STATEMENT OF MANAGEMENT´S RESPONSIBILITIES

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Guardian Life of The Caribbean Limited (the Company) and its subsidiaries (the Group) and which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group´s assets, detection/prevention of fraud, and the achievement of the Group´s operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act and Insurance Act; and
- Using reasonable and prudent judgement in the determination of estimates.

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

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

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

Mr. Anand Pascal	Ms. Samanta Saugh
President	Vice President Finance
27 April 2022	27 April 2022

INDEPENDENT AUDITOR´S REPORT

pwc

To the shareholder of Guardian Life of The Caribbean Limited

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Guardian Life of The Caribbean Limited (the Company) and its subsidiaries (together ´the Group´) as at 31 December 2021, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group´s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor´s responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Other matter

The comparative information as at and for the year ended 31 December 2020 has not been audited.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor´s responsibilities for the audit of the consolidated financial statements

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

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

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

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

PricewaterhouseCoopers
Port of Spain
Trinidad, West Indies
27 April 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

	Notes	2021 $'000	2020 $'000
Assets			
Property, plant and equipment	5	193,378	202,970
Right-of-use assets	6 (a)	14,141	18,639
Investment properties	7	788,158	803,460
Investment securities	9	9,688,154	8,835,776
Loans and receivables	10	382,714	453,696
Pension plan assets	11	5,384	3,506
Deferred tax assets	12	28,978	4,643
Reinsurance assets	13	2,225	6,693
Deferred acquisition costs	14	5,346	4,815
Taxation recoverable		38,251	28,856
Cash and cash equivalents	15	1,740,080	1,813,031
Total assets		12,886,809	12,176,085
Equity and liabilities			
Share capital	16	100,465	100,465
Reserves	17	(94,864)	(71,325)
Retained earnings		2,468,555	2,196,402
Equity attributable to owners of the Group		2,474,156	2,225,542
Non-controlling interests in subsidiary		260,375	261,955
Total equity		2,734,531	2,487,497
Liabilities			
Insurance contracts	18	8,532,172	8,075,143
Financial liabilities	20	34,725	34,719
Lease liabilities	6 (b)	21,070	24,572
Investment contract liabilities	19	1,064,392	1,071,856
Pension plan liabilities	11	24,844	57,615
Post-retirement medical benefit obligations	21	34,643	33,718
Deferred tax liabilities	12	229,505	182,878
Provision for taxation		6,203	19,971
Other liabilities	22	204,724	188,116
Total liabilities		10,152,278	9,688,588
Total equity and liabilities		12,886,809	12,176,085

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

On 27 April 2022, the Board of Directors of Guardian Life of The Caribbean Limited authorised these consolidated financial statements for issue.

Director: Director:

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

	Notes	2021 $'000	2020 $'000
Insurance activities			
Insurance premium income	23 (a)	2,389,406	2,300,563
Insurance premium ceded to reinsurers	23 (b)	(145,754)	(139,522)
Reinsurance commission income		428	4,645
Net underwriting revenue		2,244,080	2,165,686
Policy acquisition expenses	24	(262,518)	(283,552)
Net insurance benefits and claims	25	(1,680,897)	(1,709,525)
Underwriting expenses		(1,943,415)	(1,993,077)
Net result from insurance activities		300,665	172,609
Investing activities			
Investment income from financial assets measured at amortised cost	26	165,496	155,345
Other investment income	26	284,965	248,582
Net realised (losses)/gains on financial assets measured at amortised cost	27	(1,471)	420
Net realised gains on other assets	28	3,218	17,825
Net fair value gains	29	42,898	(2,980)
Fee income	30	8,407	9,547
Other income	31	36,345	32,578
Investment contract benefits		(24,998)	(23,839)
Net income from investing activities		514,860	437,478
Net income from all activities		815,525	610,087
Net impairment (losses)/gains on financial assets	32	(117,519)	1,550
Operating expenses	33	(401,781)	(356,624)
Finance charges	34	(1,971)	(2,539)
Profit before taxation		294,254	252,474
Taxation	35	(35,921)	(25,950)
Profit after taxation		258,333	226,524
(Profit)/loss attributable to participating policyholders	18.1(d)	(4,683)	8,557
Profit attributable to equity holders of the Group		253,650	235,081
Profit attributable to:			
Equity holders of the parent		235,092	229,578
Non-controlling interests		18,558	5,503
		253,650	235,081

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

	Notes	2021 $'000	2020 $'000
Profit for the year		253,650	235,081
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translating foreign operations		(38,743)	(56,823)
Net fair value gains/(losses) on debt securities at fair value through other comprehensive income		(611)	459
Net change in allowance for expected credit losses on debt securities at fair value through other comprehensive income		(3)	3
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		(39,357)	(56,361)
Items that will not be reclassified subsequently to profit or loss, net of tax:			
(Losses) on property revaluation	5	(4,471)	(9,779)
Remeasurement of pension plans	11	30,994	287
Remeasurement of post-retirement medical benefit obligations	21	948	583
Taxation relating to components of other comprehensive income	12	5,270	(115)
Net other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss		32,741	(9,024)
Other comprehensive income/(loss) for the period, net of tax		(6,616)	(65,385)
Comprehensive income attributable to equity holders of the Group		247,034	169,696
Total comprehensive income attributable to:			
Equity holders of the parent		248,614	183,488
Non-controlling interests		(1,580)	(13,792)
		247,034	169,696

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

	Share capital $'000	Reserves (Note 17) $'000	Retained earnings $'000	Non-controlling interests (Note 17) $'000	Total equity $'000
Balance at 1 January 2021	100,465	(71,325)	2,196,402	261,955	2,487,497
Total comprehensive (loss)/income	–	(23,539)	272,153	(1,580)	247,034
Balance at 31 December 2021	100,465	(94,864)	2,468,555	260,375	2,734,531
Balance at 1 January 2020	103,048	(24,364)	2,053,370	275,747	2,407,801
Total comprehensive (loss)/income	–	(46,961)	230,449	(13,792)	169,696
Share option scheme:					
– value of lapsed options (Note 16)	(2,583)	–	2,583	–	–
Dividends	–	–	(90,000)	–	(90,000)
Balance at 31 December 2020	100,465	(71,325)	2,196,402	261,955	2,487,497

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Profit before taxation		294,254	252,474
Adjustment for specific items included on the accruals basis:			
- Finance charges		1,971	2,539
- Investment income		(449,955)	(406,002)
Adjustment for non-cash items	36	111,892	12,895
Interest received		359,968	365,777
Dividends received		74,922	48,722
Operating profit before changes in operating assets/liabilities		393,052	276,405
Net increase in insurance liabilities		198,646	279,341
Net decrease/(increase) in reinsurance assets		4,467	(670)
Net (decrease)/increase in investment contracts		(7,465)	50,392
Purchase of investment securities		(3,187,722)	(4,963,067)
Proceeds from sale of investment securities		2,618,403	5,371,096
Purchase of additions to investment properties		(15,561)	(42,363)
Net (increase) in loans and receivables		(30,023)	(38,275)
Net (increase) in other operating assets/liabilities		(5,518)	(28,468)
Cash (used in)/provided by operating activities		(31,721)	904,391
Interest paid		(1,722)	(1,299)
Net taxation paid		(31,305)	(17,901)
Net cash (used in)/provided by operating activities		(64,748)	885,191
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(10,251)	(13,702)
Proceeds on sale of property, plant and equipment		357	29
Proceeds from sale of investment properties		366	–
Net cash (used in) investing activities		(9,528)	(13,673)
Cash flows from financing activities			
Repayment of lease liabilities		(4,703)	(3,503)
Dividends paid to equity holders of the Group		–	(90,000)
Net cash (used in) financing activities		(4,703)	(93,503)
Net (decrease)/increase in cash and cash equivalents	15	(78,979)	778,015

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

1. Incorporation and principal activities of the Group

Guardian Life of The Caribbean Limited ('the Group') was incorporated in Trinidad and Tobago on 30 December 1980 and operated under the provisions of the Insurance Act of 2018 which came into effect on January 1st 2021. Prior to the commencement of the new legislation, the Group operates under the provisions of the Insurance Act of 1980. The Group is engaged in the underwriting of all classes of long-term insurance business and personal accident business, as defined in the Insurance Act 1980 of Trinidad and Tobago, and associated investment activities. The Company is wholly owned by Guardian Insurance Limited, which is a subsidiary of Guardian Holdings Limited. Both companies are incorporated in the Republic of Trinidad and Tobago.

The address of the registered office is 1 Guardian Drive, Westmoorings S.E., Trinidad and Tobago.

Guardian Holdings Limited is 61.77% (2020: 61.967%) owned by NCB Global Holdings Limited (NCBGH), a limited liability holding company, which was incorporated in Trinidad and Tobago in December 2017. NCBGH is 100% owned by NCB Financial Group Limited ('NCBFG'). NCBFG was incorporated in Jamaica in April 2016 and is the financial holding company for the NCB Group. NCBFG is 52.67% (2020: 51.75%) owned by AIC (Barbados) Limited and the ultimate parent company is Portland Holdings Inc., incorporated in Canada.

2. Significant accounting policies

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

2.1. Basis of preparation

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

The preparation of consolidated 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 financial statements are disclosed in Note 3.

(a) New standards and amendments/revisions to published standards and interpretations effective in 2021

The following amendment to published standards took effect for the Group's accounting periods beginning on or after 1 January 2021:

IFRS 16 Leases – Amendments – COVID-19-Related Rent Concessions

The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the conditions are met:

a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

c. there is no substantive change to the other terms and conditions of the lease.

The amendment had no material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.1. Basis of preparation (continued)

(b) New standards and amendments/revisions to published standards and interpretations effective in 2021 but not applicable to the Group

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

- IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts
- IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases – Amendments – Interest Rate Benchmark Reform Phase 2

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

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2021 and have not been early adopted by the Group. The Group expects to implement these standards when they become effective.

