

Independent Auditor's Report

TO THE SHAREHOLDER OF GUARDIAN GENERAL INSURANCE LIMITED

Report on the audit of the Company's non-consolidated financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Guardian General Insurance Limited (the Company) as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements (the financial statements) comprise:

- the non-consolidated statement of financial position as at 31 December 2021;
- the non-consolidated statement of income for the year then ended;
- the non-consolidated statement of comprehensive income for the year then ended;
- the non-consolidated statement of changes in equity for the year then ended;
- the non-consolidated statement of cash flows for the year then ended; and
- the notes to the non-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 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 Company 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.

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

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

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

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

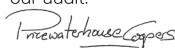
Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.



Port of Spain
Trinidad, West Indies
22 February 2022

Non-Consolidated Statement of Financial Position

As at 31 December 2021

	2021 \$'000	2020 \$'000
Assets		
Property and equipment	33,725	30,897
Right-of-use assets	6,431	1,697
Investment property	8,086	7,836
Investment in associated company	15,540	15,540
Investment in subsidiary	36,251	36,251
Investment securities	494,885	497,504
Loans and receivables	157,312	169,607
Pension plan asset	13,414	10,396
Deferred tax asset	13,508	11,553
Reinsurance assets	454,389	363,001
Due from affiliated companies	15,231	1,249
Deferred acquisition costs	66,840	59,563
Taxation recoverable	26,831	28,504
Cash and cash equivalents	282,589	260,020
Total assets	1,625,032	1,493,618
Equity and liabilities		
Shareholders' equity		
Share capital	43,597	43,597
Reserves	65,686	64,967
Retained earnings	360,956	361,471
Total equity	470,239	470,035
Liabilities		
Insurance contracts	919,966	846,877
Lease liabilities	5,613	1,996
Pension plan liability	1,349	785
Post retirement medical benefit obligation	11,294	7,693
Deferred tax liabilities	23,550	21,754
Due to parent and affiliated companies	62	678
Payables and accruals	186,605	140,932
Provision for taxation	6,354	2,868
Total liabilities	1,154,793	1,023,583
Total equity and liabilities	1,625,032	1,493,618

On 22 February 2022, the Board of Directors of Guardian General Insurance Limited authorised these financial statements for issue.



Director



Director

Non-Consolidated Statement of Income

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Gross premiums written	1,544,727	1,422,256
Outward reinsurance premiums	(1,178,093)	(991,949)
Net premiums written	366,634	430,307
Change in gross provision for unearned premiums	(35,747)	(50,558)
Change in provision for unearned premiums reinsurers' share	60,068	25,203
Net insurance premium revenue	390,955	404,952
Reinsurance commission	150,338	134,705
Underwriting revenue	541,293	539,657
Gross claims incurred	284,319	16,672
Reinsurers' share of claims incurred	(131,402)	112,502
Net claims incurred	152,917	129,174
Acquisition costs	176,586	155,478
Change in deferred acquisition costs	(6,970)	(5,921)
Expenses of management	201,039	177,991
Finance charges	318	243
Underwriting expenses	523,890	456,965
Underwriting profit	17,403	82,692
Investment income from financial assets measured at amortised cost	14,746	13,878
Other investment income	11,093	6,021
Net realised losses on financial assets measured at amortised cost	938	-
Net realised losses on other assets	(225)	(480)
Net fair value gains/(losses)	11,660	(933)
Other operating income	71	16,279
Net impairment losses on financial assets	(2,052)	(92)
Net investment and other income	36,231	34,673
Profit before taxation	53,634	117,365
Taxation	(10,698)	(26,832)
Profit for the year	42,936	90,533

Non-Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	Other reserves		Retained earnings		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit for the year	-	-	42,936	90,533	42,936	90,533
Other comprehensive income/(loss)						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Exchange differences on translating foreign operations	2,581	(4,558)	-	-	2,581	(4,558)
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	2,581	(4,558)	-	-	2,581	(4,558)
<i>Items that will not be reclassified subsequently to profit or loss:</i>						
(Losses)/Gains on property revaluation	(141)	467	-	-	(141)	467
Remeasurement of pension plans	-	-	(1,499)	6,138	(1,499)	6,138
Remeasurement of post-retirement medical benefit obligations	-	-	(3,346)	42	(3,346)	42
Taxation relating to components of other comprehensive income	(1,721)	(518)	1,394	(4,134)	(327)	(4,652)
Net other comprehensive (loss)/income that will not be reclassified subsequently to profit or loss	(1,862)	(51)	(3,451)	2,046	(5,313)	1,995
Other comprehensive income/(loss) for the period, net of tax	719	(4,609)	(3,451)	2,046	(2,732)	(2,563)
Total comprehensive income for the period, net of tax	719	(4,609)	39,485	92,579	40,204	87,970

Non-Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 \$'000	2020 \$'000
Cash flows from operating activities		
Profit before taxation	53,634	117,365
Adjustment for specific items included on the accruals basis:		
- Finance charges	318	244
- Investment income	(25,839)	(19,899)
Adjustment for non-cash items	(3,828)	13,669
Interest received	13,903	12,126
Dividends received	<u>11,093</u>	<u>6,021</u>
	49,281	129,526
Changes in operating assets and liabilities:		
Net increase/(decrease) in insurance liabilities	73,089	(381,285)
Net (increase)/decrease in reinsurance assets	(91,387)	391,543
Purchase of investment securities	(232,106)	(264,830)
Proceeds from sale of investment securities	247,579	261,582
Net decrease/(increase) in other operating assets/liabilities	<u>31,560</u>	<u>(147,507)</u>
Cash provided/(used in) by operating activities	78,016	(10,971)
Interest paid	(312)	(264)
Net taxation paid	<u>(7,357)</u>	<u>(24,745)</u>
Net cash provided/(used in) by operating activities	<u>70,347</u>	<u>(35,980)</u>
Cash flows from investing activities		
Acquisition of non-controlling interest in subsidiaries	-	(30,365)
Purchase of property and equipment	(2,818)	(858)
Proceeds on sale of property and equipment	<u>55</u>	<u>62</u>
Net cash used in investing activities	<u>(2,763)</u>	<u>(31,161)</u>
Cash flows from financing activities		
Repayment of lease liabilities	(4,202)	(3,586)
Dividends paid to equity holders of the parent	<u>(40,000)</u>	<u>(32,000)</u>
Net cash used in financing activities	<u>(44,202)</u>	<u>(35,586)</u>
Net increase/(decrease) in cash and cash equivalents	<u>23,382</u>	<u>(102,727)</u>

Non-Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital \$'000	Statutory reserve \$'000	Translation reserves \$'000	Revaluation reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2021	43,597	50,784	4,918	9,265	361,471	470,035
Total comprehensive income	-	-	2,581	(1,862)	39,485	40,204
Dividends paid	-	-	-	-	(40,000)	(40,000)
Balance at 31 December 2021	<u>43,597</u>	<u>50,784</u>	<u>7,499</u>	<u>7,403</u>	<u>360,956</u>	<u>470,239</u>
Balance at 1 January 2020	45,016	50,784	9,476	9,316	299,473	414,065
Total comprehensive income	-	-	(4,558)	(51)	92,579	87,970
Share option scheme - lapses	(1,419)	-	-	-	1,419	-
Dividends paid	-	-	-	-	(32,000)	(32,000)
Balance at 31 December 2020	<u>43,597</u>	<u>50,784</u>	<u>4,918</u>	<u>9,265</u>	<u>361,471</u>	<u>470,035</u>