Guardian Group

Guardian Holdings Limited

ANNUAL REPORT 2016

THE GUARDIAN OF THE FUTURE

Changing the Future of Insurance

It wasn´t that long ago that we all believed that wearable tech, Wi-Fi and video calls could only exist in the far distant future.

Yet today, it´s hard to imagine life without them.

At Guardian Group, we´ve worked hard to pioneer innovations in the insurance and financial services sector, across all 21 of the territories in which we operate, to ensure that we continue to deliver on our promise of helping you to live easy, now and in the future.

We´re streamlining our systems and rethinking our processes so that we´re quicker, more efficient and more intelligent.

And we´re re-evaluating all our touchpoints with you so that our service is seamless and simple.

Pioneering industry innovation isn´t just our vision: it´s our reality.

Experience the future of insurance with us today.

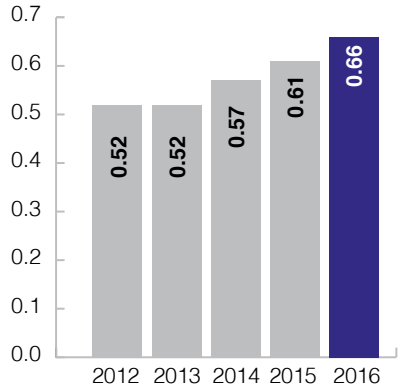
Contents

Guardian Holdings Limited
Head Office: 1 Guardian Drive,
Westmoorings, Trinidad and Tobago
Tel: 1-868-226-6944
Fax: 1-868-632-5695

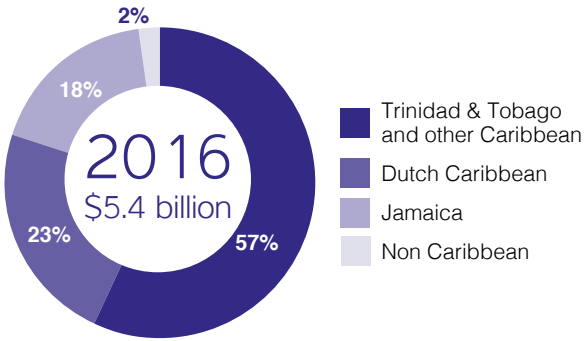
Email: shareholder@myguardiangroup.com
Website: www.myguardiangroup.com

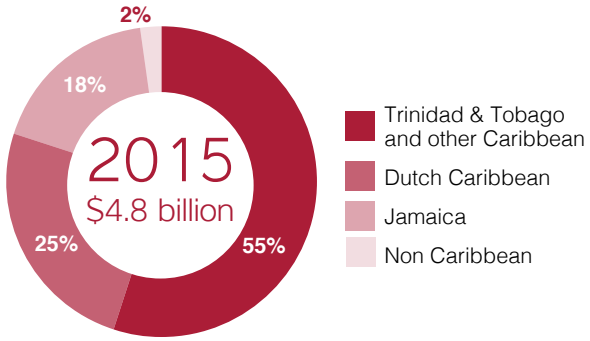
Key Performance Indicators

Dividends per Share ($)

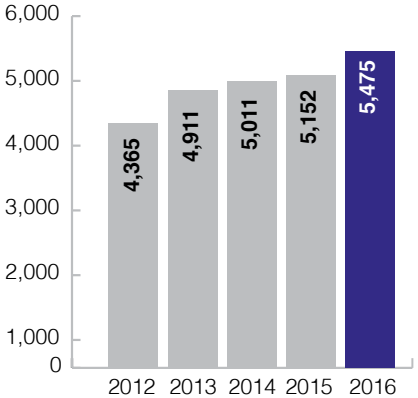


Geographic Distribution of Revenue (excluding realised and unrealised gains/losses)

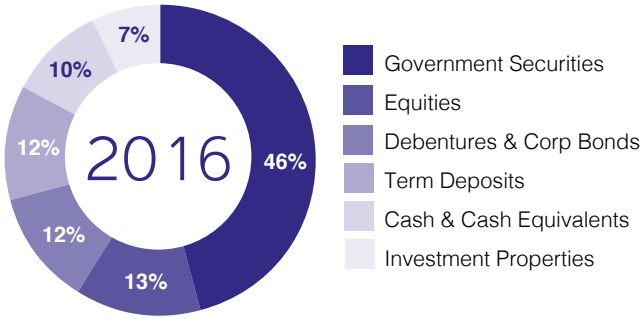


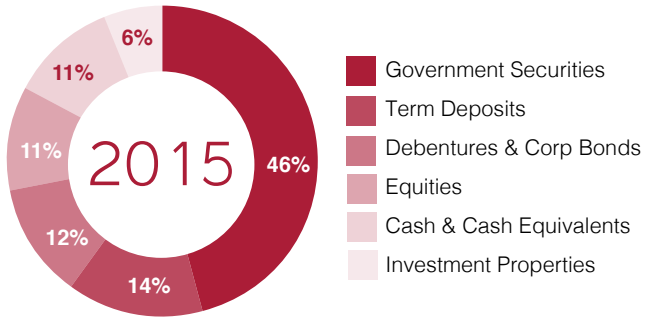


Gross Premiums Written ($ million)



Consolidated Investment Mix





Corporate Information

DIRECTORS

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

SECRETARY

Mrs. Fé Lopez-Collymore

REGISTERED OFFICE

1 Guardian Drive
Westmoorings
Trinidad and Tobago

REGISTRAR & TRANSFER OFFICE

Guardian Holdings Limited
1 Guardian Drive
Westmoorings
Trinidad and Tobago

AUDITORS

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

COMMITTEES

GHL AUDIT, COMPLIANCE AND RISK COMMITTEE

Mr. Maxim Rochester (Chairman)
Mr. Arthur Lok Jack
Mr. Peter Ganteaume
Mr. Imtiaz Ahamad
Mr. Antony Lancaster
Mr. Dennis Cohen

GHL REMUNERATION COMMITTEE

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

GHL CORPORATE GOVERNANCE COMMITTEE

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

Notice of Annual Meeting

Notice is hereby given that the Annual Meeting of Shareholders of Guardian Holdings Limited for 2017 will be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings, on May 5, 2017 at 4:30 in the afternoon for the following purposes:

1. To review and consider the Consolidated Financial Statements of the Company for the year ended December 31, 2016 and the Reports of the Directors and Auditors thereon and for such purpose and (if thought fit) to pass the following resolution:

   "BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2016 and Reports of the Directors and the Auditors thereon be received and adopted."

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

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

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

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

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

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

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

   (g) That Mr. Nicholas Lok Jack is hereby elected a Director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1

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

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

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 9, 2017

Notes to the Notice of Annual Meeting

1. MEETING REQUIREMENTS

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

Proxies

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

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

Representatives of Corporations

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

Delivery to the Company

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

Proof of Identity

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

Persons Entitled to Notice

In accordance with section 110(2) of the Companies Act Ch. 81:01 the Directors of the Company have fixed March 28, 2017 as the Record Date for the determination of shareholders who are entitled to receive Notice of the Annual Meeting. Only shareholders on record at the close of business on March 28, 2017 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.

2. DIRECTORS' CONTRACTS

There are no contracts during or at the end of the year ended December 31, 2016 in which a Director of the Company is or was materially interested and which is or was significant in relation to the Company's business.

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

Consolidated Financial Highlights

Revenue	2016	2015
Life, Health and Pensions business net premiums written	$3,290 million	$2,823 million
Property and Casualty business net premiums written	$721 million	$729 million
Revenue from insurance operations	$4,295 million	$3,816 million
Revenue from investment activities	$1,092 million	$857 million
Revenue from brokerage activities	$127 million	$84 million
Total revenue	$5,514 million	$4,757 million
Results		
Profit attributable to equity holders of the parent	$396 million	$335 million
Profit attributable to equity holders of the parent from continuing operations	$373 million	$332 million
Earnings per ordinary share from continuing operations	$1.61	$1.43
Financial position as at December 31		
Total capital & reserves	$3,064 million	$2,754 million
Shareholders' equity	$3,041 million	$2,730 million
Net asset value per share	13.11	11.77
Dividend		
Total dividend for the year per ordinary share	66 cents	61 cents
Dividend cover	2.44	2.34

Conversion Rates	2016 Average rate	2016 Year end rate
Trinidad & Tobago dollar to one US Dollar	6.6469	6.7459
Trinidad & Tobago dollar to one British Pound	9.0453	8.4011
Trinidad & Tobago dollar to one Euro	7.4654	7.2441
Trinidad & Tobago dollar to one Jamaican Dollar	0.0523	0.0520
Trinidad & Tobago dollar to one Netherlands Antillean Guilder	3.7133	3.7686

LHP Net Premiums Written

+16.6%

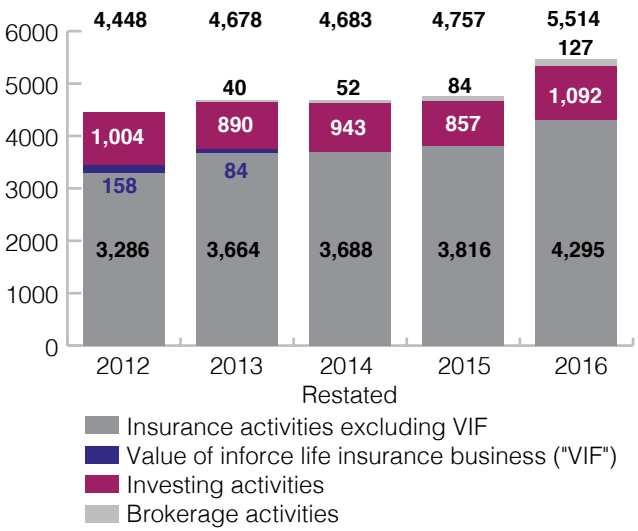
Revenue from Investment Activities

+27.4%

Total Revenue

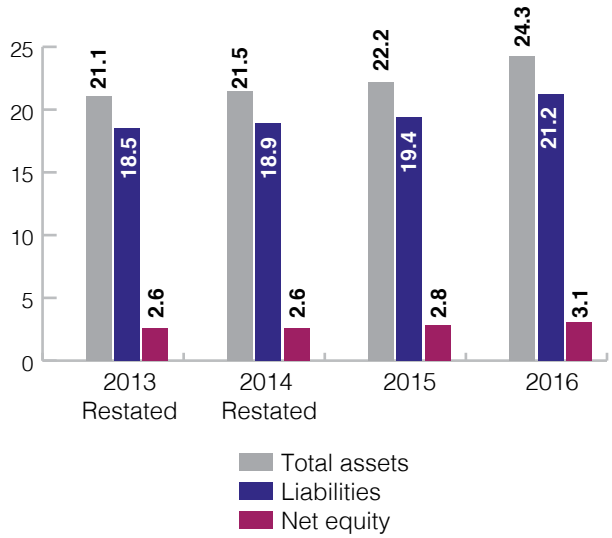
+15.9%

Total Revenue ($ million)



Note: 2012 and 2013 years were not restated for the changes in accounting policy in 2015

Financial Position ($ billion)



NAV per Share

+11.4%

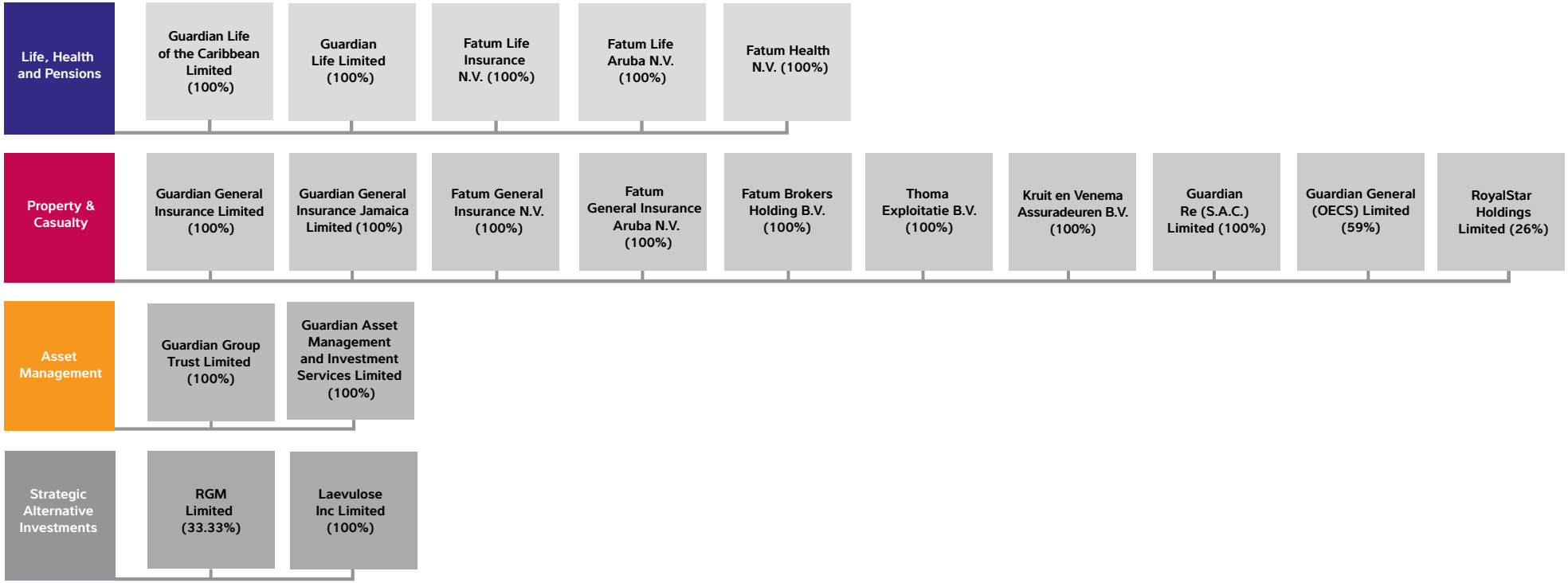
Shareholders' Equity

+11.4%

Dividend per Share

66¢

Business Segments



Report of the Directors

The Directors have pleasure in submitting their Report for the year ended December 31, 2016.

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

Financial Highlights	**2016 $'000**	**2015 $'000**
Net income from insurance underwriting activities	612,654	662,220
Net income from investing activities	1,027,706	788,322
Net income from brokerage activities	4,050	7,839
Net income from all activities	1,644,410	1,458,381
Operating profit	517,302	431,310
Profit before taxation	520,587	448,691
Taxation	(130,149)	(101,899)
Profit for the year from continuing operations	374,886	333,854
Profit for the year	397,657	336,322
Profit attributable to equity holders of the parent	395,800	334,763
Total assets	24,252,292	22,183,918
Insurance contract liabilities	14,663,168	13,231,768
Equity attributable to owners of the parent	3,041,128	2,730,410

Dividends

An interim dividend of twenty-one (21) cents per share was paid in 2016. At their meeting on March 09, 2017 the Directors declared a Final Dividend of forty-five (45) cents per share which will be paid on April 20, 2017 to shareholders on the Register as at March 28, 2017. The total dividend for 2016 therefore amounts to sixty-six (66) cents per share.

Directors

Messrs. Michael Lee-Chin, Patrick Hylton and Dennis Cohen, having been appointed to fill vacancies occurring since the last Annual Meeting, retire at this Annual Meeting and offer themselves for election.

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

The Board is also proposing the election of Mr. Nicholas Lok Jack as a Director of the Company. Further details on the Directors proposed for election and re-election are contained in the Corporate Governance Report at pages 41-53.

Directors and Significant Interests

These are shown on pages 10-12 and should be read as part of this report.

Auditors

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

By Order of the Board

Fé Lopez-Collymore
Corporate Secretary

Date: March 9, 2017

Interests in Shares of the Company

DIRECTORS' AND SENIOR MANAGERS' INTERESTS

Name	Position	Ordinary Shares as at December 31, 2016	Ordinary Shares as at February 9, 2017
Mr. Arthur Lok Jack	Chairman	25,401,926	25,401,926
Mr. Peter Ganteaume	Deputy Chairman	645,000	645,000
Mr. Ravi Tewari	Director/Senior Manager (CEO)	240,416	240,416
Mr. Imtiaz Ahamad	Director	25,240,609	25,240,609
Mr. Michael Lee-Chin	Director	69,547,241	69,547,241
Mr. Richard Espinet	Director/Senior Manager	173,832	173,832
Mr. Philip Hamel-Smith	Director	295,124	295,124
Mr. Patrick Hylton	Director	0	0
Mr. Antony Lancaster	Director	3,517	3,517
Mr. Dennis Cohen	Director	0	0
Mr. Maxim Rochester	Director	0	0
Mr. Brent Ford	Senior Manager	282,182	282,182
Ms. Fé Lopez-Collymore	Senior Manager	338,434	338,434
Mr. Keston Nancoo	Senior Manager	97,794	97,794
Mr. Paul Traboulay	Senior Manager	127,922	127,922
Ms. Prabha Siewrattan	Senior Manager	71,891	71,891
Mr. Steven Martina	Senior Manager	47,113	47,113
Mr. Kerri Maharaj	Senior Manager	73,034	73,034
Mr. Wendell Mitchell	Senior Manager	52,024	52,024

TOP TEN SHAREHOLDERS

	Shareholder Name	December 31, 2016 Ordinary Shares	%	February 9, 2017 Ordinary Shares	%
1.	NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
2.	Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
3.	RBC Trust (Trinidad & Tobago) Limited	11,611,663	5.00%	11,611,663	5.00%
4.	RBC Nominee Services (Caribbean) Limited	9,034,050	3.89%	9,034,050	3.89%
5.	Republic Bank Limited	7,818,618	3.37%	7,818,618	3.37%
6.	Trinidad and Tobago Unit Trust Corporation	7,137,044	3.07%	7,137,044	3.07%
7.	First Citizens Trust and Asset Management Limited	5,171,416	2.23%	5,171,416	2.23%
8.	Guardian Holdings ESOP Nominee Limited	4,712,808	2.04%	4,712,808	2.03%
9.	Arthur Lok Jack (excluding his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	4,536,769	1.95%	4,536,769	1.95%
10.	Universal Investments Limited (excluding interest through Tenetic Limited)	4,351,561	1.87%	4,351,561	1.87%

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	December 31, 2016 Ordinary Shares	%	February 9, 2017 Ordinary Shares	%
NCB Global Holdings Limited	69,547,241	29.99%	69,547,241	29.99%
Tenetic Limited	41,730,313	17.99%	41,730,313	17.99%
Arthur Lok Jack (including his interest through his holding in Tenetic Limited via Associated Brands (Investments) Limited)	25,401,926	10.95%	25,401,926	10.95%
Universal Investments Limited (including its interest through Tenetic Limited)	25,216,717	10.87%	25,216,717	10.87%

EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

	December 31, 2016	February 9, 2017
Ordinary Shares held	4,712,808	4,712,808

NOTES

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

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

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

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

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

Note 2: There are no non-beneficial interests held by the Directors or Senior Managers other than the interests of Mr. Brent Ford and Mr. Philip Hamel-Smith as trustees of the Guardian Holdings Limited Employee Share Ownership Plan (ESOP). The holdings of the ESOP are shown on page 12.