Effective 1 January 2022:

- IFRS 3 Business Combinations – Amendments – Reference to the Conceptual Framework
- IFRS 16 Leases – Amendments – COVID-19-Related Rent Concessions beyond 30 June 2021
- IAS 16 Property, Plant and Equipment – Amendments – Proceeds before intended use
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Amendments – Onerous contract – Cost of fulfilling a contract
- Annual Improvements to IFRSs 2018 – 2020 Cycle:
  - IFRS 1 First-time Adoption of International Financial Reporting Standards – Amendments – Subsidiary as a first-time adopter
  - IFRS 9 Financial Instruments – Amendments – Fees in the '10 per cent' test for derecognition of financial liabilities
  - IAS 41 Agriculture – Amendments – Taxation in fair value measurements

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

Effective 1 January 2023:

- IAS 1 Presentation of Financial Statements – Amendments – Classification of liabilities as current or non-current
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Amendments – Disclosure of accounting policies
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments – Definition of accounting estimates
- IAS 12 Income Taxes – Amendments – Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 17 Insurance Contracts

  IFRS 17 will replace IFRS 4 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements. In June 2020, the IASB released amendments which, among other things, addressed concerns raised on the initial release of the standard, dealt with some implementation challenges and confirmed the deferral of the standard's effective date as 1 January 2023.

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

Amendments Postponed:

- IFRS 10 and IAS 28 – Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

2.2 Consolidation

These consolidated financial statements are prepared solely for statutory purposes.

(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 simialr 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 outher contractual arrangements
- The Group's voting rights and potential voting rights

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

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

Where additional interest is acquired in a subsidiary, the difference arising on the date of acquistion between the carrying value of the non-controlling interest of the subsidiary and the purchase consideration is recorded within retained earnings.

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

The Group uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. 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 Group'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 subsidiaries is set out in Note 8.

2.3 Foreign currency translation

(a) Translation of transactions in foreign currencies

The financial results of Group companies are prepared in the currency in which they conduct their ordinary course of business, which is referred to as functional currency.

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

(b) Translation to the presentation currency

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

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

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

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

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

2.4 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

2. Significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of income during the financial period in which they are incurred.

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

Land is not depreciated. Depreciation 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
Motor vehicles	–	straight-line method, 20% per annum
Other plant, machinery, office furniture & equipment	–	straight line method, 10 - 33 1/3% 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 2.7).

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.

2.5 Investment properties

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

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

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

2.6 Financial assets

(a) Initial recognition and measurement

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

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

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

(b) Classification and subsequent measurement

Debt instruments

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

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

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

(iii) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in the consolidated statement of income in the period in which it arises. The Group may, on initial recognition, irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or fair value through other comprehensive income as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets held for trading, or are managed and whose performance is evaluated on a fair value basis, are measured at fair value through profit or loss.

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

Business model assessment

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

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

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

The solely payment of principal and interest (SPPI) test

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

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

Equity instruments

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

(c) Derecognition of financial assets

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

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

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.6 Financial assets (continued)

(c) Derecognition of financial assets (continued)

guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

(d) Modifications of financial assets

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

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

2.7 Impairment of assets

(a) Financial assets

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

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

- Actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the debtor;
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor;
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant change in the debtor's ability to meet its debt obligation.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrated otherwise. In the prior year the Group offered a deferral in premium payments to support customers during the COVID-19 pandemic. Many of these deferrals have since expired, and customers have been required to either resume monthly payments or fully bring their accounts back up to date.

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

Credit-impaired financial assets

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

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

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

Definition of default

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

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

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

Write-off

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

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

Measurement of expected credit losses

The measurement of expected credit losses is a function of:

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

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

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

2. Significant accounting policies (continued)

2.7 Impairment of assets (continued)

(a) Financial assets (continued)

Measurement of expected credit losses (continued)

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Forward-looking information considered by the Group includes economic data and forecasts published by governmental bodies and monetary authorities, supranational organisations such as the Organisation for Economic Cooperation and Development and the International Monetary Fund, and selected private-sector and academic forecasters.

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

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

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

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

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

(b) Non-Financial assets

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

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.

2.8 Fair value measurement

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

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

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. This level mainly comprises various freehold and investment properties, and various unquoted equity securities, and the unquoted, illiquid Series G Government of Barbados debt securities. Freehold and investment properties are fair valued by professional external valuators. Unquoted equity securities are held at fair value based on market value ratios such as book value per share. The Series G debt securities are valued using a discounted cash flow model that incorporates expected cash flows and a risk adjusted yield curve issued by the Central Bank of Barbados.

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, and freehold and leasehold properties. Involvement of external valuers is decided annually and selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

2.9 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.

2.10 Cash and cash equivalents

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

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

2.11 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.

2.12 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(a) Classification (continued)

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

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

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

c) That are contractually based on:

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

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

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

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

(b) Recognition and measurement

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

(i) Short-term insurance contracts

These contracts are principally group life and health insurance contracts. Health insurance contracts include both group and individual health insurance. 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 twenty-fourths method or the actual premiums relating to the period subsequent to the consolidated statement of financial position date.

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.

Actuarial liabilities are calculated using the Caribbean Policyholder Premium Method (CPPM) outlined in 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.

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

(iii) Long-term insurance contracts without fixed terms

Unit-Linked insurance contracts

The entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are actuarially calculated using the CPPM based on the expected future cash flows from these contracts. Some of the unit-linked annuity contracts contain guarantees that entitle the holders to a minimum guaranteed crediting rate over the life of the policy and provide for minimum annuity purchase rates. These guarantees are allowed for in the liability calculations.

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

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

(v) Investment contracts

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

(c) Outstanding claims

Provision for outstanding claims and the related costs of settlement are based on incidents reported before the end of the financial year and include appropriate provisions for claims incurred but not yet reported. Estimates are continually revised as more information becomes available and for the effects of anticipated inflation. Adjustments arising on these revisions are included within 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 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 monthly basis. As there is no significant financing component to these balances, the simplified approach to impairment is applied under IFRS 9. The Group reduces the carrying amount of the reinsurance asset to its impaired balance and recognises that impairment loss in the consolidated statement of income.

2. Significant accounting policies (continued)

2.12 Insurance and investment contracts (continued)

(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.

2.13 Taxation

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

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

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that the tax authority will accept an uncertain tax treatment. The Group measures its tax balance either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

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

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

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

2.14 Employee benefits

(a) Pension plans

The Group operates two defined benefit plans and one defined contribution plan, the assets of which are held in separate trustee-administered funds. The plans are generally funded by payments from employees and by the Group 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, lie 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 provides post-retirement medical benefits to its permanent employees who retire from active service, their spouses and their dependents. The entitlement to these benefits is based on the employee remaining in service up to retirement age or leaving service due to ill health. The expected costs of these benefits are accrued over the period of employment, using a methodology similar to that for defined benefit plans. All actuarial gains and losses are recognised immediately through other comprehensive income in the consolidated statement of comprehensive income. External qualified actuaries carry out a valuation of these obligations.

(c) Cash-based long-term performance incentive plan

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

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

The employees of the Group have the option to receive their bonuses in cash and/or ordinary shares of the parent company, Guardian Holdings Limited, 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.

2.15 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.

2.16 Revenue recognition

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 2.12.

(b) Investment income

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

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

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

(c) Rental Income

Rental income is recognised on an accrual basis.

(d) Realised and unrealised investment gains and losses

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

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

(e) Commission income

Commissions are recognised on the accrual basis.

(f) Fee income

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

2.17 Leases

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

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

The Group as a lessee

The Group mainly leases various office space, motor vehicles and equipment used in its operations. Rental contracts for these leases are typically made for fixed periods of 2 to 7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

2.17 Leases (continued)

The Group as a lessee (continued)

years but may have extension options, which is described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the stand-alone prices stated in the contracts.

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

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

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

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

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

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

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

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments. The Group did not have any variable lease payments that do not depend on an index or a rate for the period ended 31 December 2021.

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

The Group as a lessor

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

2.18 Dividend distributions

Dividend distributions to the Group´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.

2.19 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.

2.20 Assets under management

The Group provides custody and trustee discretionary investment management services to third parties. Those assets that are held in a fiduciary capacity are not included in these consolidated financial statements.

2.21 Financial liabilities

Financial liabilities in the consolidated statement of financial position comprise borrowings and repurchase agreements.

(a) Borrowings

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

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

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

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

(b) Repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) are treated as collateralised financing transactions. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the EIR method.

3. Critical accounting estimates and judgments in applying accounting policies

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

COVID-19 Pandemic

A source of estimation uncertainty that originated in 2020 and continues to affect the Group into 2021 is the ongoing COVID-19 pandemic. While uncertainty remains about the speed of the economic recovery, the trajectory has undoubtedly been positive, with the development and distribution of vaccines and the gradual reopening of economies worldwide. Further positive developments include higher energy prices for Trinidad & Tobago, increased tourism for Jamaica and the Dutch Caribbean, and the strong growth of the international equity markets in 2021. The Group has made forward-looking projections using the macroeconomic indicators, such as real GDP, unemployment, and inflation, which were available as at the end of the reporting period. The ongoing uncertainty means an increased likelihood that actual economic outcomes will vary from estimates used, resulting in differences between the current accounting estimates and the actual future results of the Group. These uncertainties predominantly affected the valuation of investment properties (see Note 7) and measurement of expected credit losses on financial assets (see Note 3(e)).

(a) The ultimate liability arising from claims made under short-term 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 group life insurance contracts. At 31 December 2021, the carrying amount of short-term insurance contracts (claims) was $66,611,000 (2020 $77,265,000).

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

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

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

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on historic yield patterns and current market returns as well as expectations about future economic and financial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

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

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

developments. See Note 4.1.2(d) for the sensitivity of the value of insurance liabilities to changes in assumptions used to value these liabilities.

The carrying amount of long-term insurance contracts as at 31 December 2021 was $8.4 billion (2020: $7.9 billion).

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. Factors considered by the Group's business units in determining the business model for a group of assets are disclosed in Note 2.6(b).

(d) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2021, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $3.8 billion (2020: $3.5 billion).The following table shows the effect on the profit or loss to changes in the market yields.

	Effect on income	
	2021	**2020**
	$'000	**$'000**
1% increase in market yields	(12,899)	(11,805)
1% decrease in market yields	14,257	13,019

(e) Impairment losses on financial assets

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

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

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime expected credit loss basis and the qualitative assessment
- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs
- Use of macroeconomic data for internal credit ratings and outlooks, to derive associated probabilities of default as prescribed by external rating agencies such as Standard & Poor's and Moody's
- Development of forward-looking scenarios probability weighted based on macro-economic trends and expectations
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on probabilities of default,exposure at default and loss given default

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

Forward-looking macroeconomic variables

The estimation and application of forward-looking information requires significant judgment. PD, LGD and EAD inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. The estimation of ECL on 12-month ECLs and Lifetime ECLs is a discounted probability-weighted estimate that considers three future macroeconomic scenarios, with macroeconomic projections varying by territory. The base case scenario assumes that a stable economic environment where current conditions, based on available macroeconomic data, will largely continue. Upside and downside scenarios are set relative to the base case scenario based on reasonably possible alternative macroeconomic conditions, considering macroeconomic forecasts and trends.

