Particulars of Meeting: Annual Meeting of the Company to be held at 4:30 in the afternoon on Tuesday, April 24, 2018.

I/We (block capitals please) ______________________________ being Shareholder(s) in the above Company **(or in the case of an owner whose shares are held in a Clearing Agency being authorised by the Clearing Agency to do so)** appoint (s) the Chairman of the Meeting, or failing him, ______________________________ of ______________________________

to be my/our Proxy to attend and vote for me/us on my/our behalf at the above meeting and any adjournment thereof as indicated below on the Resolutions to be proposed in the same manner, to the same extent and with the same powers as if I/we were present at the said meeting or such adjournment or adjournments thereof.

Please indicate with an "X" in the spaces below how you wish your Proxy to vote on the resolutions referred to. If no such indication is given the Proxy will exercise his discretion as to how he votes or whether he abstains from voting:

	FOR	AGAINST
RESOLUTION 1: BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2017 and Reports of the Directors and the Auditors thereon be received and adopted		
RESOLUTION 2 (a): BE IT RESOLVED THAT Mr. Arthur Lok Jack be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this re-election subject to the provisions of Regulation 4.5 of By-Law No. 1.		
RESOLUTION 2 (b): BE IT RESOLVED THAT Mr. Antony Lancaster be and is hereby re-elected a Director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this re-election subject to the provisions of Regulation 4.5 of By-Law No. 1.		
RESOLUTION 2 (c): BE IT RESOLVED THAT Mr. Imtiaz Ahamad be and is hereby re-elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this re-election subject to the provisions of Regulation 4.5 of By-Law No. 1.		
RESOLUTION 3: BE IT RESOLVED THAT Ernst & Young be reappointed as auditors of the Company and that the Directors be authorised to fix their remuneration for the ensuing year.		

Signature(s) ______________________________ **Date:** ______________________________

NOTES:

1. If it is desired to appoint a proxy other than the Chairman of the Meeting, the necessary deletion must be made and initialed and the name inserted in the space provided.
2. In the case of joint holders the signature of any holder is sufficient but the names of all joint holders should be stated.
3. If the appointor is a corporation this form must be under its common seal or under the hand of its attorney in fact.

Mail or deliver to: The Corporate Secretary
Guardian Holdings Limited
P.O. Box 88
1 Guardian Drive, Westmoorings, 110612
Trinidad and Tobago

For official use only	
Folio Number	
No. of Shares	

Guardian Group

Guardian Holdings Limited

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