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

Note 4: Through various legal entities, Michael Lee-Chin is the majority shareholder of NCB Financial Group Limited, which is the holding company for NCB Global Holdings Limited.

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

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

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

Note 7: Imtiaz Ahamad (GHL Director) has a 1/3 interest in UIL.

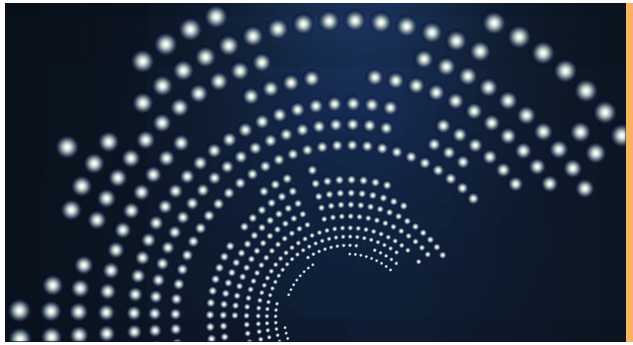
Setting the Tone

The Guardian of the Future

Leveraging leading-edge technology combined with a focus on people is the recipe for our organisational and societal success.

Guardian Group is a product of the Caribbean people, its seas, its soil and its sunshine. Our company rests on the shoulders of 170 years of human toil, caring and triumph. We are the product of a region that has nurtured us into a corporation of significant size and put us into a position where we can start to view the world as our oyster. As a corporate citizen, Guardian Group owes a debt of gratitude to the Caribbean Region.

Much is spoken of Corporate Social Responsibility. We take this very seriously at Guardian Group and target the youth, health, innovation and those who do not have the fortune to help themselves. However, big corporations have a responsibility that goes much beyond sponsorships and donations. We at Guardian Group believe that we have a responsibility to be a flagship of the Caribbean, to make Caribbean people proud, to inspire Caribbean entrepreneurs to be bold, to help transform our society and to provide first-world opportunities for our children within our shores.



We at Guardian Group believe we have a responsibility to be a flagship of the Caribbean, to make Caribbean people proud, to inspire Caribbean entrepreneurs to be bold, to help transform our society and to provide first-world opportunities for our children within our shores.

It is with this duty to our society and our responsibility to generate wealth for our shareholders that Guardian Group has set forth on our strategy to transform our company to one that can compete in the insurance field anywhere in the world while generating exceptional returns.

Since ancient times superior technology has been a key determinant in organisational and societal success. The use of technology has turned the tides of innumerable battles and has made the difference between wealthy and impoverished nations.

Recent advancements in technology have opened global opportunities to entrepreneurial businesses regardless of the size of their home region. We at Guardian Group are seizing these opportunities. We have already deployed a world-class telecommunication backbone connecting all our businesses to each other and to the global hubs of superior information technology. The future of financial services lies in automation. We have been rapidly re-engineering, consolidating and automating our businesses through the deployment of a number of leading-edge technologies. We are also laying the infrastructure to deploy data analytics to anticipate the needs of our customers and to direct our salesforce to prospective sales.

Of course technology is useless without people. We are transforming our management style, communication and feedback process, performance measurement system and hiring process with a view to creating a superior work environment and a workforce that will be as motivated, disciplined, innovative and productive as any in the world. We have already begun a number of programmes to shift our organisational culture to one of extreme customer focus and productivity that befits any world-class player. As we build an organisation with a global outlook we will proudly create job opportunities that do not currently exist in our region.

Guardian Group is a microcosm of our Caribbean Region. As our nations must do, we will retain the best values of Caribbean people while upgrading our culture, technology and organisational skills to compete on a global stage. We are committed to running our operations as efficiently as we would like our region to be run, serving our customers by world class standards, providing tremendous opportunities for our people, creating wealth for our shareholders and proving that a Caribbean organisation can compete on a global scale.

Jamaica's Economy on the Up & Up

The rally of the Jamaican economy has had profound effects on the people living there, which has translated into many positive changes for Guardian Group.

After a three-decade long struggle with low growth and high public debt, Jamaica's government a year ago initiated a comprehensive economic stabilisation programme. The Jamaican economy went through a number of shocks in the last ten years, the three largest ones having been the two government debt exchanges and the prolonged period of decline in the value of the Jamaican dollar with economic growth being flat or negative.

After the February 2016 elections, a Ministry of Economic Growth and Job Creation was inaugurated, headed by the Prime Minister, under guidance from a high-level Economic Growth Council. Jamaica set itself the ambitious goal to achieve 5% GDP growth rates in four years and all indicators point towards realisation of this goal after the encouraging first-year results.

According to the World Bank, Jamaica's efforts were endorsed by the IDB, IMF and World Bank, along with other international organisations, through the extension of loans and support of private sector development.

The reforms have begun to show results. Government debt, peaking at 145% of GDP in 2012, has now reduced to 128% of GDP at the end of fiscal 2016. The country's credit rating has improved and GDP growth accelerated from under 1% to 1.7% in 2016.

Jamaica has some inherent advantages in the Business Process Outsourcing business: it is in the same time zone as North America, a short flight away if you need to visit the site, native English speakers, relatively well-educated, and accent neutrality.

How did Guardian Group's business in Jamaica fare?

During the decades of slow growth, Guardian Group Jamaica's focus was on increasing net profits and return on capital employed year-on-year. A deep understanding of the market and the needs of the insured public assisted in this, so that in spite of reduced GDP and anaemic growth, both LHP and P&C businesses have been able to communicate to the public the need to transfer risk. Even in the lean years, Guardian Group Jamaica was consistently able to achieve sustainability through revenue growth, effective cost management, prudent risk management and improvement of service delivery.

With the commitment of the private and public sectors to the growth agenda, the country anticipates reduction in unemployment, sizeable investments in expansion projects and by extension, improvement in the profitability of companies (in particular SMEs).

As a result, Guardian Group Jamaica envisions an increase in the purchasing power of the average Jamaican, which will yield higher demand for our LHP products as persons seek to protect themselves and their families. The return to stronger economic growth will provide investment opportunities for Guardian Life Limited and its managed funds as companies seek to access the capital markets to fund expansion initiatives.

On the P&C side, Guardian General Jamaica has already seen a boost in interest and in awareness about insurance. People are increasing their sums insured and ensuring that their assets are protected by reference to their market values. Commercial entities will expand their business, their assets will increase and their insurance needs will be greater. On the personal side, as disposable income increases, individuals will have a greater ability to acquire assets and their need to safeguard these assets will also increase.

As the speed of the Jamaican economy picks up, Guardian Group too will have to "up its game" — mainly through introduction of greater use of technological interfaces with the customer, which will create cost-cutting efficiencies.

NCBJ's Perspective

The National Commercial Bank of Jamaica (NCBJ) has regional aspirations for a variety of reasons—hence the bank's investment in Guardian Group. The bank sees itself as a regional player, ready to take advantage of opportunities in the banking, insurance and other financial services sectors by leveraging a regional footprint. NCBJ's Chairman, Mr. Michael Lee-Chin, is also the Chairman of the Prime Minister's Economic Growth Council.

With Jamaica's economic turnaround, NCBJ is reviewing its credit policies and other systems in order to function in a more dynamic business environment. The bank is also honing the entrepreneurial problem-solving skills of its increasing employee base and investing in a more technology-based operational base that goes beyond mobile apps and smart ATMs.

Jamaica is largely an under-insured and under-banked society, with plenty of opportunity for expansion by just increasing education and penetration. As the country's economic activity picks up, particularly with growth opportunities in Business Process Outsourcing (call centres), manufacturing and alternative energy proliferation, NCBJ is ready to provide financing and other financial services.

A reasonably well-educated, English-speaking work force combined with a geographical advantage and political will is propelling Jamaica into one direction: forward!

Growing with Bancassurance

Multi-channel service delivery has been a successful concept for Guardian Group in the Dutch Caribbean.

Bancassurance is an arrangement in which a bank and insurance company collaborate by optimising respective product offerings. This collaboration increases competitiveness, as bundled products can now be offered to existing and new clients. It also allows synergies between the two parties through the sharing of distribution channels, such as bank branches and insurance agencies.

Guardian Group pioneers innovation in the insurance and financial services sector. We streamline our systems and rethink our processes for better service delivery and sustained profitability.

Bancassurance is a relatively unproven distribution mechanism in the English-speaking Caribbean. However, in the Dutch Caribbean there has been major success, as 60% of Guardian Group´s Dutch Caribbean business revenue comes through banks and other independent brokers.

Maduro & Curiel´s Bank N.V., the largest bank in the Dutch Caribbean, has partnered with Guardian Group to offer a suite of insurance products called "BSure". These insurance products are underwritten by Guardian Group and form part of the bank´s product offering to its large client base. Clients can benefit from flexible premium payment arrangements that can make policies more affordable.

"BSure" has shown growth over the last three years, with a 20% increase in sales. With this new concept the bank has distributed a record number of new insurance policies through all their branches and sub-branches on all the Dutch Caribbean islands.

Through a user-friendly online application, clients can access these products and services easily, as the entire process can be completed online from underwriting to policy issuance. With companies looking for new ways to improve client experience, it is expected that the face of the financial services sector will continue to evolve.

Going Beyond Claims Settlement

Prudent risk management and prompt, customer-friendly claims settlement: that is the Guardian promise to both investors and insureds.

In 2016, Guardian Group's Property and Casualty arm, Guardian General Insurance Limited, went beyond the call of duty embracing and assisting clients who were devastated by Hurricane Matthew, a storm that swept through the Caribbean and left many to pick up the pieces afterwards.

Hurricane Matthew made landfall in the Greater Antilles as a Category 5 hurricane on October 4, 2016 and was scheduled to reach the Commonwealth of the Bahamas with undiminished intensity on October 6, 2016, threatening an unknown number of Guardian General clients in the archipelago. The anticipated destruction from this hurricane immediately caused concern for Guardian General, as the company holds a significant portfolio in The Bahamas.

As the hurricane approached the islands, it became critical to monitor its path and preparation became key for the company. The team at Guardian General kicked into overdrive, ensuring that all customer contact information was current while evaluating the potential risk and

the possible damage to properties insured with the company. With a focus on readiness and the need to be able to promptly service clients in their time of need, the established catastrophy plan was executed so that infrastructure could be mobilised to process claims quickly in the aftermath.

When it became evident that Hurricane Matthew was projected to do considerable damage to Freeport on the island of Grand Bahama, Guardian General appointed an adjuster to address the needs of clients urgently. Immediately after the airport was reopened, the adjuster and his team were on hand to visit properties in Freeport and start the process of evaluation and claims settlement.

Understanding the need for expediency, a group of employees from Trinidad and Tobago visited, setting up temporary residence at the local agency to assist with the processing of claims. Freeport is a city and free trade zone, with many business properties insured by the company. A large volume of claims was expected and timing was crucial.

Hurricane Matthew wrecked substantial damage in The Bahamas. However, due to careful and strategic planning by Guardian General, the local agency was able to open its doors to the public within two days, quite an achievement given that the country was not ready to reopen for business at that time. With a guiding philosophy that we must do everything possible to make life easy when unforeseen disasters occur, Guardian General made a difference in The Bahamas and impacted the lives of many, giving clients an element of comfort.

The stellar performance of the company did not go unnoticed, as positive feedback was received by insureds. As the country returned to normalcy, Guardian General was able to renew existing policies and even gain new business due to the exemplary service rendered after Hurricane Matthew. Service is at the heart of what we do and in situations such as this, it´s more than settling claims, it´s about being there for people when they need it most.

It´s not just about settling a claim – it´s about being there for people when they need it most.

Fit for the Future

Fostering Health and Wellness does more than make us a preferred employer, it actually adds to our bottom line.

Guardian Group SHINES for a second year

Guardian Group's Corporate Social Responsibility programme is strategically planned around a holistic approach to health and wellness, which is critical to the wellbeing of any society. Our mission is to promote, educate and encourage healthy lifestyle choices as well as preventative care.

With this philosophy in mind, the SHINE (Securing Hope for those In Need) 5K and 10K Charity Walk and Run was born in 2015 and has quickly become the flagship CSR event of the Group.

SHINE 2016 attracted over 5,000 runners and walkers, weaving together the support and dedication of civil society, business partnerships, schools and communities, with one sole purpose to make a change in the lives of those who need it most. SHINE resulted in raising TT$405,000 (US$60,000), with 100% of the proceeds being donated to several charities throughout Trinidad and Tobago.

Guardian has invested in a wellness programme that brings greater awareness on wellness – one that focuses on mind, body and spirit, designed to influence choices and to bring about individual lifestyle changes.

Guardian Group added a new dimension to SHINE 2016: Lace up for Charity, a social media campaign. Shiny shoe laces were given to local influencers, media personalities and other individuals, inviting them to lace up for a good cause, take pictures and share on various social media platforms with the hashtags #GGShine2016 #LaceUp.

One of SHINE's beneficiaries, the Just Because Foundation, a non-profit organisation that supports families of children with cancer, shares Guardian Group's holistic approach and assists families with the multitude of issues associated with a child who suffers with cancer. Surviving children need to be re-integrated into schools. Homes need to be altered and improved to accommodate a child after he/she comes home from the hospital. Families are often torn apart by the diagnosis of cancer. Single parents cannot work or look after their other children because they need to be in the hospital.

In 2015, Just Because Foundation allocated its proceeds from SHINE to four children who needed prosthetic eyes. The Foundation will be using the contribution received in 2016 to support causes that are in dire need of immediate and critical attention.

Piloting Workplace Health and Wellness

It is no surprise that the Group's focus and commitment extends to its internal stakeholders through a workplace wellness programme that is so unique, it exists in no other organisation in the Caribbean.

Guardian Group's workplace wellness journey began in 2015. After six months of research, a programme aimed at bringing about a change in employee behaviour and ultimately a change in lifestyle was rolled out. A number of communication campaigns, events, seminars and ongoing activities focusing on preventive health and wellness have yielded encouraging and revealing results.

Numbers from an on-line Personal Assessment conducted at the beginning of this programme and 18 months later, have shown that employees' health behaviours are trending in the right direction. Employee absenteeism is on a decline (-9%), sick days are down (-5%) and productivity is on the rise (+6%). This had positive effects both in terms of productivity and in terms of salary cost. On the flipside, it was found that staff were not getting enough sleep and most were not eating the required amount of vegetables. Of great concern is employees' emotional health, with some tell-tale signs of stress in their physical health as well.

This comprehensive programme has become a testing ground with a vision to use internal experiences, to eventually leverage the results to develop and deliver wellness services to our Group health clients, both in Trinidad and Tobago and across the wider Caribbean.

Living well and an internal focus on healthier lifestyles is by no means new to Guardian Group. In 2016, Guardian Group Life Pulse celebrated 15 years. Launched in 2001, Life Pulse was born out of a desire to encourage staff volunteerism and engagement through a universal wellness programme intended to attend to non work-related aspects of life such as family, physical fitness, nutrition and leisure.

With 15 years under the belt, the programme has morphed from a simple employee volunteer programme to one that includes social events, environmental cleanups and sporting events—all with a view to form friendships and bridge generational gaps between older and younger employees, with one sole purpose, to encourage work-life balance.

Life Pulse continues to be a vital part of the lives of Guardian Group's employees and their families, contributing to a healthier, happier, better life for our communities!

Human Capital

Creating Competitive Advantage through People

Guardian Group has taken the bold decision to chart a new course by creating its own future. The desired outcome of this future state is to be able to capture its full potential as articulated in its aims and aspirations. It is a well-articulated view that today's businesses compete as much on the strength of their intellectual capital as on their financial capital. So too, at Guardian Group we view our human capital as our key competitive differentiator and firmly believe that it is the quality, capacity and capability of our people that will help us to realise our full value potential.

Group Human Resources further aims to achieve this by aligning our talent management strategy with business unit strategy so as to continuously drive performance.

Our HR strategy is built around four key pillars: talent management, succession management, leadership development, metrics and measurement.

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Talent Management

HR objectives in this area are to:

- Adopt best-in-class hiring strategies aligned to meet business demands and significantly improve the Group's ability to attract, recruit and retain top quality talent
- Develop Competency Management strategies that target both team and individual growth and development
- Develop a framework for parallel career paths at all levels in the organisation
- Develop deep functional expertise for key roles

Succession Management

We believe that planning for succession is planning for success and accordingly, during the last year, we have made some strides in formalising a succession management framework that will allow us to identify and grow potential talent and, at the right time, deploy such talent. Our overall commitment therefore is to build requisite bench strength that will allow Guardian Group to fill the leadership pipeline with the right people and in a timely manner.

Leadership Development

Through its Leadership and Management Development Programmes, the Group will invest in high potential, top performing candidates and persons identified for leadership development across the Group so as to facilitate the building and creation of an adequate level of bench-strength.

The ultimate goal is to secure the very best talent for future management positions in our Group, developed and grown from within.

Metrics and Measurement

HR metrics will be tracked, analysed and disseminated to allow Group companies to better predict organisational performance so as to drive business outcomes that meet stakeholder expectations. In this way, we will continue to build on our principle of meritocracy based upon measured performance.

Chairman's and CEO's Statement

Dear Shareholder,

Introduction

We can report with satisfaction a solid performance by Guardian Group in 2016 which delivered Profit to Equity Holders of $396 million, an 18% increase over the 2015 figure of $335 million. We are pleased that our Profit from Continuing Operations of $375 million ($334 million in 2015) is based on solid underwriting results as well as on strong investment performance that has been amplified by our deliberate redeployment of cash assets over the past two years. We have also benefitted from a

Arthur Lok Jack, Chairman

gain of $23 million on our Discontinued Operations ($3 million in 2015), arising from releases of contingency reserves that Lloyds held for our closed Syndicates as well as from the profit realised upon the sale of an investment in Jamaica.