Scenarios are reassessed on at least an annual basis and more frequently if conditions warrant. Scenarios are probability-weighted separately for each territory modeled according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights are updated on an annual basis or more frequently as warranted.

COVID-19 Pandemic

In the prior year, to incorporate the economic impact of the COVID-19 pandemic, the Group made adjustments to its ECL models such as increasing the likelihood of pessimistic scenarios and overlaying a further pessimistic scenario that explicitly accounts for acute negative economic fallout. For the year ended 31 December 2021, the overlay for the acute negative scenario remains; however, the likelihood attributed to this and other pessimistic scenarios have been reduced given the improvements in the current and expected economic environment. The resulting probability of default and losses given default were applied to all financial assets.

Management also maintains the position that the lifetime default risk of assets with several years remaining to maturity has not significantly changed since the onset of the COVID-19 pandemic, an important factor given that IFRS 9 requires that entities assess the risk of default over the life of expected assets. Such assets account for a significant portion of the Group's investment portfolio.

(f) Taxation

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

For uncertain tax positions where there is uncertainty over the tax treatment in the financial statements, management considered whether it is probable that the tax authority will accept the uncertain tax treatment. The Group measured the tax balance that is applicable for the uncertain tax position using an expected value basis.

(g) 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 11 and Note 21.

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 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 reasonable 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts

(a) Frequency and severity of claims

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

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

For contracts with fixed and guaranteed terms, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts without fixed terms, a significant portion of the insurance risk is shared with the insured party. The Group charges for mortality risk on a monthly basis for most life and critical 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.

	2021 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	TT$'000	%	TT$'000	%
0 – 250 (TT$)	21,897,160	25.2%	21,395,681	31.8%
251 – 500 (TT$)	25,990,183	30.0%	22,486,554	33.4%
501 – 1,000 (TT$)	22,251,619	25.7%	16,266,046	24.2%
1,001 – 3,000 (TT$)	11,265,131	13.0%	6,318,467	9.4%
3,001 and over (TT$)	5,309,277	6.1%	790,394	1.2%
Total	86,713,370	100.0%	67,257,142	100.0%

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

	2020 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	TT$'000	%	TT$'000	%
0 – 250 (TT$)	22,176,718	26.4%	21,639,299	33.9%
251 – 500 (TT$)	25,375,311	30.2%	21,610,540	33.8%
501 – 1,000 (TT$)	21,321,263	25.4%	14,903,730	23.3%
1,001 – 3,000 (TT$)	10,202,817	12.2%	5,105,980	8.0%
More than 3,000 (TT$)	4,846,541	5.8%	667,252	1.0%
Total	83,922,650	100.0%	63,926,801	100.0%

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.

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.

	Total annuities payable per annum			
	2021		2020	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
0 – 5,000 (TT$)	6,993	3.7%	6,840	3.8%
5,001 – 10,000 (TT$)	25,419	13.6%	24,016	13.5%
10,001 – 20,000 (TT$)	44,008	23.5%	41,550	23.3%
More than 20,000 (TT$)	110,968	59.2%	106,066	59.4%
Total	187,388	100.0%	178,472	100.0%

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

(b) Process used to decide on assumptions

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

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.

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

	2021	2020
Rate of return	3.3% – 7.7%	3.3% – 9.4%

- **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 Company expense levels and allowance is made for future expense inflation.

  The inflation rates assumed are summarised in the following table.

	2021	2020
Rate of inflation	3.50%	3.50%

- **Tax**

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

(c) Model refinements

Model refinements have been made in determining the value of long-term insurance liabilities. The following tables present the effect of these refinements:

	2021 $'000	2020 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:		
Changes in expense assumptions	(9,503)	(9,447)
Changes in lapse assumptions	–	2,835
Changes in investment returns	(42,268)	10,874
Changes in mortality assumptions	–	596
Other assumptions	–	(15,874)
(Decrease) in liabilities	(51,771)	(11,016)
Long-term insurance contracts with fixed and guaranteed terms and with DPF:		
Changes in expense assumptions	(264)	(140)
Changes in lapse assumptions	–	(365)
Changes in investment returns	(1,290)	43
Changes in mortality assumptions	–	(126)
(Decrease) in liabilities	(1,554)	(588)
Long-term insurance contracts without fixed terms:		
Changes in expense assumptions	(57,413)	(48,574)
Changes in lapse assumptions	–	(630)
Changes in investment returns	(107,383)	(47,681)
Changes in mortality assumptions	–	(4,713)
Other assumptions	–	(17,382)
(Decrease) in liabilities	(164,796)	(118,980)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

4. Management of insurance and financial risk (continued)

4.1 Insurance risk (continued)

4.1.2 Long-term insurance contracts (continued)

(d) Sensitivity analysis

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

	Change in Variable	Change in liability 2021 $'000	Change in liability 2020 $'000
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
Worsening of mortality	+ 10.0%	33,353	33,901
Improvement of annuitant mortality	+ 0.5%	38,549	39,696
Lowering of investment returns	- 1.0%	218,535	214,888
Worsening of base renewal expense level	+ 5.0%	10,160	16,044
Worsening of expense inflation rate	+ 1.0%	29,219	32,330
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
Worsening of mortality	+ 10.0%	321	311
Lowering of investment returns	- 1.0%	6,223	7,051
Worsening of base renewal expense level	+ 5.0%	128	141
Worsening of expense inflation rate	+ 1.0%	287	294
Long-term insurance contracts without fixed terms:			
Worsening of mortality	+ 10.0%	67,346	69,094
Improvement of annuitant mortality	+ 0.5%	32,901	53,233
Lowering of investment returns	- 1.0%	305,306	423,005
Worsening of base renewal expense level	+ 5.0%	30,136	34,745
Worsening of expense inflation rate	+ 1.0%	79,521	81,317

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 the Executive Investment Committees and Actuarial departments 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 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 2018, which does not allow more than 30% of the assets supporting policyholder liabilities to be held in currencies other than the currency of the liability.

The tables below summarise 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	BDS $'000	Sterling $'000	Euro $'000	Other $'000	Total $'000
As at 31 December 2021							
Total Assets	9,319,767	2,897,067	228,273	5,902	50,479	385,321	12,886,809
Total Liabilities	9,694,478	258,246	162,449	368	–	36,737	10,152,278
	(374,711)	2,638,821	65,824	5,534	50,479	348,584	2,734,531
As at 31 December 2020							
Total Assets	8,800,992	2,761,764	234,801	5,248	21,990	351,290	12,176,085
Total Liabilities	9,219,668	255,726	144,026	601	–	68,566	9,688,587
	(418,676)	2,506,038	90,775	4,647	21,990	282,724	2,487,498

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	BDS	Sterling	Euro	Other
2021	0.6%	3.5%	7.3%	-3.2%	-4.2% to 3.5%
2020	2.1%	10.3%	0.3%	-7.0%	-2.8% to 2.3%

	US $'000	BDS $'000	Sterling $'000	Euro $'000	Other $'000	Total $'000
Impact on equity						
2021	12,771	2,304	404	(1,615)	(28,107)	(14,244)
2020	41,936	9,350	14	(1,539)	(17,924)	31,836
Impact on statement of income						
2021	25,962	–	–	–	–	25,962
2020	25,426	–	–	–	–	25,426

(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 2021 (2020 - 1%). The following table shows the estimated effect of an increase or decrease in the above rates on the profit or loss.

	Effect on income 2021 $'000	Effect on income 2020 $'000
Increase in interest rates	(1,823)	(3,398)
Decrease in interest rates	1,806	3,396

(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. The following table shows the estimated effect of reasonably possible changes in equity prices on the consolidated statement of income and equity.

	Change in equity prices 2021 $'000	Change in equity prices 2020 $'000	Effect on income 2021 $'000	Effect on income 2020 $'000
Stock exchanges and markets				
Trinidad and Tobago	5%	2.5%	80,012	33,276
Jamaica	10%	15%	9,468	17,694
Other	1% - 9.3%	1% - 5.5%	36,051	21,534
			125,531	72,504

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 sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover claims.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

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	Less than one year $'000	One – five years $'000	Over five years $'000
Insurance and financial liabilities				
As at 31 December 2021				
Long-term insurance contracts	8,409,950	193,773	1,207,598	17,398,615
Short-term insurance contracts	122,222	122,222	–	–
Investment contracts	1,064,391	–	1,064,391	–
Lease liabilities	21,070	6,633	16,968	1,423
Other liabilities	200,490	200,490	–	–
Total	9,818,123	523,118	2,288,957	17,400,038
As at 31 December 2020				
Long-term insurance contracts	7,946,867	104,239	984,830	16,720,205
Short-term insurance contracts	128,275	128,275	–	–
Investment contracts	1,071,857	–	1,071,857	–
Lease liabilities	24,572	6,271	21,392	2,916
Other liabilities	185,077	177,258	–	–
Total	9,356,648	416,043	2,078,079	16,723,121

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. The Executive Investment Committee (EIC) 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 policies and other assets of the respective borrowers. The EIC initiates regular portfolio reviews, monitors counterparty creditworthiness and evaluates potential transaction risks with a view towards early problem identification and protection against unacceptable credit-related losses.

(a) Assets bearing credit risk

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

Below is an analysis of assets bearing credit risk.

	Gross exposure		Net carrying amount	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Investment securities measured at fair value through profit or loss (excluding equity instruments)	4,467,217	4,413,677	4,467,217	4,413,677
Investment securities measured at amortised cost	2,797,524	2,520,818	2,782,853	2,515,593
Loans and receivables	585,033	543,122	382,714	453,696
Reinsurance assets	2,225	6,693	2,225	6,693
Cash and cash equivalents	1,743,887	1,822,872	1,740,080	1,813,031
	9,595,886	9,307,182	9,375,089	9,202,690

(b) Credit quality of reinsurance and financial assets

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

AAA

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

AA

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

A

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

BBB

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

Below BBB

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

Not Rated

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

		Lifetime ECL		
	12-month ECL $'000	Not credit impaired $'000	Credit impaired $'000	Total $'000
Investment securities measured at amortised cost				
As at 31 December 2021				
A	20,891	–	–	20,891
BBB	2,248,894	–	–	2,248,894
Below BBB	490,482	22,883	14,374	527,739
Gross carrying amount	2,760,267	22,883	14,374	2,797,524
Loss allowance	(6,417)	(2,517)	(5,737)	(14,671)
Net carrying amount	2,753,850	20,366	8,637	2,782,853
As at 31 December 2020				
BBB	2,026,084	–	–	2,026,084
Below BBB	473,167	21,567	–	494,734
Gross carrying amount	2,499,251	21,567	–	2,520,818
Loss allowance	(4,175)	(1,050)	–	(5,225)
Net carrying amount	2,495,076	20,517	–	2,515,593

		Lifetime ECL			
	Loans 12-month ECL $'000	Loans Not credit impaired $'000	Loans Credit impaired $'000	Premiums and other receivables $'000	Total $'000
Loans and receivables					
As at 31 December 2021					
AA	–	–	–	12,809	12,809
A	–	–	–	53,306	53,306
BBB	–	–	–	7	7
Below BBB	–	100	–	20,421	20,521
Not rated	91,134	47,861	–	359,396	498,391
Gross carrying amount	91,134	47,961	–	445,939	585,034
Loss allowance	(371)	(11,218)	–	(190,731)	(202,320)
Net carrying amount	90,763	36,743	–	255,208	382,714
As at 31 December 2020					
AA	–	–	–	14,498	14,498
A	–	–	–	63,163	63,163
BBB	–	–	–	13,434	13,434
Below BBB	–	–	–	1,041	1,041
Not rated	119,277	28,930	–	302,779	450,986
Gross carrying amount	119,277	28,930	–	394,915	543,122
Loss allowance	(5,297)	(10,481)	–	(73,647)	(89,425)
Net carrying amount	113,980	18,449	–	321,268	453,697

		Lifetime ECL		
	12-month ECL $'000	Not credit impaired $'000	Credit impaired $'000	Total $'000
As at 31 December 2021				
A	29,297	–	–	29,297
BBB	799,248	–	–	799,248
Below BBB	457,155	–	–	457,155
Not rated	210,357	–	–	210,357
Gross carrying amount	1,496,057	–	–	1,496,057
Loss allowance	(3,807)	–	–	(3,807)
Net carrying amount	1,492,250	–	–	1,492,250
As at 31 December 2020				
A	2,758	–	–	2,758
BBB	825,767	–	–	825,767
Below BBB	686,420	–	–	686,420
Not rated	63,845	–	–	63,845
Gross carrying amount	1,578,790	–	–	1,578,790
Loss allowance	(9,841)	–	–	(9,841)
Net carrying amount	1,568,949	–	–	1,568,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

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

	AAA $´000	AA $´000	A $´000	BBB $´000	Below BBB $´000	Not rated $´000	Total $´000
As at 31 December 2021							
Investment securities at fair value through profit or loss (excluding equities)	–	226,226	3,537	3,029,234	1,208,221	–	4,467,218
Reinsurance assets	–	–	–	–	–	2,225	2,225
Cash and cash equivalents	–	–	–	–	247,829	–	247,829
	–	226,226	3,537	3,029,234	1,456,050	2,225	4,717,272
As at 31 December 2020							
Investment securities at fair value through profit or loss (excluding equities)	–	392,231	8,855	2,917,482	1,053,850	41,259	4,413,677
Reinsurance assets	–	–	–	–	–	6,693	6,693
Cash and cash equivalents	–	–	–	244,083	–	–	244,083
	–	392,231	8,855	3,161,565	1,053,850	47,952	4,664,453

(c) Loss allowance

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

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

	12-month ECL $´000	Lifetime ECL: Not credit impaired $´000	Lifetime ECL: Credit impaired $´000	Total $´000
Investment securities measured at amortised cost				
Year ended 31 December 2021				
Balance at beginning of year	4,175	1,050	–	5,225
Exchange rate adjustments	695	–	–	695
Acquisition of subsidiaries	–	–	–	–
New assets originated or purchased	1,023	–	–	1,023
Assets derecognised (excluding write-offs)	(283)	(361)	–	(644)
Transfer to 12-month ECL	215	(215)	–	–
Transfer to lifetime ECL - not credit impaired	(2,073)	2,073	–	–
Transfer to lifetime ECL - credit impaired	(510)	–	510	–
Remeasurements	3,175	(31)	5,227	8,371
Balance at end of year	6,417	2,516	5,737	14,670
Year ended 31 December 2020				
Balance at beginning of year	11,836	4,143	–	15,979
Exchange rate adjustments	(88)	–	–	(88)
New assets originated or purchased	2,940	–	–	2,940
Transfer to 12-month ECL	3,333	(3,333)	–	–
Transfer to lifetime ECL - not credit impaired	(1,050)	1,050	–	–
Remeasurements	(12,796)	(810)	–	(13,606)
Balance at end of year	4,175	1,050	–	5,225

	Loans 12-month ECL $´000	Lifetime ECL: Loans Not credit impaired $´000	Lifetime ECL: Loans Credit impaired $´000	Lifetime ECL: Premiums and other receivables $´000	Total $´000
Loans and receivables					
Year ended 31 December 2021					
Balance at beginning of year	5,298	10,481	–	73,647	89,426
Exchange rate adjustments	–	–	–	707	707
New assets originated or purchased	1,434	–	–	–	1,434
Transfer to 12-month ECL	482	(482)	–	–	–
Transfer to lifetime ECL - not credit impaired	(2,562)	2,562	–	–	–
Remeasurements	(4,280)	(1,344)	–	118,359	112,735
Amounts written-off	–	–	–	(1,982)	(1,982)
Balance at end of year	372	11,217	–	190,731	202,320
Year ended 31 December 2020					
Balance at beginning of year	361	16,550	–	76,953	93,864
Exchange rate adjustments	–	1	–	(308)	(307)
New assets originated or purchased	873	–	–	–	873
Transfer to 12-month ECL	4,425	(4,425)	–	–	–
Transfer to lifetime ECL - not credit impaired	(361)	361	–	–	–
Remeasurements	–	(2,006)	–	4,848	2,842
Amounts written-off	–	–	–	(7,846)	(7,846)
Balance at end of year	5,298	10,481	–	73,647	89,426

Cash and cash equivalents

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

The impairment allowance on cash and cash equivalents as at 31 December 2021 is $3,807,000 (2020: $9,841,000). The Group recognised a net impairment release of $6,034,000 for the year ended 31 December 2021 (2020: $5,185,000).

Credit Risk - Economic Variable Assumptions

The most significant period-end assumptions used for the ECL estimate as at 31 December 2021 and 2020 are set out below.

The PDs and LGDs are impacted by long-term changes in the various data sets gathered from external rating agencies such as Moody´s. Macroeconomic variables used in the Group´s ECL models also include, but are not limited to, gross domestic product growth, inflation rates, national budget deficits, and debt to GDP ratios for the various territories. Refer to the tables below for the ranges applied to each scenario for the two most significant assumptions.

	Scenario	Assumption
GDP Growth	Base	Stable
	Optimistic	Positive
	Pessimistic	Negative
	Acute Pessimistic	Negative
Inflation	Base	Positive
	Optimistic	Positive
	Pessimistic	Negative
	Acute Pessimistic	Negative

The weightings assigned to each economic scenario as at 31 December 2021 vary by jurisdiction and were as follows:

	Base	Optimistic	Pessimistic	Acute Pessimistic
Scenarios	65% - 70%	5% - 10%	15% - 20%	5% - 10%

Refer to Note 3(e) for descriptions of the scenarios.

Credit Risk - Sensitivity analysis

Set out below are the changes in ECL allowance at the reporting date that would result from a reasonably possible change in the probabilities of default (PDs) used by the Group.

	Actual PDs applied 2021 Low	2021 High	2020 Low	2020 High	Change in PD	Impact on ECL 2021 $´000	Impact on ECL 2020 $´000
Investment securities measured at amortised cost	0.102000%	33.31000%	0.001000%	34.34200%	+/- 20%	1,264	927
Cash and cash equivalents	0.042000%	7.49800%	0.001000%	8.01500%	+/- 20%	763	1,934
						2,027	2,861

(d) Financial assets subject to ECL

The following tables show an analysis of changes in the gross carrying amount of financial assets subject to ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

4. Management of Insurance and Financial Risk (continued)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(d) Financial assets subject to ECL (continued)

		Lifetime ECL		
	12-month ECL $'000	Not credit impaired $'000	Credit impaired $'000	Total $'000
Investment securities measured at amortised cost				
Year ended 31 December 2021				
Balance at beginning of year	2,499,251	21,567	–	2,520,818
Exchange rate adjustments	(2,833)	2	–	(2,831)
New assets originated or purchased	381,386	–	–	381,386
Assets derecognised (excluding write-offs)	(99,293)	(7,421)	–	(106,714)
Transfer to 12-month ECL	4,830	(4,830)	–	–
Transfer to lifetime ECL - not credit impaired	(13,826)	13,826	–	–
Transfer to lifetime ECL - credit impaired	(14,374)	–	14,374	–
Changes in interest accrual	5,109	(261)	–	4,848
Other Movements	17	–	–	17
Balance at end of year	2,760,267	22,883	14,374	2,797,524
Year ended 31 December 2020				
Balance at beginning of year	2,620,306	43,853	–	2,664,159
Exchange rate adjustments	(7,830)	(231)	–	(8,061)
New assets originated or purchased	457,397	–	–	457,397
Assets derecognised (excluding write-offs)	(585,610)	(2,986)	–	(588,596)
Transfer to 12-month ECL	35,462	(35,462)	–	–
Transfer to lifetime ECL - not credit impaired	(16,677)	16,677	–	–
Changes in interest accrual	(3,797)	(284)	–	(4,081)
Balance at end of year	2,499,251	21,567	–	2,520,818
Loans and receivables				
Year ended 31 December 2021				
Balance at beginning of year	126,651	416,471	–	543,122
Exchange rate adjustments	(1,652)	(211)	–	(1,863)
New assets originated or purchased	10,102	1,792	–	11,894
Assets derecognised (excluding write-offs)	(17,446)	(4,319)	–	(21,765)
Transfer to 12-month ECL	1,908	(1,908)	–	–
Transfer to lifetime ECL - not credit impaired	(22,708)	22,708	–	–
Changes in interest accrual	(3)	(52)	–	(55)
Amounts written-off	–	(1,982)	–	(1,982)
Other movements	30,224	25,458	–	55,682
Balance at end of year	127,076	457,957	–	585,033
Year ended 31 December 2020				
Balance at beginning of year	21,524	476,140	–	497,664
Exchange rate adjustments	(578)	(356)	–	(934)
New assets originated or purchased	14,569	14,498	–	29,067
Assets derecognised (excluding write-offs)	(21,488)	(3,968)	–	(25,456)
Transfer to 12-month ECL	126,385	(126,385)	–	–
Transfer to lifetime ECL - not credit impaired	(13,522)	13,522	–	–
Changes in interest accrual	–	(37)	–	(37)
Amounts written-off	–	(7,846)	–	(7,846)
Other movements	(239)	50,903	–	50,664
Balance at end of year	126,651	416,471	–	543,122

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

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

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

	2021 $'000	2020 $'000
Financial services	2,085,105	2,342,701
Real estate	832,377	780,792
Wholesale and retail trade	3,541	3,587
Public sector	5,789,550	5,336,919
Consumers/individuals	12,385	12,480
Other industries	652,131	726,211
	9,375,089	9,202,690

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 branches in addition to their insurance liabilities. The Group is also subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts. The minimum required capital must be maintained at all times throughout the year. The Group monitors these requirements throughout the year to ensure compliance.