Progress Across Lines of Business

Our Life, Health and Pensions division had a strong year across all territories. Sales were robust with Gross Written Premiums of $3.5 billion, 14% above the $3.0 billion of 2015. Profit from Continuing Operations increased significantly by $140 million to $523 million despite 2015's result, benefitting from a one-off reserve release in our Jamaican life insurance company. This fine result was driven by improvements in all aspects of our business. We recorded excellent investment returns, sustained growth in new business and improved underwriting results, notably in the highly competitive health segment.

Our Property and Casualty division was adversely affected by Hurricane Matthew in October, which was the largest insured loss in the Caribbean since Hurricane Ivan in 2004. During the final quarter of 2016, we booked a reserve of $38 million, which is our prudent total loss expectation for this incident. This, together with a higher loss experience within our international risk portfolio, drove a reduction in Profits from Continuing Operations from $141 million in 2015 to $113 million in 2016. Gross Written Premiums were $2 billion, declining from $2.1 billion in 2015. Revenue was mixed across geographies; the Dutch Caribbean and Jamaica showed strong growth but Trinidad and Tobago and Tobago declined due to a contraction of low-margin "fronting" business from the energy sector.

Peter Ganteaume, Deputy Chairman

Execution of Our Strategy

In 2016 we continued our programme of reallocating our investment portfolios to take advantage of the many opportunities in a rising interest rate climate and to invest in long-term assets that are better aligned with the duration of our liabilities. In accordance with this strategy, in September we acquired the property operated as the Courtyard Marriott in Western Port of Spain as a source both of long-term hard currency income and value enhancement. This investment has contributed positively to our 2016 performance.

In 2016 we also made substantial progress in automating our operations and modernising our technology to make it flexible and scaleable. We are confident that these and similar investments that upgrade our administrative infrastructure will lead to lower operating costs and drive revenue growth. The cost of this upgrade has added to the expense levels in 2016 and is more fully described in the MD&A. While we continue to upgrade our infrastructure to increase our profitability, commencing Q1 2017 a Group-wide cost management initiative was launched with the objective of eliminating wastage and unnecessary costs.

Charting Our Course to 2020

In Q2 2017 we will begin implementing a new strategic plan, developed in consultation with McKinsey and Co., to increase shareholder value by focussing on a limited number of critical aspects of our business. In conducting this exhaustive strategic planning exercise we have examined the growth opportunities presented by our existing portfolio of the strongest insurance companies in the English-speaking Caribbean and have set ourselves ambitious profit targets.

We intend to identify and pursue small to medium sized acquisitions of insurance businesses in the Caribbean and Central American markets that offer good growth and attractive pricing opportunities. We will continue to develop our investment capabilities and improve the asset side of our balance sheet in conformance with the sanctity of our policyholder obligations. We have developed a robust investing framework that will drive our participation in entrepreneurial, focussed businesses in targetted growth markets. As already described, we shall relentlessly drive for revenue growth and operational efficiency throughout the Group. We are confident that our legacy and firm foundations offer us the opportunity to realise our new Vision of creating a world-class insurance group that will make Caribbean citizens proud.

Changes in Shareholding and Board

As published in the press on May 13, 2016, your Board was notified of a number of private transactions whereby National Commercial Bank Jamaica Limited (NCBJ) acquired 29.99% of the share capital of Guardian Holdings Limited (GHL). Particulars of significant shareholders in our Group are set out on pages 10-13 of this Report. We view this as a positive development as GHL has acquired a dynamic and reputable shareholder with a consistent, long-term vision for the development of our Group. We have been advised, furthermore, that there is an agreement for an additional transaction by which NCBJ will deepen their shareholding in GHL through a public offer for a percentage of every existing shareholder's shares. As of the date of this report, we have received no notice of the extent and timing of this possible offer.

Consistent with our new share ownership profile and shared vision for GHL, changes in the composition of our Board of Directors were made in 2016. Having delivered invaluable expertise and service to our Group, for which we are very grateful, Mr. Douglas Camacho, Mr. Selby Wilson and Ms. Marianne Loner have resigned from the Board. They have been replaced by Mr. Michael Lee-Chin, Mr. Patrick Hylton and Mr. Dennis Cohen.

Mr. Michael Lee-Chin is one of the foremost entrepreneurs in Canada and has developed and operated an extensive business empire in Canada and in the Caribbean. Mr. Patrick Hylton is the Group Managing Director and Mr. Dennis Cohen is the Group Finance and Deputy Managing Director of National Commercial Bank Jamaica Limited, one of the largest banks in the Caribbean, and both eminent members of the Caribbean business community.

Collectively and individually our new Board members contribute a font of business insight and financial expertise. At the upcoming Annual General Meeting we will also strengthen the Board by proposing to appoint Mr. Nicholas Lok Jack. As CEO of The Associated Brands Group of Companies and former President of The Manufacturers Association, Nicholas brings a wealth of knowledge and experience in business and entrepreneurship.

Our Impact on Society

Guardian Group is committed to the development of Caribbean society. Our focus is on maintaining a healthy population, on the development of our youth through education and sport, and on fostering innovation. In all of our main locations we have hosted massively attended 5K and 10K run/walks aimed at promoting healthy-living and raising funds for charitable purposes. Collectively,

Ravi Tewari, CEO

Guardian Group's SHINE in Trinidad and Tobago, the My Guardian Group Walk and Run in Curaçao and the Keep It Alive 5K Night Run in Jamaica hosted over 21,000 participants. We continue to support and promote the Pink Hibiscus Breast Health Specialists in Trinidad and Tobago and the University Hospital of the West Indies in Jamaica. In the area of sport and education, we continue to be a sponsor of the Trinidad and Tobago Olympic Committee and the UWI Premium Teaching Awards.

Outlook and Dividend

While we expect that the challenges in the Trinidad and Tobago economy will continue, the Jamaican economy has started to show renewed dynamism and within the Dutch Caribbean countries there are a number of major proposed investments that will stimulate economic growth. Notwithstanding the foregoing, we are of the conviction that Guardian Group has significant potential for enhanced financial performance that is not dependent on regional economic factors. We look to the future with considerable optimism. Given our outlook and our performance in 2016 your Board has decided to raise the total dividend per share from 61 cents to 66 cents. Consequently, further to the interim dividend of 21 cents, the final dividend will be 45 cents.

We would like to take the opportunity to extend our very best wishes to our Group Chairman, Mr. Arthur Lok Jack, who has taken leave to attend to medical issues. Mr. Lok Jack continues to follow keenly developments within our Group and maintains regular contact with the authors of this Report. We look forward to his speedy return.

We would like to thank all our stakeholders – our customers, our people, our shareholders and the communities in which we live and do business for their loyal support. We look forward to updating you on the progress that we are making towards our strategic goals.

Deputy Chairman

Group Chief Executive Officer

Board of Directors

1. Arthur Lok Jack (Chairman)
2. Peter Ganteaume (Deputy Chairman)
3. Ravi Tewari (Group Chief Executive Officer)
4. Fé Lopez-Collymore (Corporate Secretary & General Counsel)
5. Imtiaz Ahamad
6. Dennis Cohen
7. Richard Espinet
8. Philip Hamel-Smith
9. Patrick Hylton
10. Antony Lancaster
11. Michael Lee-Chin
12. Maxim Rochester

Group Executive

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

Management Discussion and Analysis

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

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

FORWARD LOOKING STATEMENTS – CAUTIONARY LANGUAGE

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

GROUP OVERVIEW

Statement of Income - $ million	**2016**	**2015**
Net result from insurance activities	613	662
Net income from investing activities	1,027	788
Fee and commission income from brokerage activities	127	84
Net income from all activities	**1,767**	**1,534**
Operating expenses	(1,120)	(962)
Finance charges	(130)	(141)
Taxation and other	(121)	(96)
Profit attributable to equity holders of the parent	**396**	**335**

Group profit attributable to equity shareholders increased by $61 million or 18% from $335 million in 2015 to $396 million in 2016.

Net result from insurance activities of $613 million declined by $50 million from $662 million in 2015, owing mainly to a favourable non-recurring reserve release arising from a change in the taxation of insurance companies in Jamaica in 2015. Isolating the impact of this release, net results from insurance activities increased year-over-year in our Life, Health and Pensions segment (LHP), while our Property and Casualty segment (P&C) was unfavourably impacted in 2016 by the net loss reserve of $38 million established for claims from Hurricane Matthew.

The lower results in our insurance activities was more than compensated by strong investment returns, as Net income from investing activities improved by $239 million. The year-over-year increase was driven by improvements in all major investment categories: investment income increased by $49 million as a result of our shift into higher yielding instruments; realised and unrealised gains improved by $107 million; and foreign exchange income increased by $48 million.

Fee and commission income from brokerage activities increased by $43 million. This was mainly due to the full year consolidation of the Boogaard Group in our Dutch Antilles operations, compared to six months in 2015 when the acquisition was effective from July 1, 2015.

Operating expenses increased by $159 million from $962 million in 2015 to $1,120 million in 2016, owing to the previously mentioned full year consolidation of the Boogaard Group, together with other costs incurred in strategic activities directed toward enhancing Group profitability. Recurring expenditure of all our Group companies was confined to an increase of 3% for the year.

Included in Taxation and other in 2016 is a gain of $23 million (2015: $3 million) related to close-out adjustments from operations that were classified as Discontinued in previous years.

Statement of Financial Position - $ million	2016	2015
Financial assets, investment properties and cash	19,530	17,805
Other assets	4,722	4,379
Total assets	**24,252**	**22,184**
Insurance contracts	14,663	13,232
Other liabilities	4,354	4,044
Financial liabilities	2,171	2,154
Equity	3,064	2,754
Total equity and liabilities	**24,252**	**22,184**

The Group provides financial services through the production, distribution and administration of insurance and investment products, resulting in the Group receiving significant cash inflows that are invested to meet future obligations. As a result, the Group's assets are allocated across different investment classes, the majority of which are debt and equity instruments. The increase in invested assets from $17.8 billion to $19.5 billion is largely driven by net inflows of premium income from inforce policies, together with fair value and currency appreciation adjustments.

Insurance contracts comprise obligations to holders of long-term insurance and short-term non-life insurance policies, which are estimated using prudent actuarial and accounting principles. Insurance contract liabilities relate principally to the Group's long-term business, amounting to $12.9 billion (2015: $11.5 billion). Insurance contract liabilities associated with the Group's short-term non-life business are $1.8 billion (2015: $1.7 billion).

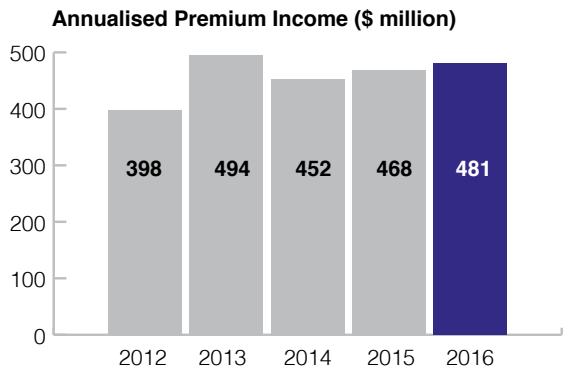
The Group's capital base consists of both shareholders' equity (issued share capital and reserves) and borrowings. The proportion of equity and debt at the end of 2016 was 59% (2015: 56%) compared to 41% (2015: 44%) respectively. The increase in the proportion of equity was mainly due to higher profits and translations gains, while total borrowings were relatively stable.

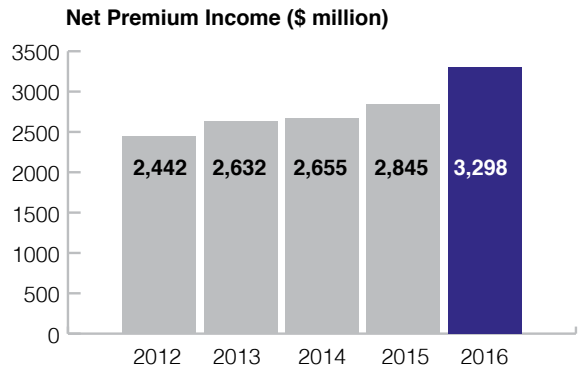
Comprehensive income attributable to shareholders includes the reported profit for the year, together with other items of income and expense that are not permitted by accounting standards to form part of profit in the Statement of Income, for example property revaluation gains and exchange differences on translating foreign operations. The improvements in comprehensive income were largely due to increases in reported profit and favourable exchange differences.

Earnings per share increased from $1.47 in 2014 to $1.71 in 2016, while dividends per share increased over the same period from $0.57 to $0.66.

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

Shareholder Metrics - $ million	2016	2015	2014
Profit for the year attributable to equity holders of the parent	396	335	341
Comprehensive income attributable to equity holders of the parent	471	279	167
	2016	**2015**	**2014**
Earnings per share	$1.71	$1.44	$1.47
Dividends per share declared	$0.66	$0.61	$0.57
Book value per share	$13.11	$11.77	$11.16
Market value per share (year-end)	$12.65	$13.25	$13.25





SUMMARY OF FINANCIAL PERFORMANCE

LIFE, HEALTH & PENSIONS

There has been no change to the composition of the Life, Health & Pensions division of the Group (LHP Group). There are five registered insurers throughout the English and Dutch-speaking Caribbean that have consistently held market leadership or are currently in the number two position in their respective markets. These are Guardian Life of the Caribbean Limited (GLOC) and Bancassurance Limited (BANC), domiciled in Trinidad and Tobago, Guardian Life Limited (GLL), domiciled in Jamaica and Fatum Life and Fatum Health (FATUM), domiciled in Curaçao and Aruba.

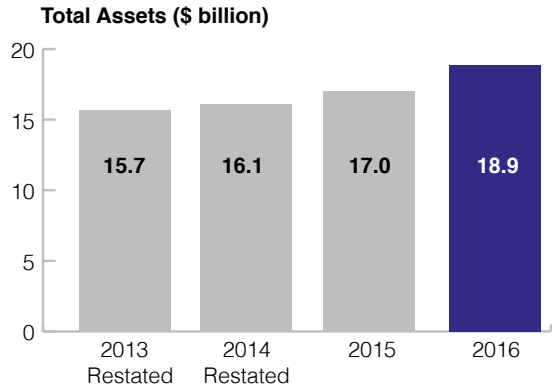
Global economic growth remained lacklustre during the first half of 2016, but there was evidence of improved activity in the latter quarters, particularly in the United States. While most Caribbean economies continued to struggle during 2016, there were signs of improvement in some territories. The Jamaican stock market continued its strong performance with another stellar 27.6% growth in the Jamaica Stock Exchange Main Index. Jamaica continues to show improved indicators as a result of the disciplined and collaborative approach to managing the major macro-economic challenges. There were also traces of improving tourist arrivals throughout the Caribbean islands.

In 2015, there were a few legislative and accounting policy changes that impacted the performance of the LHP Group. These were the implementation of the Caribbean Policy Premium Method (CPPM) for calculation of reserves for our Trinidad and Tobago companies and changes in the taxation regime for life insurance companies in Jamaica. There were no changes in 2016 of a similar magnitude. The new Trinidad and Tobago insurance legislation has been laid before Parliament and we eagerly anticipate its passage during 2017. The Group is ready in all material respects for its implementation.

The LHP Group's income from insurance activities fell by $14 million or 5%. This was mainly caused by the release in reserves in 2015 due to the change in Jamaica's tax regime not being repeated in 2016.

All business units showed very strong signs of growth during the year. Net underwriting revenue of $3.3 billion grew by 16% year-on-year, primarily from GLOC, whose sales force continued its strong performance and was aided by the (one-off) acquisition of a significant block of immediate annuities from a major pension plan wind up.

Income from investing activities also improved by $212 million or 29%. This was driven by FATUM and GLOC, contributing $92 million and $89 million respectively.



Both portfolios benefitted from the increasing interest rate trends noted during 2016. In GLOC's case, there was also the impact of increasing the average duration of the investment portfolio by deploying short-term assets into more longer-term vehicles, e.g. the acquisition of the Courtyard Marriott property in Port of Spain and investments in Government of Trinidad and Tobago debt issues. The declining TT$ to US$ exchange rate also resulted in unrealised foreign exchange gains to GLOC because of the composition of our US$ assets and liabilities.

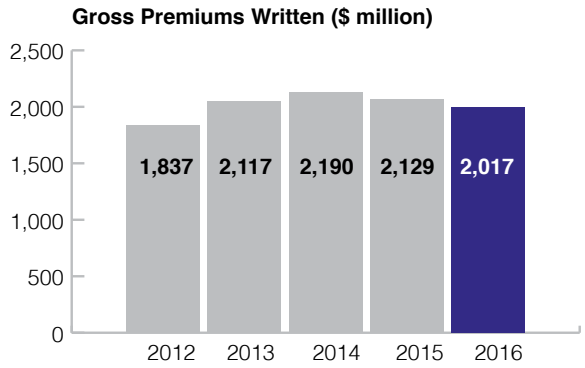
Overall, the LHP Group declared net profits after taxes of $537 million, which was a 37% improvement over 2015.

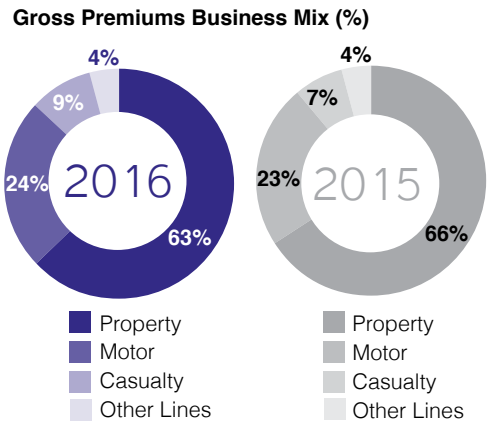
It is the LHP Group's belief that we must do everything in our power to protect risks that our clients and their families face each day. We continue to focus on responsiveness and to improve our operations to support those needs. This has led to growth in new sales of 3% over 2015. That relatively slow rate of growth was mainly attributable to a slowdown in the Trinidad and Tobago portfolio in the first half of 2016, but activity significantly rebounded in the second half. GLOC has maintained its dominant position in the Trinidad and Tobago life insurance market, while GLL and FATUM continue to improve their respective positions.