No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2021.

The table below summarises the total minimum required capital 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 branch in each country subject to local regulatory requirements (current or prospective), which may differ from jurisdiction to jurisdiction.

	Minimum regulatory capital	
	2021 $'000	2020 $'000
Minimum regulatory capital	700	656

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 2021					
Balance at beginning of year	150,490	39,673	154	12,653	202,970
Exchange rate adjustments	82	91	5	–	178
Revaluation (loss)	(4,471)	–	–	–	(4,471)
Additions	594	6,359	–	3,298	10,251
Disposals and adjustments	(233)	(21)	(16)	–	(270)
Transfers	740	2,680	–	(3,420)	–
Depreciation charge	(5,381)	(9,804)	(95)	–	(15,280)
Balance at end of year	141,821	38,978	48	12,531	193,378
At 31 December 2021					
Cost or valuation	198,167	189,279	960	12,531	400,937
Accumulated depreciation	(56,346)	(150,301)	(912)	–	(207,559)
Balance at end of year	141,821	38,978	48	12,531	193,378
Year ended 31 December 2020					
Balance at beginning of year	158,988	32,631	266	27,428	219,313
Exchange rate adjustments	(100)	4	(13)	–	(109)
Revaluation (loss)	(9,779)	–	–	–	(9,779)
Additions	4,119	9,143	–	440	13,702
Disposals and adjustments	(947)	(2,620)	–	–	(3,567)
Transfers	3,632	11,583	–	(15,215)	–
Depreciation charge	(5,423)	(11,068)	(99)	–	(16,590)
Balance at end of year	150,490	39,673	154	12,653	202,970
At 31 December 2020					
Cost or valuation	201,416	182,698	967	12,653	397,734
Accumulated depreciation	(50,926)	(143,025)	(813)	–	(194,764)
Balance at end of year	150,490	39,673	154	12,653	202,970

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

Depreciation expense of $15,281,000 (2020: $16,590,000) 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:

	2021 $'000	2020 $'000
Cost	191,139	190,037
Accumulated depreciation	(113,620)	(115,728)
Net book value	77,519	74,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

6. Leases

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

(a) Right-of-use assets

	Leasehold properties $'000	Motor vehicles $'000	Total $'000
Year ended 31 December 2021			
Balance at beginning of year	16,202	2,437	18,639
Exchange rate adjustments	117	–	117
Additions	–	845	845
Disposals and adjustments	–	(20)	(20)
Depreciation charge	(4,567)	(873)	(5,440)
Balance at end of year	11,752	2,389	14,141
At 31 December 2021			
Cost	24,668	4,754	29,422
Accumulated depreciation	(12,916)	(2,365)	(15,281)
Balance at end of year	11,752	2,389	14,141
Year ended 31 December 2020			
Balance at beginning of year	24,154	2,173	26,327
Exchange rate adjustments	(436)	–	(436)
Additions	261	1,170	1,431
Disposals and adjustments	(2,651)	(80)	(2,731)
Modification of lease term	(103)	–	(103)
Depreciation charge	(5,023)	(826)	(5,849)
Balance at end of year	16,202	2,437	18,639
At 31 December 2020			
Cost	24,563	3,930	28,493
Accumulated depreciation	(8,361)	(1,493)	(9,854)
Balance at end of year	16,202	2,437	18,639

(b) Lease liabilities

	2021 $'000	2020 $'000
Balance at beginning of year	24,572	28,755
Exchange rate adjustments	129	(372)
Additions	845	1,431
Interest expense (Note 34)	1,971	2,230
Lease payments	(6,425)	(4,493)
Effect of modification to lease terms	(22)	(2,979)
Balance at end of year	21,070	24,572
Current	5,214	4,443
Non-current	15,856	20,129
	21,070	24,572

(c) Amounts recognised in the consolidated statement of income

	2021	2020
Interest on lease liabilities	1,971	2,230
Depreciation charge of right-of-use assets	5,440	5,849
Short-term leases	6,000	3,874
	13,411	11,953

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

The Group had total cash outflows for leases of $12,428,000 in 2021 (2020: $8,368,000).

7. Investment properties

	2021 $'000	2020 $'000
Investment properties	788,158	803,460
Investment properties		
Balance at beginning of year	803,460	824,678
Exchange rate adjustments	(38,826)	(37,515)
Additions	15,561	42,363
Fair value adjustments (Note 29)	19,490	(7,707)
Disposals	(418)	–
Fair value adjustments directly related to the unit-linked funds	(11,109)	(18,359)
Balance at end of year	788,158	803,460
Residential properties	148,606	148,791
Commercial properties	639,552	654,669
	788,158	803,460
Rental income	30,009	13,357
Direct operating expenses incurred in respect of investment property that generated rental income during the year	2,095	1,761
Direct operating expenses incurred in respect of investment property that did not generate rental income during the year	516	537

Valuations are conducted by external valuators. All valuators are accredited, 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 such as, location, size, and quality of improvements.

Commercial properties are primarily valued using the income and sales comparison approach, the direct capitalisation of income approach, or the profit tests or accounts approach. The income and sales comparison approach involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to this model range from 8.0% to 11.0% (2020: 8.0% to 11.5%) as deemed most appropriate by the valuators.

The uncertain economic outlook as a result of the COVID-19 pandemic may have a material adverse effect on the marketability of investment properties. This uncertainty is factored into the valuation of investment property, specifically in estimating occupancy rates, expected revenue or revenue growth rates, and discount rates, all of which are significant inputs into the fair value determination.

Many of the 2021 valuations contain a 'material valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic, which resulted in a reduction in transactional evidence and market yields. Accordingly, the valuer cannot attach as much weight to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may be revised significantly in 2022.

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.

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

	2021 $'000	2020 $'000
Within one year	39,852	31,331
Between one and two years	–	33,438
	39,852	64,769

8. Subsidiaries

	Country of incorporation	Effective percentage interest held	Principal activity
Guardian Resorts International Inc.	St. Lucia	53.85%	Hotel operations
Guardian Life OECS Limited	Grenada	100.00%	Group Health and Group Life insurance

Guardian Resorts International Inc owns 100% of Guardian Resorts Jamaica Limited whose principal activities are the purchasing, leasing and operation of hotels or any property for the accommodation of foreign and local visitors in Jamaica.

9. Investment securities

	2021 Carrying value $'000	2021 Fair value $'000	2020 Carrying value $'000	2020 Fair value $'000
Investment securities mandatorily measured at fair value through profit or loss (FVPL-M)	6,905,301	6,905,301	6,320,182	6,320,182
Investment securities measured at amortised cost (AC)	2,782,853	2,812,890	2,515,594	2,593,950
Total investment securities	9,688,154	9,718,191	8,835,776	8,914,132

	Carrying value FVPL-M 2021 $'000	Carrying value AC 2021 $'000	Fair value AC 2021 $'000
Equity securities:			
- Listed	2,237,905	–	–
- Unlisted	200,179	–	–
	2,438,084	–	–
Debt securities:			
- Government securities	3,723,380	2,246,023	2,263,193
- Debentures and corporate bonds	551,932	476,591	474,787
	4,275,312	2,722,614	2,737,980
Deposits (more than 90 days)	211	35,561	35,561
Other	134,091	–	–
	134,302	35,561	35,561
	6,847,698	2,758,175	2,773,541
Interest receivable	57,603	39,349	39,349
Loss allowance	–	(14,671)	–
	6,905,301	2,782,853	2,812,890
Current	471,441	101,385	
Non-current	6,433,860	2,681,468	
	6,905,301	2,782,853	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

9. Investment securities (continued)

There were no investment securities pledged as collateral for liabilities at year end (2020: nil).

	Carrying value		Fair value
	FVPL-M 2020 $'000	AC 2020 $'000	AC 2020 $'000
Equity securities:			
- Listed	1,736,608	–	–
- Unlisted	169,897	–	–
	1,906,505	–	–
Debt securities:			
- Government securities	3,601,488	1,962,327	2,020,368
- Debentures and corporate bonds	628,293	491,110	506,200
	4,229,781	2,453,437	2,526,568
Deposits (more than 90 days)	20,868	32,881	32,881
Other	116,606	–	–
	137,474	32,881	32,881
	6,273,760	2,486,318	2,559,449
Interest receivable	46,422	34,501	34,501
Loss allowance	–	(5,225)	–
	6,320,182	2,515,594	2,593,950
Current	657,679	133,925	
Non-current	5,662,503	2,381,669	
	6,320,182	2,515,594	

10. Loans and receivables

	2021 $'000	2020 $'000
Premiums receivable	239,458	207,292
Deposits with/balances due from reinsurers	53,307	55,866
Mortgage loans	117,314	124,658
Policy loans	12,554	13,001
Commercial and other loans	8,190	9,575
Interest receivable	1,153	2,148
Due from parent and affiliated companies (Note 40)	50,431	36,050
Other receivables	102,616	94,508
Loss allowance	(202,309)	(89,402)
	382,714	453,696
Current	257,674	324,313
Non-current	125,040	129,383
	382,714	453,696

11. 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)	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Fair value of pension plan assets	47,478	34,442	291,142	262,115	338,620	296,557
Less: Present value of funded obligations	(42,094)	(30,936)	(315,986)	(319,730)	(358,080)	(350,666)
IAS 19 consolidated statement of financial position assets/(liabilities)	5,384	3,506	(24,844)	(57,615)	(19,460)	(54,109)

	2021 $'000	2020 $'000
The amount in the consolidated statement of income is made up as follows:		
Administration expenses	(695)	(459)
Net interest expense	(2,063)	(3,172)
Current service cost	(11,772)	(10,944)
Past service cost	(231)	–
Net (loss) for the year	(14,761)	(14,575)
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 financial assumptions	29,315	9,720
- experience adjustment	1,679	(9,433)
	30,994	287

	2021 $'000	2020 $'000
The movement in the fair value of pension plan assets of the year is as follows:		
Balance at beginning of year	296,557	292,055
Administration expenses	(695)	(459)
Exchange rate adjustments	325	(584)
Benefit payments	(13,866)	(13,845)
Company contributions	18,468	14,837
Remeasurement arising from experience adjustment	18,972	(12,052)
Interest income	18,859	16,605
Balance at end of year	338,620	296,557
The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	350,666	346,395
Exchange rate adjustments	153	(390)
Current service cost	11,772	10,944
Interest cost	20,922	19,777
Past service cost	231	–
Contributions by plan participants	224	124
Remeasurement arising from changes in financial assumptions	(29,315)	(9,720)
Remeasurement arising from experience adjustment	17,293	(2,619)
Benefits paid	(13,866)	(13,845)
Balance at end of year	358,080	350,666

The principal actuarial assumptions used for accounting purposes were:

	2021	2020
Discount rates	5.50% -12.50%	5.20% -11.20%
Future salary increases	4.6% - 6.30%	3.80% - 5.00%
Post-retirement mortality	GAM94/NIS2012 GAM94/NIS2012	GAM94/NIS2012 GAM94/NIS2012
Pre-retirement mortality	GAM94/NIS2012	GAM94/NIS2012
Withdrawal from service	Yes	Yes
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	None	None
Life expectation of pensioners at the age of 65 - male	17.3 to 18.3 years	17.3 to 18.3 years
Life expectation of pensioners at the age of 65 - female	21.8 to 22.1 years	21.8 to 22.1 years

The actual return on plan assets was $37,838,000 (2020: $4,555,000).

	2021 $'000	%	2020 $'000	%
Pension plan assets are comprised as follows:				
Equity securities				
- Trinidad and Tobago	93,528	28%	81,382	27%
- Non-Caribbean	12,102	3%	2,138	1%
Government securities				
- Trinidad and Tobago	107,473	32%	99,103	33%
Corporate bonds				
- Trinidad and Tobago	30,942	9%	29,441	10%
- Non-Caribbean	9,312	3%	11,900	4%
Property	11,374	3%	11,548	4%
Other	73,889	22%	61,045	21%
	338,620	100%	296,557	100%

The defined benefit plan assets as at 31 December 2021 include property with a fair value of $17,550,000 (2020: $18,400,000), which is not occupied by the Group.

Contributions from the defined contribution plan are invested in a deposit administration contract. The deposit administration contract is part of a general fund, which is managed by the Group.

The Group's expected contributions to its defined benefit pension plans for the year ending 31 December 2022 are $17,272,000.

The duration of the defined benefit plans obligation at the end of the reporting period is 13 to 21 years (2020: 13 to 23 years).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 is shown below:

	Impact on the net defined benefit obligation	
	Increase $'000	Decrease $'000
1% increase/(decrease) in discount rate	(41,910)	52,624
1% increase/(decrease) in future salary increases	13,752	(12,067)
1% increase/(decrease) in future pension increases	29,130	(24,832)
Life expectancy increase/(decrease) by 1 year - male	2,842	(2,940)
Life expectancy increase/(decrease) by 1 year - female	6,408	(6,561)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

12. Deferred taxation

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

	2021 $´000	2020 $´000
Deferred tax assets:		
– To be recovered after more than 12 months	28,781	4,643
– To be recovered within 12 months	197	–
	28,978	4,643
Deferred tax liabilities:		
– Crystallizing after more than 12 months	(229,405)	(182,839)
– Crystallizing within 12 months	(100)	(39)
	(229,505)	(182,878)
Net deferred tax liability	(200,527)	(178,235)

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The movement on the net deferred tax account is as follows:

	2021 $´000	2020 $´000
Balance at beginning of year	(178,235)	(165,025)
Exchange rate adjustments	113	(243)
Charged to:		
– statement of income (Note 35)	(27,675)	(12,852)
– other comprehensive income	5,270	(115)
Balance at end of year	(200,527)	(178,235)

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

	Balance at beginning 2021 $´000	Credited/(charged) to Exchange rate adjustment $´000	Statement of income $´000	Statement of other comprehensive income $´000	Balance at end 2021 $´000
Future distributions	(179,975)	104	(12,461)	–	(192,332)
Zero coupon bonds	(761)	–	697	–	(64)
Pension plan	1,653	–	1,352	2,833	5,838
Accelerated tax depreciation	19	(1)	(1,306)	–	(1,288)
Tax losses carried forward	2,556	–	(2,556)	–	–
Investments at fair value	–				
through profit or loss	–	–	(32,358)	–	(32,358)
Investments at fair value	–				
through other comprehensive income	(115)	6	–	152	43
Allowance for expected credit losses	–	4	7,285	–	7,289
Post-retirement medical benefit obligation	–	–	8,108	2,285	10,393
Lease liabilities	(1,612)	–	3,564	–	1,952
	(178,235)	113	(27,675)	5,270	(200,527)

	Balance at beginning 2020 $´000	Credited/(charged) to Exchange rate adjustment $´000	Statement of income $´000	Statement of other comprehensive income $´000	Balance at end 2020 $´000
Future distributions	(164,808)	(55)	(15,112)	–	(179,975)
Zero coupon bonds	(3,193)	(1)	2,433	–	(761)
Pension plan	819	–	834	–	1,653
Accelerated tax depreciation	–	–	19	–	19
Tax losses carried forward	2,735	(179)	–	–	2,556
Investments at fair value through other comprehensive income				(115)	(115)
Right-of-use assets	(17)	2	15	–	–
Lease liabilities	(561)	(10)	(1,041)	–	(1,612)
	(165,025)	(243)	(12,852)	(115)	(178,235)

13. Reinsurance assets

This represents the Group´s contractual rights under reinsurance contracts:

	2021 $´000	2020 $´000
Long-term insurance contracts:		
With fixed and guaranteed terms	1,641	1,293
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 18.1(e))	581	5,235
Claims incurred but not reported (Note 18.1(e))	–	165
Group life	3	–
	584	5,400
Total reinsurers´ share of insurance liabilities	2,225	6,693
Current	580	5,400
Non-current	1,645	1,293
Total reinsurers´ share of insurance liabilities	2,225	6,693

14. Deferred acquisition costs

	2021 $´000	2020 $´000
Short-term insurance contracts:		
Balance at beginning of year	4,815	4,779
Exchange rate adjustments	30	(62)
Increase in the year	5,316	4,877
Release in the year	(4,815)	(4,779)
Balance at end of year	5,346	4,815
Current	5,346	4,815
	5,346	4,815

15. Cash and cash equivalents

	2021 $´000	2020 $´000
Cash at bank and in hand	748,557	660,235
Short-term deposits (90 days or less)	529,837	704,782
Cash and cash equivalents	1,278,394	1,365,017
Cash and cash equivalents in mutual funds	465,493	457,855
Loss allowance	(3,807)	(9,841)
Net cash and cash equivalents	1,740,080	1,813,031
At beginning of year	1,813,031	1,039,418
Exchange rate adjustments	(14)	995
Net movement in loss allowance	6,042	(5,397)
	1,819,059	1,035,016
Net (decrease)/increase in cash used in cash flow	(78,979)	778,015
At end of year	1,740,080	1,813,031

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.

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include $62,168,000 (2020: $1,000,190,000), which is pledged with regulatory authorities in countries in which the Group is authorised to conduct business as security for its policyholders.

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

16. Share capital

	2021 $´000	2020 $´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		
31,667,062 ordinary shares of no par value (2020: 31,667,062 ordinary shares)	100,465	100,465

	Number of shares (thousands)	Share capital $´000	Share option plan $´000	Total $´000
Balance at 1 January 2021	31,677	100,465	–	100,465
Balance at 31 December 2021	31,677	100,465	–	100,465
Balance at 1 January 2020	31,677	100,465	2,583	103,048
Executive share option plan:				
- value of lapsed options	–	–	(2,583)	(2,583)
Balance at 31 December 2020	31,677	100,465	–	100,465

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

17. Reserves

	Fair value reserve $'000	Property revaluation reserve $'000	Translation reserve $'000	Total Reserves $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2021	187	34,839	(106,351)	(71,325)	261,955	190,630
Profit for the year - restated	–	–	–	–	18,558	18,558
Other comprehensive income/(loss)	(249)	(4,471)	(18,819)	(23,539)	(20,138)	(43,677)
Balance at 31 December 2021	(62)	30,368	(125,170)	(94,864)	260,375	165,511
Balance at 1 January 2020	–	44,618	(68,981)	(24,363)	275,747	251,384
Profit for the year - restated	–	–	–	–	5,503	5,503
Other comprehensive income/(loss)	187	(9,779)	(37,370)	(46,962)	(19,295)	(66,257)
Balance at 31 December 2020	187	34,839	(106,351)	(71,325)	261,955	190,630

The property revaluation reserve is used to record increases or decreases in the carrying amount of an item of property that has been revalued. If an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in equity under the heading of revaluation surplus. However, the increase is recognised in the consolidated statement of income to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of comprehensive income. If the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the consolidated statement of income to the extent that it exceeds any amount previously credited to the property revaluation reserve.