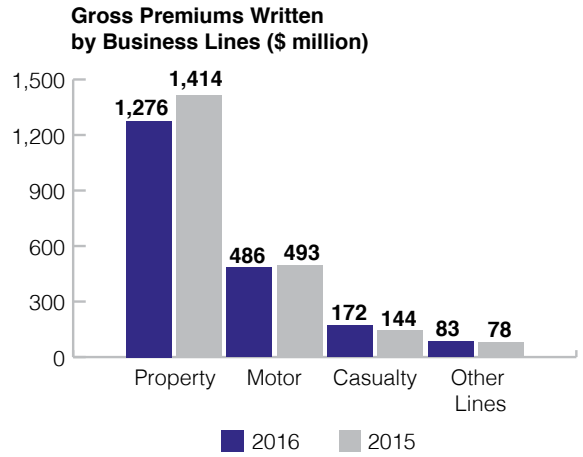
Persistency and retention rates are important metrics in life and health operations due to their impact on renewal premium income. We have seen an overall improvement in these metrics over the year and continue to target further enhancement activities. Overall, net premium income earned was $3.3 billion, 16% higher than 2015. Excluding the one-off pension buy out in GLOC, net premium income was relatively flat with 2015. This is mainly explained by growth in our protection and risk coverage business being offset by a slowdown in our annuity portfolios. GLOC accounted for 67% or $2.2 billion of net premium income. Before deducting operating expenses and taxes, the LHP Group contributed net income of $1.2 billion, which was 20% above the amount contributed for 2015.

Cost containment remains at the forefront of the LHP Group's operational efficiency strategy. The cost to income (excluding one-off income) ratio for the LHP Group remained relatively flat at 19.1% (2015:18.8%). During 2016, we embarked on strategies to improve the operating efficiency of the LHP Group through the use of technology and automation of certain processes.

The asset base of the LHP Group at the close of the year stood at $18.9 billion, an 11% increase over 2015. This was driven by the 13% growth in financial assets that stood at $14.1 billion at year-end. Shareholders' equity improved by 17% to $3.3 billion, net of capital distributions made during the year. The LHP Group achieved a 17.5% return on average capital employed, a 25% improvement on 2015. Under the proposed legislative regime, the minimum capital for Trinidad and Tobago insurers is 150% of the regulatory capital required. GLOC ended 2015 with a ratio in excess of 250%. In addition, GLOC's A.M. Best Rating of A- Excellent was re-affirmed during the year for the 15th successive year. The capitalisation of GLL is measured in terms of a Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio. The ratio for GLL is 218%, which is above the regulatory requirement of 150%. FATUM continues to hold a strong solvency position in its markets, remaining comfortably well in excess of minimum solvency requirements.







PROPERTY & CASUALTY

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

AM Best re-affirmed GGIL's rating of A- Excellent with a stable outlook in the Financial Size Category VII, the highest size category for any indigenous Caribbean Property and Casualty insurer.

The 2016 Atlantic hurricane season was slightly more active than average. There were fifteen named storms; three of which developed into major (Category 3+) hurricanes. Hurricane Matthew, a Category 5 hurricane, struck the Commonwealth of the Bahamas in early October, causing $38 million in net losses to the Group. There were no major losses arising from earthquakes in the region.

In spite of the more active hurricane season the Property and Casualty market, internationally and regionally, continues to be affected by prolonged soft market conditions that have largely been fuelled by unprecedented levels of capital in the international insurance and reinsurance markets, compounded by overall lower levels of catastrophes worldwide. These soft market conditions have negatively affected the results of Property and Casualty insurers.

Performance Review

Gross premiums written declined mainly due to falling premium rates from soft market conditions. Gross premium income was also affected for the second consecutive year by the revised insurance programmes of our major clients in the energy industry, caused by the low oil prices that persisted into this year.

The fall in gross premiums written of 5.3% was mainly in the Property line of business, our highest gross premium income line.

The gross premiums business mix was similar to last year, with a slight decline in Property while the Motor and Casualty Lines improved. These changes were mainly in GGIL and Fatum.

In order to achieve premium income growth during these prevailing adverse market conditions, the Group will continue to focus on, amongst other things, our long-established reputable claims service, the deepening of relationships with our global network partners, the diversification of product offerings, enhancement of our customer service experience and the widening of our distribution channels.

Profit after tax of $112.7 million declined by 20.3% from $141.4 million in 2015, mainly as a result of the losses incurred from Category 5 Hurricane Matthew. This is also reflected in the higher combined ratio of 90.9 % when compared to the 2015 ratio of 82.8%.

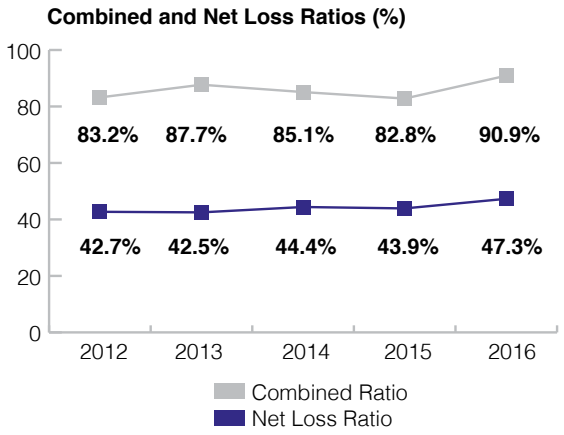
In spite of the insurance market challenges, this division continues to produce excellent technical results. The combined ratios have been consistently below 90% over the prior years and only slightly above this year as a result of the losses incurred from Hurricane Matthew.

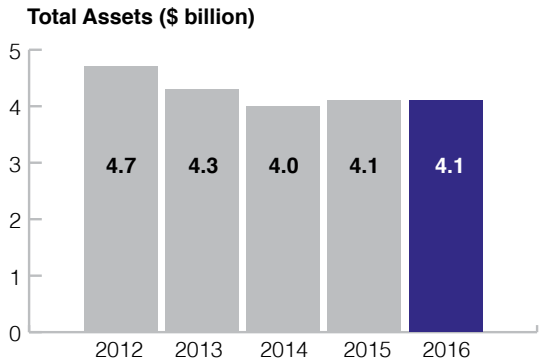
Overall total assets remained at $4.1 billion.

Once again, all companies within the Division have maintained solvency margins substantially in excess of the minimum regulatory requirements of the various jurisdictions in which they operate.

Current soft market conditions are expected to stabilise in 2017 with a slowdown in premium rates decline in most lines even as competitors seek to expand market share at any cost.

For the regional insurance industry, the outlook for the Atlantic hurricane season is an important forecast. Whilst some forecasters suggest an average season on the backdrop of an above average 2016 season, a huge amount of uncertainty remains due to prevailing atmospheric conditions and how they will affect the Atlantic in 2017.





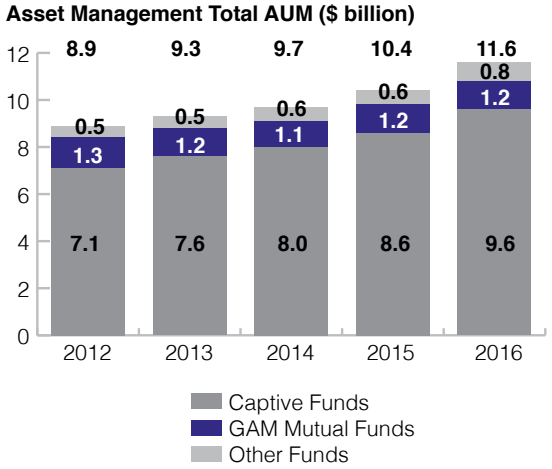
ASSET MANAGEMENT

As described last year, effective July 1, 2015, the Group decided to create a clearer demarcation between its investment management and trustee services by separating both activities into distinct subsidiaries, Guardian Group Trust Limited and Guardian Asset Management and Investment Services Limited, collectively referred to as Guardian Asset Management (GAM). We are pleased to report that GAM had a very successful year in 2016. Assets Under Management grew from $10.4 billion in 2015 to $11.6 billion as at the end of 2016. Profitability also improved from $19 million in 2015 to $25.5 million in 2016.

Whilst capital markets internationally generally finished on a positive note, 2016 saw significant volatility, particularly due to political events. International equity markets experienced volatility over the year, as several events affected stock markets. The beginning of 2016 saw stocks fall globally, as concerns over slowing growth in China as well as an increase in the risk of a global recession caused investors to seek the sanctuary of safer assets. Although this sentiment abated as the year progressed, equity performance was again disrupted by both the outcome of the UK referendum and the US Presidential elections. However, towards the end of 2016, equity markets generally rallied, particularly in the US, as investor sentiment returned on the expectation that the incoming US administration would follow through on its campaign promises to boost fiscal spending and make other policy changes to improve the business environment. An improvement in commodity prices also drove equity markets higher.

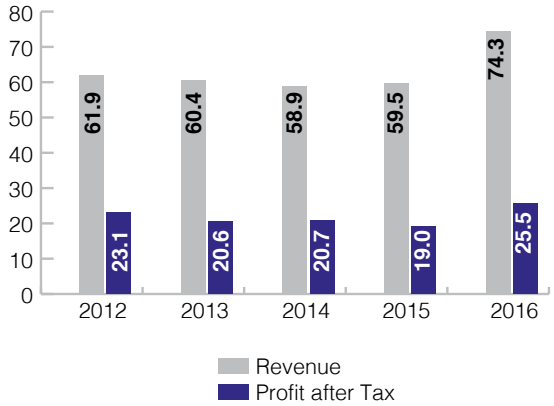
With respect to international fixed-income markets, US rates dipped during the first half of the year, especially in response to the events mentioned above. However, there was a wave of optimism in the markets towards the end of the year, as the proposed boost in spending was expected to trigger higher inflation rates and a faster pace of tightening by the Fed. This saw interest rates pick up as the US 10-year Treasury rate moved from 2.27% to 2.44% over the year.

In local markets, interest rates have generally moved up, possibly due to two factors: i) a lagged impact of the Central Bank of Trinidad and Tobago (CBTT) increasing rates (the last Repo Rate increase came in September 2015) and; ii) higher risk premiums for Trinidad and Tobago debt, given the decline in the country's economic performance. This decline is mainly on account of the downturn of the hydrocarbon sector. Particular mention should be made of the country's credit rating being downgraded from A to A- by the rating agency Standard and Poor (S&P) in April 2016 on the basis that the fall in energy-related revenues "has contributed to lower fiscal revenues, economic recession and decreased foreign exchange reserves." Performance of equities on the local exchange was mixed, with cross-listed stocks accounting for the majority of gains.



Total Assets Under Management (AUM) rose by 11.5% or $1.2 billion in 2016 to $11.6 billion. This was mainly driven by growth in the captive portfolio which added $1 billion to AUM, an increase of 11.6% over 2015. This stemmed mainly from the acquisition of new pension fund accounts and net premium income. The further

GAM Financial Performance ($ million)



$0.2 billion increase was represented by growth in private wealth and proprietary assets through the year. Overall, growing AUM levels demonstrate improvements in both corporate and individual clients' confidence in Guardian Group and its ability to effectively manage client assets.

Total Revenue for GAM rose by 24.9% to $74.3 million. This increase was mainly on account of foreign exchange gains. Increases in investment income and trading gains for the year also aided in pushing revenue levels higher. As a result of these improvements, Net Profit after Tax increased by 34.5% or $6.5 million to $25.5 million.

This diversity of our revenue streams has proven to be beneficial to the Company in varying market conditions.

Despite the volatility experienced in both equity and fixed income markets during the year, the mutual funds generally posted positive returns. Our two Income Funds (i.e. the TT Monthly Income Fund and the US Monthly Income Fund) remained very competitive in the income fund segment and delivered some of the highest payouts compared to other local money market/income funds, whilst maintaining a fixed Net Asset Value (NAV) per share.

Corporate Governance Report

The following report focuses on the activities that took place during 2016 relative to Corporate Governance matters.

The standard Corporate Governance practices of the Group are set out in the Appendix to this Report.

MATERIAL CHANGES

In our 2015 Annual Report, we noted the imminently pending closure of the transaction whereby the National Commercial Bank Jamaica Limited (NCBJ) would acquire a 29.99% shareholding in the Company. National Commercial Jamaica Limited nominated NCB Financial Group Limited as the acquiring entity for the shares, which are held through a Trinidad and Tobago subsidiary, NCB Global Holdings Limited. The transaction closed on May 12, 2016 shortly after our 2015 Annual Meeting. As part of this transaction the RBC Royal Bank (Trinidad & Tobago) Limited sold its beneficial shareholding and the IFC shareholders (International Financial Corporation and IFC ALAC GHL Holding Co. Ltd.) also sold their shares in the Company.

Following the closing of the transaction there were a number of changes to our Board of Directors in 2016.

Mrs. Marianne Loner resigned as Director of the Company and the GHL Chairman and Corporate Governance Committee received a proposal from NCBJ for the appointment of persons to the Board of GHL and some of its committees and subsidiaries, including Guardian Life of the Caribbean Limited and Guardian General Insurance Limited. The Committee considered the background, skills and experience of the persons nominated and found them eminently qualified to serve as Directors of the Group. In the course of considering the proposals for nomination the Corporate Governance Committee also undertook a review of the composition of Group Boards including vacancies and pending retirements. The outcome of this review was the resignation and retirement of Mr. Douglas Camacho and Mr. Selby Wilson and the appointment of Mr. Michael Lee-Chin, Mr. Patrick Hylton and Mr. Dennis Cohen as Directors of GHL to fill the casual vacancies created by the resignations and retirement.

DIRECTOR CHANGES – DEPARTURES

Mrs. Marianne Loner

Mrs. Marianne Loner, appointed to the Board on August 7, 2014 resigned on May 13, 2016, having chosen to resign her position given the changes in ownership of shares of the Company, whereby the International Finance Corporation (on whose nomination as a shareholder her appointment to the Board was effected) no longer had an interest in the Company.

Mr. Selby Wilson

Mr. Selby Wilson, a former Minister of Finance in the Government of the Republic of Trinidad and Tobago and Fellow of the Certified Chartered Association of Accountants served as a Director on Boards of Guardian Holdings Limited and its member companies since March 24, 1997 and retired on August 4, 2016. During his tenure as a GHL Director Mr. Wilson served as the Chairman of the GHL Audit Committee and also served as a Director of Guardian Life of the Caribbean Limited and Guardian General Insurance Limited and he was also the Chairman of the Audit, Compliance and Risk Committees of these important Guardian Group companies.

Mr. Douglas Camacho

Mr. Douglas Camacho who joined the Board of Guardian Holdings Limited on March 23, 1998 and served as a Director of several Guardian Group companies including Guardian Life of the Caribbean Limited, also resigned as a Director of GHL on August 4, 2017. Mr. Camacho had served as President of Guardian Life of the Caribbean Limited from 2000 to 2005 and had retired as a senior officer of Guardian Group on September 30, 2015.

An accountant by profession, Mr. Camacho entered the insurance industry in 1980 and had been active there for

over 30 years, serving in many leadership roles both in the insurance and financial services industry as well as in the realm of sport where he contributed for 24 years on the National Olympic Committee of Trinidad and Tobago.

Guardian Group acknowledges deep appreciation of the contribution by these former Directors to the growth and success of the Group and extends its gratitude for their commitment and diligent and enthusiastic service.

DIRECTOR CHANGES – ADDITIONS

Messrs. Michael Lee-Chin, Patrick Hylton and Dennis Cohen were appointed to the Board of Guardian Holdings Limited with effect from August 4, 2016 to fill the vacancies created by the resignations and retirement of Marianne Loner, Douglas Camacho and Selby Wilson.

Mr. Michael Lee-Chin

Mr. Michael Lee-Chin is the Chairman of the Board of Directors of National Commercial Bank Jamaica Limited and the Chairman and President of Portland Holdings Inc.. He has over 32 years experience in financial services. Portland Holdings Inc. is a privately held investment Company which manages public equity, private equity as well as having direct ownership interest in a collection of diversified businesses operating in sectors that include media, tourism, health care, telecommunications and financial services.

Mr. Lee-Chin holds a Bachelor's degree in Civil Engineering from the McMaster University in Canada and has received honorary Doctor of Laws degrees from McMaster University; the University of Toronto; The Northern Caribbean University Mandeville, Jamaica; the Wilfrid Laurier University School of Business & Economics, Waterloo, Canada; University of the West Indies and York University. He has received several prestigious awards in the areas of business and community service including the 2004 International Humanitarian Award from the American Friends of Jamaica.

Michael Lee-Chin was awarded the Order of Jamaica for outstanding service in business and philanthropy in October 2008.

Mr. Patrick Hylton

Mr. Patrick Hylton is Group Managing Director of National Commercial Bank Jamaica Limited. He is Chairman of NCB Capital Markets Limited, NCB Global Finance Limited, Mona School of Business and Management and Harmonisation Limited. He sits on several Boards including Massy Holdings Limited and the Caribbean Information and Credit Rating Services (CariCRIS). He is a member of the Economic Oversight Committee that monitors the implementation of Jamaica's programme with the International Monetary Fund (IMF).

Mr. Dennis Cohen

Mr. Dennis Cohen is the Group Finance and Deputy Managing Director of National Commercial Bank Jamaica Limited. He is the Chairman of Advantage General Insurance Company Limited (AGIC) and Mutual Security Insurance Brokers Limited; a Director of NCB Capital Markets Limited, NCB Insurance Company Limited, NCB (Cayman) Limited, NCB Global Finance Limited and West Indies Trust Company Limited. He is also a member of the Institute of Chartered Accountants of Jamaica (ICAJ).

Having been appointed to fill casual vacancies Messrs. Lee-Chin, Hylton and Cohen retire at the 2017 Annual Meeting but are eligible and have offered themselves for re-election.

NOMINATION FOR APPOINTMENT OF NEW DIRECTOR

In addition to the changes identified above the Board also considered a nomination for appointment of Mr. Nicholas

Lok Jack to the Board of the Company. Having considered Mr. Lok Jack's qualifications and experience as well as his contributions to the Boards of operational subsidiaries within Guardian Group, the Corporate Governance Committee and Board are pleased to recommend Mr. Nicholas Lok Jack for election as a Director of GHL.

Mr. Nicholas Lok Jack

Mr. Nicholas Lok Jack is an Executive Director of Associated Brands Industries Limited. He is a second generation businessman growing up in his family business. He holds a Bachelor of Business Administration, double major in Finance and Marketing as well as a Masters of Business Administration (MBA) both from the University of Miami. He graduated from his MBA in 2003 and has over 13 years experience in Finance, Marketing, Product Development, Manufacturing and all other aspects of running a business from the shop floor to the Boardroom.

He was appointed a Director of the Trinidad and Tobago Manufacturing Association in 2011 and became its President in 2013 in which position he served until April, 2015.

In 2004 Mr. Nicholas Lok Jack was appointed a Director of the Trinidad and Tobago based operational subsidiaries of the Guardian Group, namely Guardian Life of the Caribbean Limited, BancAssurance Caribbean Limited, Guardian General Insurance Limited, Guardian Group Trust Limited (formerly Guardian Asset Management Limited) and most recently Guardian Asset Management and Investment Services Limited.

BOARD EVALUATION AND REVIEW

We are pleased to report that the Board concluded a formal evaluation of Board performance over the period January 2016 to March 2017 from which it proposes to implement a number of recommendations.

Based on its current plans and strategies, the Governance Committee has reviewed the composition of the Board and is satisfied that, with the addition of Mr. Nicholas Lok Jack, the Board's composition will provide the required balance of independence and diversity of skills, knowledge, experience and perspectives among Directors to facilitate high quality decision-making.

The Directors retiring at this Annual Meeting are Messrs. Ravi Tewari, Arthur Lok Jack and Antony Lancaster. The Committee has recommended:

- The re-election of all the retiring Directors
- The election of the Directors appointed to fill casual vacancies, namely, Messrs. Lee-Chin, Hylton and Cohen
- The election of Mr. Nicholas Lok Jack as a Director

all for the terms stated in the notice of the Annual Meeting.

INDEPENDENT DIRECTORS

It is provided in Regulation 4.1 of By-Law No. 1 of the Company that at least thirty per cent (30%) of the Board be comprised of Directors who satisfy the criteria for independence contained in Regulation IA of the Company's by-laws (which criteria are set out in the Appendix).

The Board has identified the following four (4) Directors (being thirty-six per cent (36%) of the Board) as meeting such independence criteria:

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

Committee Reports

REPORT OF THE AUDIT COMMITTEE

Following the Director changes mentioned earlier in this report the Audit Committee ("the Committee") was reconstituted with effect from August 4, 2016 to comprise five (5) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company's by-laws:

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

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

Meetings

The Committee held five (5) meetings in 2016 to discharge its responsibilities. Following each meeting of the Committee, the Chairman certifies to the Board the Committee's reasonable satisfaction that internal controls are functioning properly in those areas reviewed by Group Internal Audit and that risk-corrective actions identified by management for implementation have been taken, or identifies any exceptions thereto and management's committed remedial actions.

Structure of Internal Audit

The Group Head Internal Audit is responsible for the overall Group Internal Audit Function. Under a cosourcing arrangement, PricewaterhouseCoopers was engaged to supplement GHL's own Internal Audit Department with the objective of increasing the Group's internal audit capacity. Internal Audit has unfettered access to the GHL Audit Committee. The Group Head Internal Audit reports administratively to the Group Chief Executive Officer.

Independence of Internal Audit

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

Internal Control and the Internal Audit Function

The ongoing assessment of the adequacy and effectiveness of the Group's internal control systems is the primary responsibility of Internal Audit. During the year under review, weaknesses in internal controls noted by the internal auditors and management's risk-corrective actions were presented to the Committee at its quarterly meetings. The Committee members have satisfied themselves that approved risk-corrective actions have mitigated the weaknesses in internal controls that were highlighted in the internal audit reports.

External Audit

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

The Committee has reviewed and approved the external auditors' approach to and scope of their examination of the financial statements for the 2016 financial year. The members are satisfied that the external auditors have planned the audit to obtain reasonable assurance that the financial statements are free of material misstatement and present a fair view of the financial position of the

Group as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Financial Statements

During 2016, the interim unaudited financial statements were presented to the Committee at its quarterly meetings for review and recommendation for adoption by the Board. The Committee is also satisfied that the audited financial statements contained in this Annual Report are complete, consistent with information known to its members and in conformity with appropriate accounting principles that have been consistently applied.

REPORT OF THE RISK & COMPLIANCE COMMITTEE

Following the Director changes mentioned earlier in this report the Audit, Compliance and Risk Committee ("the Committee") was reconstituted with effect from August 4, 2016 to comprise five (5) Directors, all of whom are Non-Executive Directors and three (3) of whom also meet the criteria specified for independence in the Company's by-laws:

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

The Committee is governed by a Charter that sets out its responsibilities in respect of compliance and risk matters and is a key element of the Group's corporate governance framework. The Committee acts in a review and advisory capacity to the Board of Directors by providing leadership, direction and oversight of the Group's management of risk and compliance.

The Committee met on four (4) occasions in 2016. The Group Chief Risk Officer and the Group Head Compliance attend all meetings of the Committee and provide comprehensive reports on all aspects of risk management and compliance and their impact on both the financial and non-financial objectives of the Group. The Chairman of the Group Audit Committee normally attends all meetings of the Committee by invitation to ensure that risk-related issues are considered in decisions of that Committee.

Risk Management

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

- Maintaining a comprehensive perspective on risk reduction as it relates to the erosion of critical sources of shareholder value through our focus on earnings volatility reduction and the avoidance of earnings related surprises
- Optimising risk and increasing the efficiency and effectiveness through which capital and other resources are allocated by robust assessment of the risk and reward trade-off
- Building and sustaining our competitive advantage through increasing our knowledge of the risk environments in which we operate and assuring an adequate pricing of risk
- Increasing our resistance to financial contagion and resilience to the impact of external events.

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

- The Group's risk appetite was thoroughly reviewed by the Committee based on performance against set targets. The Chief Risk Officer has overall

responsibility for monitoring the Group's risk appetite and reporting on performance to the Committee

- The Committee received regular Key Risk Indicator reports with details of key risk exposures, the drivers of risk in the Group, emerging and potential risks and actions taken to mitigate any risks that were out of appetite. The Committee also monitored the adequacy of the Group`s control framework in collaboration with the Audit Committee. In particular, the Committee focused on assessing the Group's capital and liquidity positions against risk appetite and emerging regulatory-based risk-based capital models and the drivers of financial and insurance risks
- The Committee continued its focus on business continuity and IT security risks as well as assessment of strategic and business risks associated with the Group's strategic initiatives and projects, including merger & acquisition activity
- The Committee received regular reports on regulatory and other public policy developments. In particular, it monitored the actions being taken by management in response to risk-based insurance supervisory enquiries as well as overall readiness for the passage of new legislation

Compliance

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

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

Following each meeting of the Risk and Compliance Committee, the Chairman certifies to the Board the Committee's reasonable satisfaction that:

- Compliance management systems are operating effectively
- Material compliance issues identified have been satisfactorily resolved
- Risk management systems are operating effectively
- Risk management strategies have been consistently applied to minimise exposures to risk or that any exceptions thereto have been identified and action is being taken to address

Combination of Committees

At its meeting held on October 27, 2016 the Board accepted a recommendation from the Corporate Governance Committee that to improve the efficiency of meetings the GHL Audit Committee be merged with the GHL Risk and Compliance Committee to form one Committee to be known as the "Audit, Compliance and

Risk Committee" and the then current members and Chairman of the Audit Committee were confirmed as the members and Chairman of the Audit, Compliance and Risk Committee.

REPORT OF THE REMUNERATION COMMITTEE

The required composition and responsibilities of the Remuneration Committee are set out in the Appendix to this report. The Committee is comprised of four (4) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company's by-laws. The members of the Committee are:

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

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

Meetings

During 2016, the Committee held three (3) meetings at which the Committee conducted its regular business including the review of CEO and senior executive performance and the setting of targets as well as consideration of succession plans for senior executive positions within the Group. Following consideration of these matters, various recommendations were made to the Board.

The Committee is satisfied that the remuneration of Directors and Senior Management is fair and reasonable.

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The required composition and responsibilities of the Corporate Governance Committee are set out in the Appendix to this report. The Committee is comprised of four (4) Non-Executive Directors, three (3) of whom also meet the criteria specified for independence in the Company's by-laws. The members of the Committee are:

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

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

Meetings

The Committee held three (3) meetings during 2016, at which the Committee conducted its regular business including:

- Consideration of nominations for appointment to the GHL Board
- Review of composition of Boards and committees of GHL and its subsidiaries
- Initiation of the 2016 Board evaluation exercise which is in progress at the date of the 2016 Annual Report.

Appendix to the Corporate Governance Report

FRAMEWORK FOR EFFECTIVE GOVERNANCE

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

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

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

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

The Board is also assisted in carrying out its functions by the operation of Committees formed from among its members. The Committees currently in effect are:

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

Each Committee is governed by a charter that sets out its responsibilities. The composition of each Committee is reviewed on an annual basis by the Corporate Governance Committee that makes recommendations to the Board. Each charter is reviewed annually by the Board and each Committee makes an annual report to the Board of Directors. The Committee reports for each calendar year are included in the Company's Annual Report for that year.

ADOPTION OF TRINIDAD & TOBAGO CORPORATE GOVERNANCE CODE (TTCGC)

As a Company with public accountability as defined in the TTCGC, GHL has adopted the TTCGC on an "apply or explain basis" and its adherence to the TTCGC is outlined in this report.

BOARD INFORMATION & DECISION MAKING

The Corporate Governance Policy sets the standard for information made available to Directors and requires that information submitted is relevant, concise and timely, well organised and supported by any necessary background or historical information, designed to inform Directors of material aspects of the Company's business, performance and prospects and provided in due time to encourage thoughtful reflection and meaningful participation.

The Board meets at least quarterly to deal with routine business and meetings are convened as necessary for special business such as strategic planning or major transactions. Guardian Group is committed to managing its lines of business in a socially conscious way, maintaining ethical corporate governance practices in all territories in

which it operates and taking into account the legitimate interests and expectations of all stakeholders.

COMMITMENT OF TIME

Every Non-Executive Director is required to sign terms of engagement under which the commitment is acknowledged to attend Board meetings and devote such time and attention as is necessary for the proper discharge of duties and responsibilities as a Director.

CONFLICTS OF INTERESTS

All Directors and employees of the Company are subject to the Conflict of Interest Policy that requires disclosure of conflicts of interest and includes provisions for the management of any such disclosed conflicts. Compliance with the policy is monitored by the Corporate Governance Committee.

BOARD COMPOSITION, COMMITTEES, NON-EXECUTIVE DIRECTORS & CHAIRMAN

The Board comprises eleven (11) Directors of whom eight (8) are Non-Executive. The Chairman, Mr. Arthur Lok Jack is a Non-Executive Director but, as a significant shareholder, does not meet the independence criteria of the Company's by-laws. Mr. Peter Ganteaume has been identified as the Lead Independent Director in keeping with the recommendations of the TTCGC.

The Corporate Governance Committee annually reviews the composition of the Boards of all Guardian Group member companies and their committees and makes recommendations to the respective Boards with respect to changes thereof. The Committee also reviews all candidates for election or appointment as Directors and makes recommendations thereon to the Boards of respective Group companies.

The Committee seeks to ensure that the membership of the Group Boards collectively provides appropriate years of experience and diversity of age and gender as well as strong skill sets in the areas of general management, international business, finance & accounting, corporate finance, mergers & acquisitions, corporate law, banking, asset management, insurance, risk management, information technology and property management and development.

INDEPENDENT DIRECTORS

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

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

i) Is not and has not been in the past five (5) years, employed by the Company or its affiliates

ii) Does not have and has not had in the past five (5) years, a material business relationship with the Company or its affiliates (either directly or as a partner, shareholder (other than to the extent to which shares are held by such Director pursuant to a requirement of applicable law to which the Company is subject relating to Directors generally) and is not a Director, officer or senior employee of a person that has or had such a relationship)

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

iv) Does not receive and has not received in the past five (5) years any additional remuneration from the Company or its affiliates other than his or her Director's fee and such Director's fee does not constitute a significant portion of his or her annual income

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

vi) Is not, nor has been at any time during the past three (3) years, affiliated with or employed by a present or former auditor of the Company or any of its affiliates

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

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

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

For purposes of this definition, "material interest" means a direct or indirect ownership of voting shares representing at least three percent (3%) of the outstanding voting power or equity of the Company or any of its affiliates.

The Board annually considers the independence of its Directors and confirms in each annual report those who meet the requirements as set out in the Company's by-laws.

DIRECTOR TENURE

It is provided in the by-laws of the Company that Directors must be elected or appointed for stated terms and may not be elected or appointed for terms in excess of three years but on the expiration of such term will be eligible for re-election. Upon the expiration of his or her term of office, the performance of a Director is reviewed by the Corporate Governance Committee prior to a recommendation being made on his nomination for re-election.

RELATIONSHIPS WITH SHAREHOLDERS

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

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

COMMITTEES

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

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

Each Committee is governed by a charter which sets out its responsibilities and the requirements for its composition. The composition of each Committee is reviewed on an annual basis by the Corporate Governance Committee, which makes recommendations to the Board in this regard. Each charter is reviewed annually by the relevant Committee and the Board. In order that other Directors can rely upon a Committee on which they do not serve, all Committees report periodically to the full Board and circulate Committee minutes and reports to all Directors.

The authority of Committees is determined by the Board subject to any statutory prohibition against delegation.

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

AUDIT, COMPLIANCE AND RISK COMMITTEE

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

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

The existence of this Committee is considered by Guardian Holdings Limited to be a key element of its corporate governance programme/framework and part of the Group's commitment to best practice in the area of corporate governance. The Committee supports the full Board and essentially acts in a review and advisory capacity.

The Committee's charter requires that it consist of at least three (3) and no more than six (6) members of the Board, a majority of whom are Non-Executive Directors and that the Committee be chaired by a member who is a Non-Executive Director. Each Committee member must be financially literate and at least one member is designated as the "financial expert," being a qualified accountant or having significant recent and relevant financial experience. Committee members may not simultaneously serve on the audit committees of more than two other public companies.

REMUNERATION COMMITTEE

The Committee is responsible for making recommendations pertaining to:

- The compensation of the Chairman and members of the Boards of Directors of all Group companies
- The remuneration, performance and incentive awards of senior executives of all Group companies as identified from time to time by the Committee
- The recruitment, engagement and promotion of senior executives of the Group as identified from time to time by the Committee

The existence of this Committee is considered by Guardian Holdings Limited to be a key element of its corporate governance programme/framework and part of the Group's commitment to best practice in the area of corporate governance. The Committee supports the full Board and essentially acts in a review and advisory capacity.

The Committee's Charter requires that it consist of at least three (3) and no more than six (6) members of the Board, a majority of whom are Non-Executive Directors.

CORPORATE GOVERNANCE COMMITTEE

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

- Regularly reviewing the Corporate Governance Policy adopted by the Board and recommending revisions as appropriate
- Making recommendations to the Board of Directors of GHL on the composition of the Board and its Committees
- Identifying and nominating, for the approval of the GHL Board, suitable candidates to fill vacancies on the Boards of Directors and Board Committees of GHL and its major operating subsidiaries
- Developing and implementing processes to assess Board and Committee effectiveness
- Implementing a system to prevent any improper influence, or the perception of any improper influence, on the decision-making of the Directors, officers and employees of the GHL Group by outside interests, including those of related parties

The existence of this Committee is considered by Guardian Holdings Limited to be a key element of its corporate governance programme/framework and part of the Group's commitment to best practice in the area of corporate governance. The Committee supports the full Board and essentially acts in a review and advisory capacity.

The Committee's Charter requires that it consist of at least three (3) and no more than six (6) members of the Board, a majority of whom are Non-Executive Directors.

REMUNERATION POLICY FOR DIRECTORS AND EXECUTIVES

The Company's Remuneration Policy is designed to provide competitive remuneration in order to attract and retain outstanding talent, taking into account market conditions and the long-term interests of the Company.

NON-EXECUTIVE DIRECTORS

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

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

The remuneration of the Board of Directors is determined by reference to prevailing market practices and the required competencies and time commitments.

EXECUTIVES (INCLUDING EXECUTIVE DIRECTORS)

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

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

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

Management Proxy Circular

Name of Company: GUARDIAN HOLDINGS LIMITED

Company No. G – 967 (C)

I. Particulars of Meeting:

Annual Meeting of the Company to be held at The Atrium, Guardian Corporate Centre, 1 Guardian Drive, Westmoorings on Friday 5th May, 2017 at 4:30 in the afternoon.

II. Solicitation:

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

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

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

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

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

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

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

Date	Name and Title	Signature
March 09, 2017	Fé Lopez-Collymore Corporate Secretary	

Form of Proxy

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH 81:01

[SECTION 143 (1)]

1. Name of Company: **GUARDIAN HOLDINGS LIMITED** Company No. G - 967 (C)
2. Particulars of Meeting: Annual Meeting of the Company to be held at 4:30 in the afternoon on Friday 5th May, 2017.

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

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

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

	FOR	AGAINST
RESOLUTION 1: BE IT RESOLVED THAT the Consolidated Financial Statements of the Company for the year ended December 31, 2016 and Reports of the Directors and the Auditors thereon be received and adopted		
RESOLUTION 2 (a): BE IT RESOLVED THAT Mr. Arthur Lok Jack be and is hereby re-elected a director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 2 (b): BE IT RESOLVED THAT Mr. Antony Lancaster be and is hereby re-elected a director of the Company for a term of one (1) year expiring at the close of the first Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 2 (c): BE IT RESOLVED THAT Mr. Michael Lee-Chin be and is hereby elected a director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 2 (d): BE IT RESOLVED THAT Mr. Patrick Hylton be and is hereby elected a director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 2 (e): BE IT RESOLVED THAT Mr. Dennis Cohen be and is hereby elected a director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		

RESOLUTION 2 (f): BE IT RESOLVED THAT Mr. Ravi Tewari be and is hereby re-elected a director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 2 (g): BE IT RESOLVED THAT Mr. Nicholas Lok Jack is hereby elected a director of the Company for a term of three (3) years expiring at the close of the third Annual Meeting of the Company following this appointment subject to the provisions of Regulation 4.5 of the By-Law No. 1.		
RESOLUTION 3: BE IT RESOLVED THAT Ernst & Young be reappointed as auditors of the Company and that the Directors be authorised to fix their remuneration for the ensuing year.		