18. Insurance contracts

	2021 $'000	2020 $'000
Long-term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 18.1(a))	1,895,376	1,819,116
With fixed and guaranteed terms and with DPF (Note 18.1 (b))	56,560	60,575
Without fixed terms (Note 18.1(c))	6,091,616	5,669,817
	8,043,552	7,549,508
Participating policyholders' share of the surplus from long-term insurance business (Note 18.1(d))	321,076	317,869
	8,364,628	7,867,377
Short-term insurance contracts:		
Claims reported and loss adjustment expenses (Note 18.1(e))	1,143	9,970
Claims incurred but not reported (Note 18.1(e))	54,400	56,978
Unearned premiums (Note 18.1(f))	55,607	51,010
Group life (Note 18.1(g))	11,071	10,318
	122,221	128,276
Total gross insurance liabilities	8,486,849	7,995,653
Reinsurance reserve liabilities	45,323	79,490
Total insurance liabilities	8,532,172	8,075,143
Current	122,221	128,276
Non-current	8,409,951	7,946,867
	8,532,172	8,075,143

18.1 Movements in insurance liabilities and reinsurance assets

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

	2021 $'000	2020 $'000
At beginning of year	1,819,116	1,754,163
Cash paid for claims settled in the year	(533,831)	(560,439)
Changes in outstanding claims	551,445	572,810
Changes in model refinements (Note 4.1.2(c))	(51,771)	(11,016)
Other movements	106,724	69,906
Exchange rate adjustments	3,693	(6,308)
At end of year	1,895,376	1,819,116

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

	2021 $'000	2020 $'000
At beginning of year	60,575	65,730
Exchange rate adjustments	(14)	13
Changes in model refinements (Note 4.1.2(c))	(1,554)	(588)
Normal decrease due to the passage of time	(2,447)	(4,580)
At end of year	56,560	60,575

(c) Long-term insurance contracts without fixed terms

	2021 $'000	2020 $'000
At beginning of year	5,669,817	5,530,445
Exchange rate adjustments	1,600	(2,777)
Changes in model refinements (Note 4.1.2(c))	(164,796)	(118,980)
Other movements	534,617	259,667
Cash paid on claims settled in the year	(653,757)	(562,432)
Increase in liabilities	704,135	563,894
	6,091,616	5,669,817

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

	2021 $'000	2020 $'000
At beginning of year	317,869	318,728
Surplus/(loss) arising from operations allocated to participating policy holders	4,683	(8,557)
Other movements	(1,476)	7,698
At end of year	321,076	317,869

In view of recent regulatory changes, the value ascribed to the accumulated participating surplus is currently subject to actuarial, legal and regulatory review.

Short-term insurance contracts (non-life):

	2021			2020		
Year ended 31 December	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
(e) Claims and loss adjustment expenses/claims incurred but not reported						
Notified claims	9,970	(5,235)	4,735	2,537	(5,032)	(2,495)
Incurred but not reported	56,978	(165)	56,813	55,537	191	55,728
Total at beginning of year	66,948	(5,400)	61,548	58,074	(4,841)	53,233
Exchange rate adjustments	(382)	–	(382)	(21)	–	(21)
Cash paid for claims settled in the year	(382,318)	29,514	(352,804)	(351,328)	18,461	(332,867)
Increase in liabilities (Note 24)	371,295	(24,695)	346,600	360,223	(19,020)	341,203
Total at end of year	55,543	(581)	54,962	66,948	(5,400)	61,548
Notified claims	1,143	(581)	562	9,970	(5,235)	4,735
Incurred but not reported	54,400	–	54,400	56,978	(165)	56,813
	55,543	(581)	54,962	66,948	(5,400)	61,548
(f) Provisions for unearned premiums						
Total at beginning of year	51,010	–	51,010	50,894	–	50,894
Exchange rate adjustments	352	–	352	(695)	–	(695)
Increase in the period	55,255	–	55,255	51,705	–	51,705
Release in the period	(51,010)	–	(51,010)	(50,894)	–	(50,894)
Total at end of year	55,607	–	55,607	51,010	–	51,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

18. Insurance contracts (continued)

18.1 Movements in insurance liabilities and reinsurance assets (continued)

Short-term insurance contracts (non-life) (continued)

	2021			2020		
Year ended 31 December	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
(g) Group life						
Total at beginning of year	10,318	–	10,318	13,815	–	13,815
Exchange rate adjustment	3	3	1	1		
Cash paid for claims settled in the year	(38,114)	–	(38,114)	(35,957)	–	(35,957)
Increase in liabilities	38,864	–	38,864	32,459	–	32,459
Total at end of year	11,071	–	11,071	10,318	–	10,318

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

The development of the insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. An accident year basis is considered to be most appropriate for the business written by the Group. It is the Group's experience that the development of an accident year's claims are complete within a short period subsequent to its end. Consequently, no table has been presented in these financial statements showing the development of recent accident years over time.

19. Investment contract liabilities

	2021 $'000	2020 $'000
The movements in the liabilities arising from investment contracts are summarised below:		
Balance at beginning of year	1,071,856	1,021,465
Premiums received	96,325	133,858
Fees deducted from account balances	(15,073)	(14,174)
Account balances paid on surrender and other terminations in the year	(121,121)	(86,214)
Interest credited through income	24,998	23,839
Other movements	7,407	(6,918)
Balance at end of year	1,064,392	1,071,856

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

20. Financial liabilities

	2021 $'000	2020 $'000
Borrowings and repurchase agreements		
Subsidiaries	34,725	34,719
Current	-	-
Non-Current	34,725	34,719
	34,725	34,719

21. Post-retirement medical benefit obligations

	2021 $'000	2020 $'000
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of obligations	34,643	33,718
The amount in the consolidated statement o f income is made up as follows:		
Interest cost	(2,004)	(1,869)
Current service cost	(615)	(705)
Expense for the year (Note 33)	(2,619)	(2,574)
The movement in the liability is as follows:		
Balance at beginning of year	33,718	32,427
Remeasurement of obligation (actuarial losses)	(948)	(583)
Employer contributions	(746)	(700)
Expense as per above	2,619	2,574
Balance at end of year	34,643	33,718
The principal actuarial assumptions used were as follows:		
Discount rate	6.7%	5.9%
Healthcare cost escalation	5.6%	4.8%
Retiree premium escalation:		
Existing retirees	5.6%	4.8%
Future retirees	5.6%	4.8%
Pre-retirement mortality	Ignored	Ignored
Post-retirement mortality	GAM94	GAM94

A quantitative sensitivity analysis for significant assumptions as at 31 December 2021 is shown below:

	Impact on the obligation Increase $'000	Decrease $'000
1% increase/decrease in discount rate	(5,476)	7,143
1% increase/decrease in medical cost trend rate	7,150	(5,573)

Expected contributions to post-employment benefit plans for the year ending 31 December 2022 are $787,000.

22. Other liabilities

	2021 $'000	2020 $'000
Deposits and premiums received in advance	59,617	59,300
Amount due to reinsurers	29,315	10,656
Other payables	114,825	113,817
Due to affiliated companies (Note 40)	967	4,343
	204,724	188,116

23. Net premium income

	2021 $'000	2020 $'000
(a) Insurance premium income		
Long-term insurance contracts	1,900,873	1,782,628
Short-term insurance contracts:		
- premiums receivable	492,779	518,746
- change in unearned premium provision	(4,246)	(811)
	2,389,406	2,300,563
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(98,271)	(94,503)
Short-term reinsurance contracts: - premiums payable	(47,483)	(45,019)
	(145,754)	(139,522)

24. Policy acquisition expenses

	2021 $'000	2020 $'000
Commissions	240,801	253,259
Other expenses for the acquisition of insurance and investment contracts	21,717	30,293
	262,518	283,552

25. Net insurance benefits and claims

	2021 $'000	2020 $'000
Insurance benefits - gross	1,371,491	1,408,692
Insurance benefits - recovered from reinsurers	(37,194)	(40,370)
Insurance claims and loss adjustment expenses - gross (Note 18.1(e))	371,295	360,223
Insurance claims and loss adjustment expenses - recovered from reinsurers (Note 18.1(e))	(24,695)	(19,020)
	1,680,897	1,709,525

	2021		
Insurance benefits	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	299,053	–	299,053
- increase in liabilities	45,730	–	45,730
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	855,928	(35,149)	820,779
- change in unit prices	131,916	–	131,916
Short-term insurance contracts - life	38,864	(2,045)	36,819
Total cost of policyholder benefits	1,371,491	(37,194)	1,334,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

25. Net insurance benefits and claims (continued)

	2020		
Insurance benefits	**Gross $´000**	**Reinsurance $´000**	**Net $´000**
Long-term insurance contracts with fixed and guaranteed terms and without DPF:			
- death, maturity and surrender benefits	247,860	–	247,860
- decrease in liabilities	55,487	–	55,487
Long-term insurance contracts without fixed terms:	–		
- death, maturity and surrender benefits	846,262	(38,445)	807,817
- change in unit prices	226,623	–	226,623
Short-term insurance contracts - life	32,459	(1,925)	30,534
Total cost of policyholder benefits	1,408,691	(40,370)	1,368,321

26. Investment income

	2021 $´000	2020 $´000
Interest income from:		
- Amortised cost investment securities	144,374	134,884
- Loans and receivables	7,975	8,534
- Cash and cash equivalents	13,147	11,927
Investment income from financial assets measured at amortised cost and fair value through other comprehensive income	165,496	155,345
Interest income from fair value through profit or loss debt securities	210,689	202,297
Dividend income	74,922	48,722
Investment expenses	(646)	(2,437)
Other investment income	284,965	248,582
Total investment income	450,461	403,927

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

	2021 $´000	2020 $´000
Debentures and corporate bonds	(1,471)	420
	(1,471)	420

28. Net realised gains on other assets

	2021 $´000	2020 $´000
Investment securities measured mandatorily at fair value through profit or loss	3,270	17,825
Other	(52)	–
	3,218	17,825

29. Net fair value gains/(losses)

	2021 $´000	2020 $´000
Net fair value gains/(losses) on:		
- Investment securities measured mandatorily at fair value through profit or loss	23,408	4,727
- Fair value adjustment on investment properties (Note 7)	19,490	(7,707)
	42,898	(2,980)

30. Fee income

	2021 $´000	2020 $´000
Policy administration and asset management services:		
- Investment contracts without a discretionary participation feature	1,677	1,541
Surrender charges – insurance contracts	7,117	7,413
Other	(387)	593
	8,407	9,547

31. Other income

	2021 $´000	2020 $´000
Rental income	33,604	18,444
Foreign exchange (losses)/gains	(123)	2,472
Other income	2,864	11,662
	36,345	32,578