Signature(s) _____ **Date:** _____

NOTES:

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

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

For official use only	
Folio Number	
No. of Shares	

Guardian Group

Guardian Holdings Limited

Consolidated Financial Statements

December 31, 2016

Contents

Independent Auditor's Report

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (CONTINUED)	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Estimates used in the calculation of Insurance Contracts' Liability The Group has significant insurance liabilities of TT$14.7 billion representing 69% of the Group's total liabilities. The valuation of insurance contract liabilities involves extensive judgment and is dependent on a number of subjective assumptions, including primarily the timing and ultimate settlement value of long-term policyholder liabilities as well as the estimation of claims incurred, whether reported or not, for short term insurance contracts. Various economic and non-economic key assumptions are being used to estimate the long-term liabilities. Specifically, the Group estimates the expected number and timing of deaths, persistency, future expenses and future investment income arising from the assets backing long term insurance contracts. For short term insurance contracts, in calculating the estimated cost of unpaid claims (both reported and incurred but not reported (IBNR)), the Group uses a combination of loss-ratio-based estimates and estimates based upon actual claims experience. The Group uses valuation models to support the calculations of these insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/ incomplete data or the design or application of the models.	We involved our own actuarial specialists to assist us in performing our audit procedures in this area, which included among others: • Assessment of the key assumptions applied including consideration of emerging trends and studies on mortality and morbidity, voluntary terminations, persistency, interest rate, policy maintenance and administrative expenses, inflation, tax and lapse rates. • Recalculation of technical provisions produced by the models on a sample basis. • An assessment of the internal controls regarding the maintenance of the policyholder database. • An analysis of the movements in insurance liabilities during the year. We assessed whether the movements are in line with changes in assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience. • We considered whether the Group's disclosures in Notes 2, 4 and 21 of the consolidated financial statements in relation to insurance contract liabilities were compliant with the relevant accounting requirements.

Independent Auditor's Report (continued)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

KEY AUDIT MATTERS (CONTINUED)	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Fair value measurement of investments and related disclosures The Group invests in various asset classes, of which 35% or TT$8.4 billion is carried at fair value in the statement of financial position. Of these assets, 60% or TT$5.0 billion are related to investments for which no published prices in active markets are available and have been classified as Level 2 and Level 3 assets in Note 41 within the IFRS fair value hierarchy. Valuation techniques for these investments can be subjective in nature and involve various assumptions regarding pricing factors. Associated risk management disclosure is complex and dependent on high quality data. A specific area of audit focus includes the valuation of fair value Level 2 assets and Level 3 assets where valuation techniques are applied in which unobservable inputs are used. For Level 2 assets, these techniques include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analyses making maximum use of market inputs, such as the market risk free yield curve. Included in the Level 3 category are financial assets that are not quoted as there are no active markets to determine a price. The fair value of these assets cannot be measured reliably and are therefore held at cost, being the fair value of the consideration paid on acquisition. These assets are regularly assessed for impairment. External valuators are involved in the valuation of freehold and leasehold properties and investment properties.	We independently tested the pricing on quoted securities, and we used our valuation specialists to assess the appropriateness of pricing models used by the Group. This included: • An assessment of the pricing model methodologies and assumptions against industry practice and valuation guideline. • Testing of the inputs used, including cash flows and other market based data. • An evaluation of the reasonableness of other assumptions applied such as credit spreads. • The re-performance of valuation calculations on a sample basis of internally priced securities that were classified as higher risk and estimation. With respect to the valuation of freehold properties and investment properties, our valuation experts considered the objectivity, independence and expertise of the external appraisers. They also assessed the correctness of the property-related data used as input for the valuations, analyzed the valuations and challenged the underlying assumptions. We further evaluated the adequacy of the disclosures on the valuation of freehold properties and investment properties included in notes 2.5, 2.6, 5 and 6 of the consolidated financial statements. Finally, we assessed whether the financial statement disclosures, including sensitivity to key inputs and the IFRS fair value hierarchy, appropriately reflect the Group's exposure to financial instrument valuation risk in notes 3 (c) and 41.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2016 ANNUAL REPORT

Other information consists of the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

RESPONSIBILITIES OF MANAGEMENT AND THE AUDIT, COMPLIANCE AND RISK COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Independent Auditor's Report (continued)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 skepticism throughout the audit. We also:

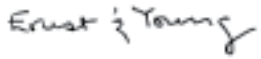
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of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

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

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

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

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



Port of Spain,

TRINIDAD:

9 March 2017

Consolidated Statement of Financial Position

Expressed in Trinidad & Tobago Dollars • as at December 31, 2016

	Notes	2016 $'000	2015 $'000
Assets			
Property, plant and equipment	**5**	593,434	563,927
Investment properties	**6**	1,256,946	949,917
Intangible assets	**7**	515,163	505,097
Investment in associated companies	**8**	211,566	212,125
Financial assets	**9**	15,391,785	13,757,214
Financial assets of mutual fund unit holders	**9**	976,307	1,046,642
Loans and receivables	**10**	2,045,742	1,821,478
Properties for development and sale	**11**	168,972	188,973
Pension plan assets	**12**	106,140	102,732
Deferred tax assets	**13**	24,346	17,313
Reinsurance assets	**14**	790,796	702,548
Deferred acquisition costs	**15**	88,498	88,240
Taxation recoverable		177,151	152,352
Cash and cash equivalents	**16**	1,744,053	1,847,901
Cash and cash equivalents of mutual fund unit holders	**16**	161,142	203,157
Assets held for sale	**17**	251	24,302
Total assets		24,252,292	22,183,918
Equity and liabilities			
Share capital	**18**	2,032,282	2,038,280
Reserves	**19**	(547,186)	(597,775)
Retained earnings		1,556,032	1,289,905
Equity attributable to owners of the parent		3,041,128	2,730,410
Non-controlling interests in subsidiary	**20**	22,467	23,599
Total equity		3,063,595	2,754,009
Liabilities			
Insurance contracts	**21**	14,663,168	13,231,768
Financial liabilities	**22**	2,170,647	2,154,435
Investment contract liabilities	**23**	1,811,761	1,697,594
Third party interests in mutual funds	**24**	1,082,711	1,045,130
Pension plan liabilities	**12**	68,253	85,825
Post retirement medical benefit obligations	**25**	89,646	78,636
Deferred tax liabilities	**13**	246,783	231,052
Provision for taxation		76,841	33,644
Other liabilities	**26**	978,636	853,376
Liabilities related to assets held for sale	**17**	251	18,449
Total liabilities		21,188,697	19,429,909
Total equity and liabilities		24,252,292	22,183,918

The accompanying notes form an integral part of these consolidated financial statements. On 9 March 2017, the Board of Directors of Guardian Holdings Limited authorized these consolidated financial statements for issue.

Director

Director

Consolidated Statement of Income

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

	Notes	2016 $'000	2015 $'000
Insurance activities			
Insurance premium income	**27 (a)**	5,499,429	5,172,273
Insurance premium ceded to reinsurers	**27 (b)**	(1,456,934)	(1,584,274)
Reinsurance commission income		252,303	228,439
Net underwriting revenue		4,294,798	3,816,438
Policy acquisition expenses	**28**	(643,139)	(642,556)
Net insurance benefits and claims	**29**	(3,039,005)	(2,511,662)
Underwriting expenses		(3,682,144)	(3,154,218)
Net result from insurance activities		612,654	662,220
Investing activities			
Investment income	**30**	820,293	771,504
Net realized gains	**31**	55,734	13,047
Net fair value gains/(losses)	**32**	56,951	(7,180)
Fee income	**33**	53,723	48,452
Other income	**34**	105,412	31,380
Investment contract benefits		(64,407)	(68,881)
Net income from investing activities		1,027,706	788,322
Fee and commission income from brokerage activities		127,002	83,591
Net income from all activities		1,767,362	1,534,133
Operating expenses	**35**	(1,120,455)	(961,729)
Finance charges	**36**	(129,605)	(141,094)
Operating profit		517,302	431,310
Share of profit of associated companies	**8**	3,285	17,381
Profit before taxation		520,587	448,691
Taxation	**37**	(130,149)	(101,899)
Profit after taxation		390,438	346,792
Amount attributable to participating policyholders	**21.1(d)**	(15,552)	(12,938)
Profit from continuing operations		374,886	333,854
Net gain on discontinued operations	**17**	22,771	2,468
Profit for the year		397,657	336,322
Profit attributable to non-controlling interests		(1,857)	(1,559)
Profit attributable to equity holders of the parent		395,800	334,763
Earnings per share			
- Basic	**38**	$ 1.71	$ 1.44
- Basic - for continuing operations	**38**	$ 1.61	$ 1.43

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

Consolidated Statement of Comprehensive Income

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

	Notes	2016 $'000	2015 $'000
Profit for the year		397,657	336,322
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		41,093	(74,172)
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss		41,093	(74,172)
Items that will not be reclassified subsequently to profit or loss:			
Gains on property revaluation		30,657	1,578
Remeasurement of pension plans	**12**	13,963	21,124
Remeasurement of post retirement medical benefit obligations	**25**	(5,354)	(1,478)
Other reserve movements		(352)	(290)
Taxation		(3,948)	(1,931)
Net other comprehensive income that will not be reclassified subsequently to profit or loss		34,966	19,003
Other comprehensive income/(loss) for the period, net of tax		76,059	(55,169)
Total comprehensive income for the period, net of tax		473,716	281,153
Comprehensive income attributable to non-controlling interests		(3,143)	(2,230)
Comprehensive income attributable to equity holders of the parent		470,573	278,923

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

Consolidated Statement of Changes in Equity

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

	Attributable to equity holders of the parent					
	Share capital $'000	**Reserves (Note 19) $'000**	**Retained earnings $'000**	**Total ordinary shareholders' equity $'000**	**Non-controlling interests $'000**	**Total equity $'000**
Balance at 1 January 2016	2,038,280	(597,775)	1,289,905	2,730,410	23,599	2,754,009
Unallocated shares movement	(4)	–	–	(4)	–	(4)
Total comprehensive income	–	64,782	405,791	470,573	3,143	473,716
Acquisition of non-controlling interest	–	–	(56)	(56)	(2,818)	(2,874)
Transfer to/from retained earnings	–	(495)	495	–	–	–
Disposal of asset held for sale (Note 17)	–	(13,698)	–	(13,698)	–	(13,698)
Share option scheme - value of lapsed options (Note 18)	(5,994)	–	5,994	–	–	–
Dividends (Note 39)	–	–	(146,097)	(146,097)	(1,457)	(147,554)
Balance at 31 December 2016	2,032,282	(547,186)	1,556,032	3,041,128	22,467	3,063,595
Balance at 1 January 2015	2,038,936	(519,350)	1,068,722	2,588,308	23,163	2,611,471
Total comprehensive income/(loss)	–	(72,062)	350,985	278,923	2,230	281,153
Transfer to/from retained earnings	–	(6,363)	6,363	–	–	–
Share option scheme - value of lapsed options (Note 18)	(656)	–	656	–	–	–
Dividends (Note 39)	–	–	(136,821)	(136,821)	(1,794)	(138,615)
Balance at 31 December 2015	2,038,280	(597,775)	1,289,905	2,730,410	23,599	2,754,009

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

Consolidated Statement of Cash Flows

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before taxation from continuing operations		520,587	448,691
Profit before taxation from discontinued operations	**17**	22,771	2,468
Adjustment for specific items included on the accruals basis:			
- Finance charges		129,605	141,094
- Investment income		(820,293)	(771,504)
Adjustment for non-cash items	**40**	(239,057)	119,256
Interest received		749,953	683,951
Dividends received		67,785	65,344
Operating profit before changes in operating assets/liabilities		431,351	689,300
Net increase in insurance liabilities		1,419,659	442,332
Net increase in reinsurance assets		(88,249)	(32,878)
Net increase in investment contracts		114,167	75,074
Purchase of financial assets		(6,112,966)	(4,395,614)
Proceeds from sale of financial assets		4,811,510	3,452,846
Purchase of/additions to investment properties		(234,734)	(35,405)
Proceeds from sale of investment property		10,475	1,462
Additions to properties for development and sale		(18,143)	(58,812)
Net (increase)/decrease in loans and receivables		(232,100)	84,343
Net decrease/(increase) in other operating assets/liabilities		69,086	(35,022)
Cash provided by operating activities		170,056	187,626
Interest paid		(160,762)	(161,488)
Net taxation paid		(119,164)	(94,446)
Net cash used in operating activities		(109,870)	(68,308)
Cash flows from investing activities			
Acquisition of subsidiaries	**45**	(9,094)	(115,890)
Acquisition of non-controlling interest in subsidiary		(2,874)	–
Investment in associated company		(172)	–
Purchase of property, plant and equipment	**5**	(52,452)	(67,019)
Proceeds on sale of property, plant and equipment		876	3,467
Purchase of intangible assets	**7**	(2,504)	(2,458)
Net cash used in investing activities		(66,220)	(181,900)
Cash flows from financing activities			
Proceeds from borrowings		106,118	78,206
Repayments of borrowings		(66,939)	(29,395)
Dividends paid to equity holders of the parent	**39**	(146,097)	(136,821)
Dividends paid to non-controlling interests		(1,457)	(1,794)
Redemptions from mutual funds		(246,440)	(348,104)
Subscriptions to mutual funds		320,902	376,272
Net cash used in financing activities		(33,913)	(61,636)
Net decrease in cash and cash equivalents	**16**	(210,003)	(311,844)

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

Notes to the Consolidated Financial Statements

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

1. INCORPORATION AND PRINCIPAL ACTIVITIES OF THE GROUP

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties, derivative financial instruments and financial assets at fair value through profit or loss, which are carried at fair value.

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

(a) New standards and amendments/revisions to published standards and interpretations effective in 2016

The following amendments to published standards are mandatory for the Group's accounting periods beginning on or after 1 January 2016:

IAS 1 – Amendments – Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of income and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income arising from investments accounted for under the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments give guidance on what additional subtotals are acceptable and how they are presented in the statement(s) of income and other comprehensive income and the statement of financial position.

The Group concluded that no changes are required to the presentation of its financial statements.

IAS 16 and IAS 38 – Amendments – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

The Group does not use revenue-based depreciation and amortisation methods therefore, these amendments have no impact on the Group's financial position or performance.

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) New standards and amendments/revisions to published standards and interpretations effective in 2016 (continued)

IFRS 10, IFRS 12 and IAS 28 – Amendments – Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10 Consolidated Financial Statements clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. Furthermore, the amendments to IFRS 10 clarify that an investment entity should consolidate a subsidiary, which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.

The amendments to IAS 28 Investments in Associates and Joint Ventures align the exemptions from applying the equity method to the amendments to IFRS 10, and allow a non-investment entity investor, when applying the equity method, to retain the fair value through profit or loss measurement applied by an investment entity associate or joint venture to its interest in subsidiaries.

The amendments clarify that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required in IFRS 12 Disclosure of Interest in Other Entities.

These amendments have no impact on the Group's consolidated financial statements as the Group does not have any intermediate parent companies or associates that qualify as an investment entity.

Annual Improvements to IFRSs 2012 – 2014 Cycle

(i) IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations

The amendment to IFRS 5 clarifies that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, rather it is a continuation of the original plan of disposal. There is, therefore, no interruption of the application of the requirements in IFRS 5.

Furthermore, the amendment also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance prescribed in the standard.

There is no change in plan for the Group's asset classified as held for sale; therefore, the amendment has no impact on the Group's financial position or performance.

(ii) IFRS 7 Financial Instruments: Disclosures

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required.

The amendment also clarifies that the additional disclosures required by Disclosure: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34 Interim Financial Reporting require their inclusion.

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

(iii) IAS 19 Employee Benefits

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

The amendment has no impact on the Group as the Group is already compliant with the amendment.

(iv) IAS 34 Interim Financial Reporting

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time.

No changes to the Group's interim reporting formats are considered necessary.

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) New standards and amendments/revisions to published standards and interpretations effective in 2016 but not applicable to the Group

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

- IAS 16 and IAS 41 - Amendments - Agriculture: Bearer Plants
- IAS 27 - Amendments - Equity Method in Separate Financial Statements
- IFRS 11 - Amendments - Accounting for Acquisitions of Interests in Joint Operations
- IFRS 14 Regulatory Deferral Accounts

(c) New 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 and amendments issued that are not yet effective as at 31 December 2016 and have not been early adopted by the Group. The Group has not yet assessed the impact of these new standards and amendments, but if applicable, the Group intends to adopt these standards/amendments when they become effective. For those which became effective 1 January 2017, the Group is currently evaluating the impact of adopting the amendments, but does not anticipate they would have a material impact on its financial statements.

- IAS 7 - Amendments - Disclosure Initiative - Effective 1 January 2017
- IAS 12 - Amendments - Recognition of Deferred Tax Assets for Unrealised Losses - Effective 1 January 2017
- IFRS 2 - Amendments - Classification and Measurement of Share-based Payment Transactions - Effective 1 January 2018
- IFRS 4 - Amendments - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Effective 1 January 2018
- IFRS 9 Financial Instruments - Effective 1 January 2018
- 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 results from its research project on the equity method of accounting
- IFRS 15 Revenue from Contracts with Customers - Effective 1 January 2018
- IFRS 16 Leases - Effective 1 January 2019

2.2 Consolidation

(a) Subsidiaries

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

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

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

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

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

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

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

(b) Associated companies

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

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

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

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

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

A listing of the Group's associates is set out in Note 8.

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Consolidation (continued)

(c) Mutual funds

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

2.3 Segment reporting

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

(i) Life, health and pension insurance

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

(iii) Asset management

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

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances in the consolidated financial statements

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

(c) Group companies

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation of land and buildings are recognised in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in the consolidated statement of comprehensive income; all other decreases are charged to the consolidated statement of income.

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

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

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

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

2.6 Investment properties

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

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

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

(b) Customer-related intangibles

Customer-related intangibles comprise renewal rights and relationships acquired in a business combination. They are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

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

(c) Brands

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

(d) Computer software and website development costs

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

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

2.8 Properties for development and sale

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

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

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

2.9 Financial assets

(a) Initial recognition and measurement

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

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

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

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

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

(c) Held-to-maturity financial assets

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

(d) Loans and receivables

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

(e) Fair value of financial assets

The fair value of quoted investments (primarily equity securities) are based on current bid prices at the consolidated statement of financial position date. If the market for a financial asset is not active (primarily government securities, debentures and corporate bonds), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

(f) Derecognition of financial assets

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

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

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets (continued)

(f) Derecognition of financial assets (continued)

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

2.10 Impairment of assets

(a) Financial assets carried at amortised cost

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

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

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

(b) Impairment of non-financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of assets (continued)

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

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

2.11 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

2.12 Offsetting financial instruments

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

2.13 Cash and cash equivalents

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

2.14 Share capital

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Insurance and investment contracts

(a) Classification

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

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

A number of insurance contracts contain a discretionary participation feature ("DPF"). This feature 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;

c) and that are contractually based on:

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

(ii) realized and/or unrealized 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 bases for the determination of the amounts on which discretionary benefits are based and within which the Group may exercise its discretion as to the quantum and timing of their payments to contract holders, which will be subject to the advice of the Group's actuary or a locally appointed actuary.

(b) Recognition and measurement

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

(i) Short-term insurance contracts

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

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

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

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

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

Group life contracts protect the Group's customers from the consequences of events (such as death or critical illness) that would affect the ability of the customer or his/her dependants to maintain their current level of income. Health insurance contracts provide for both unexpected and preventative medical treatment and drugs. On these contracts, the benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

(i) Short-term insurance contracts (continued)

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

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

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

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

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

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

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

For the Dutch Caribbean life insurance subsidiaries, reserves are calculated on a Modified Net Premium Method in accordance with the requirements of the Central Banks of the Netherlands Antilles and of Aruba.

Unit linked and interest sensitive insurance contracts

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

Unit Linked insurance contracts

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

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Insurance and investment contracts (continued)

(b) Recognition and measurement (continued)

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

Interest sensitive insurance contracts

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

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

(iii) Long-term insurance contracts without fixed terms

Unit Linked insurance contracts

For the Trinidad and Tobago life insurance subsidiary, the entire premium on these contracts is recorded as premium income. The liabilities held for these contracts are actuarially calculated using the CPPM based on the expected future cash flows from these contracts. Some of the Company's unit-linked annuity contracts contain guarantees that entitles 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 by the Company from time to time. The discretionary element of the benefits payable under these policies, as well as the guaranteed elements are treated as liabilities. The actuarial calculations make allowance for future expected policyholder bonuses and dividends. Any changes in the total benefits due are recognised as charges in the consolidated statement of income and form part of increases in reserves for future benefits of policyholders

(v) Investment contracts

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

(c) Outstanding claims

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

(d) Policyholders' benefits

Maturities and annuities are accounted for when due.

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

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

(e) Deferred acquisition costs ("DAC")

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

(f) Liability adequacy test

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Insurance and investment contracts (continued)

(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 are recognised as an expense when due.

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

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

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

(i) Salvage and subrogation reimbursements

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

2.16 Borrowings

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

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

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

2.17 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value and the corresponding change is included in net fair value gains/(losses) in the consolidated statement of income. All derivative financial instruments are recorded in the consolidated statement of financial position at fair value as assets when favorable to the Group and liabilities when unfavorable. Realized and unrealized gains and losses on trading derivatives are reflected in income and recognised as trading gains or losses.

2.18 Taxation

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

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

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(a) Pension plans

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

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

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 exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

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

(b) Post retirement medical benefit obligations

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

(c) Share-based compensation

The Group operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each consolidated statement of financial position date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of income, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

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

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

(e) Bonus plans

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are made when the Group has a present legal or constructive obligation as a result of past events, for which 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 may be small.

2.21 Revenue recognition

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

(a) Premium income

Premium income is recognised on the accrual basis in accordance with the terms of the underlying contracts as outlined in Note 2.15.

(b) Investment income

Interest income is recognised using the effective interest method. Rental income is recognised in the consolidated statement of income on the accrual basis. Dividend income is recognised when the right to receive payment is established. Realized and unrealized investment gains and losses are recognised in the consolidated statement of income in the period in which they arise.

(c) Commission income

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

(d) Fee income

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

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

2.22 Leases

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

2.23 Dividend distribution

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

2.24 Finance charges

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

2.25 Earnings per share

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

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

Notes to the Consolidated Financial Statements (continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Assets under management

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

2.27 Subscriptions and redemptions on mutual funds portfolio

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

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

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

2.28 Comparative information

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

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

The estimation of the ultimate liability arising from claims made under insurance contracts is an important accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims in particular, the claims arising from motor, casualty and health insurance contracts. At 31 December 2016, the carrying amount of short term insurance contracts (claims) was $1 billion (2015: $941 million).

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

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

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

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

The carrying amount of long-term insurance contracts (claims) as at 31 December 2016 was $12.9 billion (2015: $11.5 billion).

Notes to the Consolidated Financial Statements (continued)

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

(c) Fair valuation of financial assets

The fair value of financial assets that are not traded in an active market is determined by using an internally developed bond valuation model. Assumptions used in this model are validated and periodically reviewed internally by qualified personnel. Where applicable, data is calibrated to ensure that outputs reflect actual data and comparative market prices. Changes in assumptions used in valuations could affect reported fair value of financial assets. Key assumptions are based on current market yields. At 31 December 2016, the carrying amount of financial assets that were fair valued using an internally developed bond valuation model was $3.3 billion (2015: $3.1 billion).The following shows the effect on the profit or loss to changes in the market yields.

	Effect on consolidated income			
	2016		2015	
	$'000	$'000	$'000	$'000
For the Trinidadian subsidiaries:				
Decrease/(increase) in market yields (+ / - 1%)	(51,720)	52,122	(33,547)	34,060
For the Jamaican subsidiaries:				
Decrease/(increase) in market yields (+ / - 2%)	(45,949)	45,949	(20,158)	20,158

(d) Impairment losses on loans and receivables

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

The carrying amount of impairment provisions on loans and receivables as at 31 December 2016 was $69 million (2015: $63 million).

(e) Income taxes

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

(f) Held-to-maturity investments

The Group follows the IAS 39 guideline on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity dates as held to maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire category. The investments would therefore be measured at fair value not amortised cost. The carrying amount of held-to-maturity investments as at 31 December 2016 was $8.8 billion (2015: $8.1 billion). If the entire class of held to maturity investments is tainted, the carrying value would increase by $488 million as at 31 December 2016 (as at 31 December 2015: increase of $415 million) with a corresponding entry in consolidated statement of income.

(g) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from approved budgets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The carrying amount of impairment provisions on non financial assets as at 31 December 2016 was $229 million (2015: $190 million).

(h) Post employment benefit

In conducting valuation exercises to measure the effect of all post employment benefit plans throughout the Group, the Company's external qualified actuaries use judgment and assumptions in determining discount rates, salary increases, pension increases and health care costs. These assumptions are detailed in Note 12 and Note 25.

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

4.1 Insurance risk

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

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

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

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

4.1.1 Casualty insurance risks

(a) Frequency and severity of claims

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.1 Casualty Insurance Risks (continued)

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

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

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

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

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

4.1.2 Short duration life insurance contracts

(a) Frequency and severity of claims

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

The Group attempts to manage this risk through its underwriting and claims handling. Additionally, there is reinsurance on short-duration life insurance contracts. For the Jamaican life insurance subsidiary, there is concentration of risk in the services sector. For the Trinidadian life insurance subsidiaries, there is concentration of risk in the banking / finance sector and the retail / services sector.

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

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

(c) Changes in assumptions

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

4.1.3 Property insurance contracts

(a) Frequency and severity of claims

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

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

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

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.3 Property insurance contracts (continued)

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

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

4.1.4 Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or wide spread 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 minimize its exposure to mortality risk.

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

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

For the Jamaican life insurance subsidiary:	**2016 - Total benefits insured**			
	Before reinsurance		**After reinsurance**	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	11,213,538	85.8%	11,161,410	90.4%
J$5,001 - 10,000 (TT$350 - TT$699)	1,140,539	8.7%	942,172	7.6%
J$10,001 - 15,000 (TT$699 - TT$1,049)	241,558	1.8%	123,515	1.0%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	183,605	1.4%	66,059	0.5%
J$20,001 and over (TT$1,398 and over)	289,379	2.3%	55,677	0.5%
Total	13,068,619	100.0%	12,348,833	100.0%

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

	2015 - Total benefits insured			
	Before reinsurance		**After reinsurance**	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
J$1,000 - 5,000 (TT$70 - TT$350)	10,881,477	86.3%	10,826,355	90.8%
J$5,001 - 10,000 (TT$350 - TT$699)	1,068,237	8.5%	876,543	7.4%
J$10,001 - 15,000 (TT$699 - TT$1,049)	206,466	1.6%	105,056	0.9%
J$15,001 - 20,000 (TT$1,049 - TT$1,398)	173,287	1.4%	62,276	0.5%
J$20,001 and over (TT$1,398 and over)	278,510	2.2%	53,400	0.4%
Total	12,607,977	100.0%	11,923,630	100.0%

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

For the Trinidadian life insurance subsidiaries:

	2016 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	13,215,230	23.1%	12,634,434	35.4%
251 - 500 (TT$)	5,769,898	10.1%	4,919,327	13.8%
501 - 1,000 (TT$)	17,862,865	31.2%	11,913,140	33.4%
1,001 - 3,000 (TT$)	16,454,288	28.6%	5,847,842	16.3%
3,001 and over (TT$)	4,004,676	7.0%	385,737	1.1%
Total	57,306,957	100.0%	35,700,480	100.0%

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

	2015 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
0 - 250 (TT$)	13,146,003	24.5%	12,609,654	33.3%
251 - 500 (TT$)	5,496,546	10.2%	4,871,066	12.8%
501 - 1,000 (TT$)	16,462,334	30.6%	12,262,263	32.3%
1,001 - 3,000 (TT$)	14,891,898	27.7%	8,030,327	21.2%
More than 3,000 (TT$)	3,738,883	7.0%	138,539	0.4%
Total	53,735,664	100.0%	37,911,849	100.0%

For the Dutch Caribbean life insurance subsidiaries:

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

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

	2015 – Total benefits insured			
	Before reinsurance		After reinsurance	
Benefits assured per life $'000	**TT$'000**	**%**	**TT$'000**	**%**
NAF$0 - 500 (TT$0 - TT$1,769)	6,245,314	88.4%	6,102,763	92.4%
NAF$501 - 1,000 (TT$1,769 - TT$3,538)	556,318	7.9%	355,911	5.4%
NAF$1,001 - 1,500 (TT$3,538 - TT$5,307)	168,825	2.4%	98,313	1.5%
NAF$1,501 - 2,000 (TT$5,307 - TT$7,075)	58,519	0.8%	42,377	0.6%
More than NAF$2,000 (TT$7,075)	33,378	0.5%	7,424	0.1%
Total	7,062,354	100.0%	6,606,788	100.0%

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(a) Frequency and severity of claims (continued)

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

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

For the Jamaican life insurance subsidiary:	Total annuities payable per annum			
	2016		2015	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
J$ 0 - 200,000 (TT$0 - TT$13,980)	81,123	30.7%	77,737	33.3%
J$200,001 - 300,000 (TT$13,980 - TT$20,970)	26,132	9.9%	24,117	10.3%
J$300,001 - 400,000 (TT$20,970 - TT$27,960)	23,325	8.8%	22,859	9.8%
J$400,001 - 500,000 (TT$27,960 - TT$34,950)	16,288	6.2%	13,626	5.8%
More than J$500,000 (More than TT$34,950)	117,787	44.4%	95,131	40.8%
Total	264,655	100.0%	233,470	100.0%

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

For the Trinidadian life insurance subsidiaries:	Total annuities payable per annum			
	2016		2015	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
0 - 5,000 (TT$)	6,269	4.0%	6,362	5.3%
5,001 - 10,000 (TT$)	18,839	12.0%	17,581	14.7%
10,001 - 20,000 (TT$)	32,657	20.8%	29,329	24.5%
More than 20,000 (TT$)	99,490	63.2%	66,205	55.5%
Total	157,255	100.0%	119,477	100.0%

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

For the Dutch Caribbean life insurance subsidiaries:	Total annuities payable per annum			
	2016		2015	
	TT$'000	%	TT$'000	%
Annuity payable per annum per life				
NAF$0 - 10,000 (TT$0 - TT$35,900)	30,507	32.9%	27,020	32.6%
NAF$10,001 - 20,000 (TT$35,900 - TT$71,700)	22,431	24.2%	20,374	24.5%
NAF$20,001 - 30,000 (TT$71,700 - TT$107,600)	13,477	14.5%	12,129	14.6%
NAF$30,001 - 40,000 (TT$107,600- TT$143,400)	7,941	8.6%	7,635	9.2%
NAF$40,001 - 50,000 (TT$143,400 - TT$179,300)	5,159	5.6%	5,118	6.2%
More than NAF$50,001 (TT$179,300)	13,205	14.2%	10,727	12.9%
Total	92,720	100.0%	83,003	100.0%

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

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(b) Process used to decide on assumptions

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

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

- **Mortality & morbidity**

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

- **Voluntary terminations and persistency**

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

- **Investment returns**

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

- **Policy maintenance expense and inflation**

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

- **Tax**

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

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(c) Change in assumptions

	2016 $'000	2015 $'000
Determination of liabilities:		
For the Jamaican life insurance subsidiary:		
Changes in expense assumptions	4,372	(4,997)
Changes in lapse assumptions	(94)	–
Changes in investment returns	(19,127)	(3,880)
Other assumptions	(59,778)	1,975
For the Trinidadian life insurance subsidiaries:		
Changes in expense assumptions	(45,463)	(67,118)
Changes in lapse assumptions	163,163	2,431
Changes in investment returns	(227,875)	99,580
Changes in mortality assumptions	69,154	(53,296)

For the Dutch Caribbean life insurance subsidiaries:
No changes have been made to the assumptions used to determine the value of long-term insurance liabilities.

(d) Sensitivity analysis

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

Long-term insurance contracts with fixed and guaranteed terms and without DPF:

Variable	Change in Variable 2016	Change in liability 2016 $'000	Change in Variable 2015	Change in liability 2015 $'000
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	68,490	+ 10.0%	67,879
Lowering of investment returns	- 2.0%	279,317	- 2.0%	267,832
Worsening of base renewal expense level	+ 5.0%	27,734	+ 5.0%	25,784
Worsening of expense inflation rate	+ 1.0%	78,977	+ 1.0%	71,108
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	13,899	+ 10.0%	13,341
Improvement of annuitant mortality	+ 0.5%	31,726	+ 0.5%	35,336
Lowering of investment returns	- 1.0%	208,327	- 1.0%	167,009
Worsening of base renewal expense level	+ 5.0%	4,321	+ 5.0%	3,976
Worsening of expense inflation rate	+ 1.0%	10,948	+ 1.0%	9,827
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	18,575	+ 10.0%	19,003
Improvement of annuitant mortality	+ 10.0%	14,976	+ 10.0%	11,476
Lowering of investment returns	- 10.0%	366	- 10.0%	276
Worsening of base renewal expense level	+ 10.0%	2,943	+ 10.0%	2,913

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.1 Insurance risk (continued)

4.1.4 Long-term insurance contracts (continued)

(d) Sensitivity analysis (continued)

Long-term insurance contracts with fixed and guaranteed terms and with DPF:

Variable	Change in Variable 2016	Change in liability 2016 $'000	Change in Variable 2015	Change in liability 2015 $'000
For the Jamaican life insurance subsidiary:				
Worsening of mortality	+ 10.0%	71	+ 10.0%	128
Lowering of investment returns	- 2.0%	862	- 2.0%	662
Worsening of basis renewal expense level	+ 5.0%	498	+ 5.0%	458
Worsening of expense inflation	+ 1.0%	849	+ 1.0%	705
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	375	+ 10.0%	360
Lowering of investment returns	- 1.0%	10,624	- 1.0%	12,773
Worsening of base renewal expense level	+ 5.0%	159	+ 5.0%	277
Worsening of expense inflation rate	+ 1.0%	336	+ 1.0%	666
For the Dutch Caribbean life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	31,958	+ 10.0%	33,855
Improvement of annuitant mortality	+ 10.0%	30,421	+ 10.0%	27,472
Lowering of investment returns	- 10.0%	192,320	- 10.0%	164,302
Worsening of base renewal expense level	+ 10.0%	31,076	+ 10.0%	27,908
Long term insurance contracts without fixed terms:				
For the Trinidadian life insurance subsidiaries:				
Worsening of mortality	+ 10.0%	45,219	+ 10.0%	47,249
Improvement of annuitant mortality	+ 0.5%	70,718	+ 0.5%	74,756
Lowering of investment returns	- 1.0%	399,542	- 1.0%	447,516
Worsening of base renewal expense level	+ 5.0%	22,471	+ 5.0%	30,148
Worsening of expense inflation rate	+ 1.0%	45,809	+ 1.0%	57,498

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

4.2 Financial risk

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

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk

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

(a) Currency risk

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

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

The tables below summarizes 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 categorized by currency positions expressed in TT$ equivalents.

	TT $'000	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
As at 31 Dec. 2016								
Total Assets	8,972,385	5,534,226	4,483,614	2,784,335	259,006	1,087,442	1,131,284	24,252,292
Total Liabilities	10,752,577	1,759,463	5,163,618	2,340,809	178,379	315,314	678,537	21,188,697
	(1,780,192)	3,774,763	(680,004)	443,526	80,627	772,128	452,747	3,063,595
As at 31 Dec. 2015								
Total Assets	8,046,541	4,904,138	4,138,823	2,618,687	341,019	1,083,872	1,050,838	22,183,918
Total Liabilities	9,946,306	1,476,058	4,681,597	2,311,132	219,855	286,886	508,075	19,429,909
	(1,899,765)	3,428,080	(542,774)	307,555	121,164	796,986	542,763	2,754,009

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

Change in variables	US	NAF	JMD	GBP	Euro	Other
2016	1.1%	1.1%	-4.0%	6.8%	4.6%	-1.6% to 2.1%
2015	1.3%	1.3%	1.0%	2.7%	0.4%	-2.9% to 1.4%

	US $'000	NAF $'000	JMD $'000	GBP $'000	Euro $'000	Other $'000	Total $'000
Impact on statement of income							
2016	47,854	1	(1,828)	3,225	1,585	3,660	54,497
2015	(36)	–	461	875	55	1,517	2,872
Impact on equity							
2016	11,713	6,811	(101,440)	1,720	420	2,794	(77,982)
2015	22,353	8,073	8,899	1,701	393	2,200	43,619

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.1 Market risk

(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 analyses, a 1% movement in interest rates was used for 2016 for the Trinidadian market (2015 - 1%), a 2% movement was used for 2016 for the Jamaican market (2015 - 2%) and a 1% movement for 2016 was used for the Dutch Caribbean (2015 - 1%). The effect of an increase in the above rates would result in a decrease in the consolidated statement of income and equity of $210,943,000 for 2016 (2015: decrease of $199,835,000). The effect of a decrease in the above rates would result in an increase in the consolidated statement of income and equity of $210,943,000 for 2016 (2015: increase of $199,855,000).