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

	2021 $´000	2020 $´000
Investment securities measured at fair value through other comprehensive income	3	(3)
Investment securities measured at amortised cost	(9,395)	10,666
Loans and receivables	(114,181)	(3,766)
Cash and cash equivalents	6,042	(5,397)
	(117,519)	1,550

33. Operating expenses

	2021 $´000	2020 $´000
Staff cost	153,584	111,983
Depreciation and amortisation	20,720	22,440
Auditors´ remuneration	1,497	1,446
Directors´ fees	1,711	1,064
Expenses for asset management services	27,723	30,360
Other expenses	196,546	189,331
	401,781	356,624
Staff cost includes:		
Wages, salaries and bonuses	110,734	76,561
Health and medical	6,712	5,786
Staff training	149	207
National insurance	10,153	8,360
Pension costs - defined contribution plans	5,566	4,376
Pension costs - defined benefit plans	9,195	10,199
Post-retirement medical benefit obligations (Note 21)	2,619	2,574
Termination benefits	383	21
Other	8,073	3,899
	153,584	111,983

34. Finance charges

	2021 $´000	2020 $´000
Interest on borrowings	–	309
Interest on leasing arrangements (Note 6(b))	1,971	2,230
	1,971	2,539

35. Taxation

	2021 $´000	2020 $´000
Current tax	19,540	35,811
Prior year taxation adjustment	(11,294)	(22,713)
Deferred tax (Note 12)	27,675	12,852
	35,921	25,950

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

	2021 $´000	2020 $´000
Profit before taxation	294,254	252,474
Prima facie tax calculated at domestic corporation tax rate of 30%	88,276	75,742
Effect of different tax rate of life insurance companies	(49,834)	(33,962)
Effect of different tax rate in other countries	(6,810)	7,766
Income not subject to tax	(343,304)	(302,961)
Expenses not deductible for tax purposes	324,332	289,618
Withholding Tax	–	2
Prior year taxation adjustment	(11,295)	(22,713)
Tax on dividend	–	10,000
Other	34,556	2,458
Tax charge for the period	35,921	25,950

36. Adjustment for non-cash items in operating profit

	2021 $´000	2020 $´000
Net fair value (gains) on financial and other assets (Note 29)	(23,408)	(4,727)
Net realised (gains) on financial and other assets (Note 27 & 28)	(1,747)	(18,245)
Impairment of financial assets (Note 32)	117,519	(1,550)
Net loss for the year on post-employment benefits	17,380	17,148
Depreciation and amortisation (Note 33)	20,720	22,440
(Gain)/loss on disposal of property, plant & equipment	(87)	3,538
Change in fair value of other investment properties (Note 7)	(19,490)	7,707
Foreign exchange losses/(gains)	1,005	(13,416)
	111,892	12,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

37. 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 2021				
Assets measured at fair value:				
Freehold properties	–	–	127,014	127,014
Investment properties	–	–	788,158	788,158
Investment securities at fair value through profit or loss:				
Equity securities	2,205,592	82,878	149,614	2,438,084
Government securities	384,716	3,338,664	–	3,723,380
Debentures & corporate bonds	74,984	476,948	–	551,932
Deposits (more than 90 days)	–	211	–	211
Other	5,779	128,312	–	134,091
	2,671,071	4,027,013	1,064,786	7,762,870
At 31 December 2020				
Assets measured at fair value:				
Freehold properties	–	–	132,183	132,183
Investment properties	–	–	803,460	803,460
Investment securities at fair value through profit or loss:				
Equity securities	1,715,806	89,941	100,758	1,906,505
Government securities	558,663	3,042,825	–	3,601,488
Debentures & corporate bonds	97,387	530,906	–	628,293
Deposits (more than 90 days)	–	20,868	–	20,868
Other	5,117	111,489	–	116,606
	2,376,973	3,796,029	1,036,401	7,209,403

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

Reconciliation of movements in level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing recorded amount of Level 3 assets and which are recorded at fair value.

	Freehold properties $'000	Investment properties $'000	Equity securities $'000	Other $'000	Total $'000
At 31 December 2021					
Balance at beginning of year	132,183	803,460	100,758	–	1,036,401
Exchange rate adjustment	–	(38,832)	(2,203)	–	(41,035)
Total gains or losses:					
in profit or loss	(1,649)	19,438	28,340	–	46,129
in other comprehensive income	(4,471)	–	–	–	(4,471)
Purchases	951	15,561	33,952	–	50,464
Sales	–	(359)	(11,233)	–	(11,592)
Other movements	–	(11,110)	–	–	(11,110)
Balance at end of year	127,014	788,158	149,614	–	1,064,786
At 31 December 2020					
Balance at beginning of year	139,998	824,678	89,702	–	1,054,378
Exchange rate adjustment	–	(37,515)	25	–	(37,490)
Total gains or losses:					
in profit or loss	(1,685)	(7,707)	10,810	–	1,418
in other comprehensive income	(9,779)	–	–	–	(9,779)
Purchases	3,649	42,363	23,179	–	69,191
Sales	–	–	(22,958)	–	(22,958)
Other movements	–	(18,359)	–	–	(18,359)
Balance at end of year	132,183	803,460	100,758	–	1,036,401

Total gains or losses (realised and unrealised) for the year in the above table are presented in the consolidated statement of income and other comprehensive income as follows:

	2021 $'000	2020 $'000
Total gains or losses recognised in the consolidated statement of income		
Net realised (losses)/gains	(52)	–
Net fair value gains/(losses)	47,830	3,103
Operating expenses	(1,649)	(1,685)
	46,129	1,418
Total gains or losses recognised in the consolidated statement of comprehensive income		
Net fair value (losses) on property revaluation through other comprehensive income	(4,471)	(9,779)

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

	2021 $'000	2020 $'000
Assets measured at fair value:		
Investment properties	19,490	(7,707)
Investment securities:		
Equity securities	28,340	10,810
	47,830	3,103

For properties classified as level 3, an increase/decrease in the discount rates or capitalisation rates, will result in a decrease/increase in the property values. The Group does not regard that any reasonable change in the valuation assumptions of level 3 assets and liabilities will have any significant impact on the consolidated financial statements.

The following table provides the fair value measurement of the Group's assets and liabilities that are not measured at fair value in the consolidated statement of financial position but whose fair values are disclosed in the notes to the accounts.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
At 31 December 2021				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	207,606	2,055,586	–	2,263,192
Debentures & corporate bonds	1,720	473,067	–	474,787
Deposits (more than 90 days)	–	35,561	–	35,561
	209,326	2,564,214	–	2,773,540
At 31 December 2020				
Assets for which fair values are disclosed:				
Investment securities measured at amortised cost:				
Government securities	218,796	1,801,572	–	2,020,368
Debentures & corporate bonds	1,783	504,417	–	506,200
Deposits (more than 90 days)	–	32,881	–	32,881
	220,579	2,338,870	–	2,559,449

38. Segment information

	Total revenue from external customers		Non current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trinidad and Tobago	2,445,049	2,279,090	500,037	523,759
Jamaica	49,708	17,254	485,840	488,475
Barbados	117,411	109,356	9,235	11,835
Latin America	8,651	55,041	–	–
Other Countries	153,550	158,483	564	998
	2,774,369	2,619,224	995,676	1,025,067

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, and investment in subsidiaries.

39. Contingent liabilities

Legal proceedings

The Group is a defendant 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.

Property Taxes

Legislation for Trinidad and Tobago is enacted however not yet enforced. Rates for the calculation of the tax is available, however, the information on values ascribed or the approach to such is still unknown. As a result of these factors, the Group is unable to reliably estimate the liability.

40. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The ultimate parent of the Group is Portland Holdings Inc.

A number of transactions are entered into with related parties in the normal course of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021 (Expressed in Trinidad and Tobago Dollars)

40. Related party disclosures (continued)

	2021 $'000	2020 $'000
Due from parent and affiliated companies		
Bancassurance Caribbean Limited	10,245	13,260
Guardian Holdings Limited	19,708	21,849
Guardian Shared Services Limited	3,264	
Guardian Group Trust Limited		
(formerly Guardian Asset Management Limited)	4	25
Guardian Asset Management & Investment Services Limited	3	
Fatum Holding N.V.	3	916
Almi Holdings Limited	17,204	–
	50,431	36,050
Due to parent and affiliated companies		
Guardian Holdings Limited	237	–
Guardian Asset Management & Investment Services Limited	–	5
Guardian General Insurance Limited	80	1
Fatum Holdings NV	576	575
Guardian Shared Services Limited	–	3,682
Guardian Life Limited	74	80
	967	4,343

Financial assets of key associates comprise of multiple corporate bonds plus interest receivable and preference shares issued by RGM to the Group. The preference shares held by the Group are cumulative, non-convertible and redeemable. The corporate bonds carry fixed interest rates and principal and interest are payable semi-annually. All bonds are secured by mortgages on various properties.

Financial assets of other related parties comprise debt, equity and other investments issued by entities controlled by related parties, in the ordinary course of business.

The following transactions were carried out with related parties:

	2021 $'000	2020 $'000
(a) Dividend income from:		
- Other related parties	701	1,998
(b) Financial assets of:		
- Key associates	14,435	13,753
- Other related parties	596	918
(c) Key management personnel compensation:		
- Salaries and other short-term employee benefits	10,877	9,007
- Post-employment benefits	701	735
- Other long-term benefits	1,019	948
(d) Year end balances arising from sales / purchases of products and services:		
- Key associates	225,031	238,254
- Other related parties	302,265	310,810
(e) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	31,128	36,035
Loans advanced during the year	3,675	6,170
Loan repayments received	(6,493)	(11,089)
Interest charged	1,001	996
Interest received	(998)	(984)
Balance at end of year	28,313	31,128

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2020: Nil).

41. 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 2021 $'000	Carrying Amount 2020 $'000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	664	37,368
Investments	14,354	30,672
Interest and other receivables	2,385	2,281
	17,403	70,321

42. 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:

	2021 $'000	2020 $'000
Statutory deposits/funds	150,614	10,166,253

Following the implementation of the New Insurance Act of 2018 in Trinidad and Tobago which was effective from January 1st 2021 the statutory fund requirement of holding pledged assets is no longer required for Trinidad and Tobago's operations as it is superseded by inclusions under section 82 and 83 which applies other regulatory measures for maintaining adequate capital and appropriate forms of liquidity for the operations. Pledged assets for all other territories are held as per the requirements of the respective Insurance Acts in which we operate.