(c) Other price risk

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

The sensitivity analysis for equity price risk illustrates how changes in the fair value of equity securities will fluctuate because of changes in market prices at the reporting date. For the sensitivity analysis, a 2% movement in prices of local equities was used for 2016 for the Trinidadian market (2015 - 2%), a 10% movement in prices of local equities was used for 2016 for the Jamaican market (2015 - 10%) and a 1% movement for 2016 was used for Dutch Caribbean (2015 - 1%). The effect of an increase/decrease in the above rates would result in an increase/decrease in the consolidated statement of income and equity of $67,938,000 for 2016 (2015: $63,551,000).

4.2.2 Liquidity risk

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

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

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

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

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

			Contractual/Expected Undiscounted Cash Flows		
Insurance and financial liabilities	**Carrying amount $'000**	**No stated maturity $'000**	**Less than one year $'000**	**One to five years $'000**	**Over five years $'000**
As at 31 December 2016					
Long-term insurance contracts	12,873,658	6,311,254	159,434	1,069,034	16,861,748
Short-term insurance contracts	1,789,510	–	1,429,780	352,405	7,325
Investment contracts	1,811,761	1,763,046	48,715	–	–
Medium term borrowings	1,695,813	–	121,826	1,260,682	760,415
Short-term borrowings	441,039	–	458,589	–	–
Mutual fund holders' liabilities	1,082,711	–	1,082,711	–	–
Interest payable	33,795	–	33,795	–	–
Other liabilities	978,636	–	978,636	–	–
Total	20,706,923	8,074,300	4,313,486	2,682,121	17,629,488
As at 31 December 2015					
Long-term insurance contracts	11,521,719	6,936,153	231,788	1,118,184	12,231,325
Short-term insurance contracts	1,710,049	–	1,375,622	321,098	13,329
Investment contracts	1,697,594	1,692,258	5,336	–	–
Medium term borrowings	1,742,700	–	383,681	1,048,100	859,008
Short-term borrowings	376,040	–	389,467	–	–
Derivative financial instruments	228	–	228	–	–
Mutual fund holders' liabilities	1,045,130	–	1,045,130	–	–
Interest payable	35,467	–	35,467	–	–
Other liabilities	853,376	–	853,376	–	–
Total	18,982,303	8,628,411	4,320,095	2,487,382	13,103,662

			Contractual/Expected Discounted Cash Flows		
Reinsurance and financial assets	**Carrying amount $'000**	**No stated maturity $'000**	**Less than one year $'000**	**One to five years $'000**	**Over five years $'000**
As at 31 December 2016					
Financial assets at fair value through profit and loss	6,614,952	2,324,525	1,220,368	1,303,410	1,766,649
Held to maturity financial assets	8,776,833	–	1,844,117	2,220,735	4,711,981
Financial assets of mutual fund unit holders	976,307	–	976,307	–	–
Loans and receivables	2,045,742	9	1,071,088	325,259	649,386
Long-term reinsurance assets	34,384	23,090	1,737	7,146	2,411
Short-term reinsurance assets	756,412	–	565,214	188,818	2,380
Cash and cash equivalents	1,744,053	–	1,744,053	–	–
Cash and cash equivalents of mutual fund unit holders	161,142	–	161,142	–	–
Total	21,109,825	2,347,624	7,584,026	4,045,368	7,132,807

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.2 Liquidity risk (continued)

			Contractual/Expected Discounted Cash Flows		
Reinsurance and financial assets	**Carrying amount $'000**	**No stated maturity $'000**	**Less than one year $'000**	**One to five years $'000**	**Over five years $'000**
As at 31 December 2015					
Financial assets at fair value through profit and loss	5,612,840	1,814,556	1,017,885	1,281,943	1,498,456
Held to maturity financial assets	8,144,374	–	1,889,295	2,447,840	3,807,239
Financial assets of mutual fund unit holders	1,046,642	–	1,046,642	–	–
Loans and receivables	1,821,478	9	1,041,005	273,081	507,383
Long-term reinsurance assets	36,813	18,395	1,697	14,373	2,348
Short-term reinsurance assets	665,735	–	514,618	147,956	3,161
Cash and cash equivalents	1,847,901	–	1,847,901	–	–
Cash and cash equivalents of mutual fund unit holders	203,157	–	203,157	–	–
Total	19,378,940	1,832,960	7,562,200	4,165,193	5,818,587

4.2.3 Credit risk

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

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

(a) Assets bearing credit risk

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

Below is an analysis of assets bearing credit risk.

	Neither past due nor impaired $'000	**Past due but not impaired $'000**	**Impaired $'000**	**Total $'000**
As at 31 December 2016				
Debt securities	10,796,251	449	702	10,797,402
Financial assets of mutual fund unit holders	851,646	–	2,844	854,490
Deposits with financial institutions (more than 90 days)	2,228,172	181	2,744	2,231,097
Other financial assets	22,647	–	–	22,647
Interest receivable	236,504	618	–	237,122
Loans and receivables	1,727,525	84,994	107,137	1,919,656
Reinsurance assets	790,796	–	–	790,796
Deferred acquisition costs	88,498	–	–	88,498
Cash and cash equivalents	1,905,195	–	–	1,905,195
	18,647,234	86,242	113,427	18,846,903

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(a) Assets bearing credit risk (continued)

	Neither past due nor impaired $'000	Past due but not impaired $'000	Impaired $'000	Total $'000
As at 31 December 2015				
Debt securities	9,450,078	29,259	1,009	9,480,346
Financial assets of mutual fund unit holders	923,258	–	4,448	927,706
Deposits with financial institutions (more than 90 days)	2,401,706	1,128	2,607	2,405,441
Other financial assets	23,595	–	–	23,595
Interest receivable	218,295	1,946	–	220,241
Loans and receivables	1,582,726	43,786	97,688	1,724,200
Reinsurance assets	702,548	–	–	702,548
Deferred acquisition costs	88,240	–	–	88,240
Cash and cash equivalents	2,051,058	–	–	2,051,058
	17,441,504	76,119	105,752	17,623,375

(b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or to a rating assigned by the investment manager using an approach consistent with that used by Standard and Poor's. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Standard & Poor's issued credit rating.

AAA

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

AA

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

A

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

BBB

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

Below BBB

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

Not Rated

This indicates that there is insufficient information on which to base a rating. These balances are current and are monitored regularly for impairment. This classification includes obligations due from individuals, short term securities and receivables arising under contracts of insurance underwritten in the international property and casualty business of the Group.

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(b) Credit quality of financial assets (continued)

The concentration of credit risk is substantially unchanged compared to prior year.

As at 31 December 2016	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB $'000	Not Rated $'000	Total $'000
Debt securities	68,809	276,908	4,142,446	3,221,775	2,860,155	226,158	10,796,251
Financial assets of mutual fund unit holders	–	–	413,869	240,573	183,178	14,026	851,646
Deposits with financial institutions (more than 90 days)	–	–	–	684,875	407,976	1,135,321	2,228,172
Other financial assets	–	–	–	7,439	3,550	11,658	22,647
Interest receivable	264	2,149	84,658	73,645	38,648	37,140	236,504
Loans and receivables	–	–	302,172	247	23,744	1,401,362	1,727,525
Reinsurance assets	–	65,996	697,090	–	–	27,710	790,796
Deferred acquisition costs	–	–	4,315	–	–	84,183	88,498
Cash and cash equivalents	–	35,358	142,651	329,062	637,147	760,977	1,905,195
	69,073	380,411	5,787,201	4,557,616	4,154,398	3,698,535	18,647,234
As at 31 December 2015							
Debt securities	88,597	216,004	4,133,448	2,237,905	2,611,091	163,033	9,450,078
Financial assets of mutual fund unit holders	–	–	551,118	206,233	160,196	5,711	923,258
Deposits with financial institutions (more than 90 days)	–	–	203	813,291	609,394	978,818	2,401,706
Other financial assets	–	–	–	7,288	4,792	11,515	23,595
Interest receivable	422	1,831	95,046	59,678	31,308	30,010	218,295
Loans and receivables	–	–	248,930	109	14,581	1,319,106	1,582,726
Reinsurance assets	–	75,979	597,068	–	–	29,501	702,548
Deferred acquisition costs	–	–	4,224	–	–	84,016	88,240
Cash and cash equivalents	–	–	152,201	620,760	443,098	834,999	2,051,058
	89,019	293,814	5,782,238	3,945,264	3,874,460	3,456,709	17,441,504

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(c) Assets that are past due but not impaired

	Carrying Value $'000					
	Less than 3 months	Between 3 & 6 months	Between 6 & 9 months	Between 9 & 12 months	More than 12 months	Total
As at 31 December 2016						
Debt securities	–	–	–	248	201	449
Deposits with financial institutions (more than 90 days)	–	181	–	–	–	181
Interest receivable	70	56	58	–	434	618
Loans and receivables	44,506	15,072	880	1,806	22,730	84,994
	44,576	15,309	938	2,054	23,365	86,242
As at 31 December 2015						
Debt securities	28,832	–	–	236	191	29,259
Deposits with financial institutions (more than 90 days)	1,128	–	–	–	–	1,128
Interest receivable	384	904	53	75	530	1,946
Loans and receivables	18,072	10,826	7,257	1,754	5,877	43,786
	48,416	11,730	7,310	2,065	6,598	76,119

(d) Financial assets that are impaired

	Carrying Value	
	2016 $'000	2015 $'000
Debt securities	702	1,009
Deposits with financial institutions (more than 90 days)	2,744	2,607
Loans and receivables	107,137	97,688
Financial assets of mutual fund unit holders	2,844	4,448
	113,427	105,752

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

(e) Allowance for impairment

	Loans and Receivables			
	Premiums & reinsurance receivables $'000	Other loans & receivables $'000	Financial assets $'000	Total $'000
Balance at 1 January 2016	53,240	10,233	2,882	66,355
Exchange differences	2,091	99	150	2,340
Provision for impairment	7,454	4,319	–	11,773
Amounts written off during the year as uncollectible	(84)	(297)	(40)	(421)
Amounts recovered / released during the year	(7,257)	(605)	–	(7,862)
Balance at 31 December 2016	55,444	13,749	2,992	72,185
Balance at 1 January 2015	45,311	8,965	2,804	57,080
Exchange differences	396	(182)	78	292
Acquisition of subsidiaries	12,201	–	–	12,201
Provision for impairment	5,875	1,876	–	7,751
Amounts written off during the year as uncollectible	(913)	(206)	–	(1,119)
Amounts recovered / released during the year	(9,630)	(220)	–	(9,850)
Balance at 31 December 2015	53,240	10,233	2,882	66,355

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

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

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

	Financial institutions $'000	Manu-facturing $'000	Real estate $'000	Wholesale & retail trade $'000	Public sector $'000	Other industries $'000	Indi-viduals $'000	Total $'000
As at 31 December 2016								
Debt securities	649,781	1,013	556,563	36,537	8,370,301	1,183,207	–	10,797,402
Financial assets of mutual fund unit holders	234,913	–	47,533	12,577	513,894	45,573	–	854,490
Deposits with financial institutions	2,224,421	–	–	–	3,932	2,744	–	2,231,097
Other financial assets	–	–	–	–	–	22,647	–	22,647
Interest receivable	57,059	9	4,678	46	162,053	13,277	–	237,122
Loans and receivables	34,979	–	266,354	–	17,485	1,268,564	332,274	1,919,656
Reinsurance assets	–	–	–	–	–	790,796	–	790,796
Deferred acquisition costs	–	–	–	–	–	88,498	–	88,498
Cash and cash equivalents	1,901,855	–	–	–	3,340	–	–	1,905,195
	5,103,008	1,022	875,128	49,160	9,071,005	3,415,306	332,274	18,846,903

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.3 Credit risk (continued)

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

	Financial institutions $'000	Manu-facturing $'000	Real estate $'000	Wholesale & retail trade $'000	Public sector $'000	Other industries $'000	Indi-viduals $'000	Total $'000
As at 31 December 2015								
Debt securities	564,868	8,380	344,691	39,808	7,662,691	859,633	275	9,480,346
Financial assets of mutual fund unit holders	212,112	–	45,671	13,542	579,596	76,785	–	927,706
Deposits with financial institutions	2,399,841	–	–	–	5,600	–	–	2,405,441
Other financial assets	–	–	–	–	–	23,595	–	23,595
Interest receivable	46,297	63	2,310	42	161,676	9,853	–	220,241
Loans and receivables	812	–	279,169	–	26,276	1,082,619	335,324	1,724,200
Reinsurance assets	–	–	–	–	–	702,548	–	702,548
Deferred acquisition costs	–	–	–	–	–	88,240	–	88,240
Cash and cash equivalents	2,051,058	–	–	–	–	–	–	2,051,058
	5,274,988	8,443	671,841	53,392	8,435,839	2,843,273	335,599	17,623,375

4.2.4 Capital management

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

The Group's objectives when managing capital are:

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 2015.

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

	Guardian Re (SAC) Ltd $'000	Guardian General Insurance (OECS) Ltd $'000	Guardian General Insurance Ltd $'000	Jamaica General Insurance Company $'000	Jamaica Life Insurance Company $'000	Trinidad Life Insurance Companies $'000	Dutch Caribbean Insurance Companies $'000	Group $'000
2016								
Minimum regulatory capital	32,236	12,642	65,469	141,524	258,734	901,291	347,010	1,758,906
2015								
Minimum regulatory capital	34,368	12,011	69,265	146,076	219,046	794,094	297,388	1,572,248

Notes to the Consolidated Financial Statements (continued)

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4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK (CONTINUED)

4.2 Financial risk (continued)

4.2.4 Capital management (continued)

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

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

5. PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold properties $'000	Office furniture, plant and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Year ended 31 December 2016					
Balance at beginning of year	417,892	115,335	14,650	16,050	563,927
Exchange rate adjustments	5,564	767	386	(78)	6,639
Revaluation surplus	30,657	–	–	–	30,657
Additions	12,163	18,111	5,727	16,451	52,452
Disposals and adjustments	–	(2,690)	(1,545)	–	(4,235)
Transfers	592	7,985	881	(9,458)	–
Re-classification (to)/from investment properties (Note 6)	(24)	427	–	–	403
Depreciation charge	(14,623)	(36,635)	(5,151)	–	(56,409)
Balance at end of year	452,221	103,300	14,948	22,965	593,434
At 31 December 2016					
Cost or valuation	541,836	574,480	36,700	22,965	1,175,981
Accumulated depreciation	(89,615)	(471,180)	(21,752)	–	(582,547)
Balance at end of year	452,221	103,300	14,948	22,965	593,434
Year ended 31 December 2015					
Balance at beginning of year	420,810	92,074	12,369	11,417	536,670
Exchange rate adjustments	(980)	(1,024)	(234)	(122)	(2,360)
Revaluation surplus	1,578	–	–	–	1,578
Additions	9,602	37,771	5,353	14,293	67,019
Assets on acquisition of subsidiary (Note 45)	–	4,304	2,442	–	6,746
Disposals and adjustments	124	(381)	(844)	(1)	(1,102)
Transfers	–	9,537	–	(9,537)	–
Re-classification from investment properties (Note 6)	1,116	–	–	–	1,116
Depreciation charge	(14,358)	(26,946)	(4,436)	–	(45,740)
Balance at end of year	417,892	115,335	14,650	16,050	563,927
At 31 December 2015					
Cost or valuation	498,044	543,650	34,858	16,050	1,092,602
Accumulated depreciation	(80,152)	(428,315)	(20,208)	–	(528,675)
Balance at end of year	417,892	115,335	14,650	16,050	563,927

Notes to the Consolidated Financial Statements (continued)

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5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

Depreciation expense of $56,409,000 (2015 - $45,740,000) 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:

	2016 $'000	2015 $'000
Cost	392,626	383,198
Accumulated depreciation	(94,059)	(83,381)
Net book value	298,567	299,817

6. INVESTMENT PROPERTIES

	2016 $'000	2015 $'000
Investment properties (excluding Pointe Simon)	900,318	628,134
Pointe Simon	356,628	321,783
	1,256,946	949,917

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

Investment properties (excluding Pointe Simon)

Balance at beginning of year	628,134	583,872
Exchange rate adjustments	(5,697)	(14,337)
Additions	233,981	34,408
Fair value adjustments (Note 32)	44,233	27,795
Disposals	(11,742)	(1,477)
Re-classification from/(to) fixed assets (Note 5)	24	(1,116)
Fair value adjustments directly related to the unit linked funds	11,385	(1,011)
Balance at end of year	900,318	628,134
Rental income	41,717	30,066
Direct operating expenses incurred in respect of investment property that generated rental income during the year	2,322	3,105
Direct operating expenses incurred in respect of investment property that did not generate rental income during the year	411	802

Pointe Simon

Investment property	356,628	321,783
Properties for development and sale (Note 11)	168,972	188,973
	525,600	510,756
Balance at beginning of year	510,756	491,272
Exchange rate adjustments	9,282	(37,213)
Additions	18,896	59,809
Disposals	(5,663)	(3,112)
Re-classification to fixed assets (Note 5)	(427)	–
Fair value adjustment	(7,244)	–
Balance at end of year	525,600	510,756

Notes to the Consolidated Financial Statements (continued)

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6. INVESTMENT PROPERTIES (CONTINUED)

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

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

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

Commercial properties are primarily valued using the income and sales comparison approaches, which involves determining the value of the properties by applying an appropriate valuation model to convert the expected future cash flows into present values. Discount rates applied to the model throughout the Group range from 6% to 9.5% (2015: 5% to 8.75%) as deemed most appropriate by the valuators in the respective territories.

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

7. INTANGIBLE ASSETS

	Goodwill $'000	Customer-related intangibles $'000	Other $'000	Total $'000
Year ended 31 December 2016				
Balance at beginning of year	447,505	53,775	3,817	505,097
Exchange rate adjustments	7,292	1,585	(77)	8,800
Acquisition of subsidiaries (Note 45)	9,094	–	–	9,094
Additions	–	179	2,325	2,504
Transfers (see note (a) below)	(37,204)	35,792	13,767	12,355
Amortization	–	(19,495)	(3,192)	(22,687)
Balance at end of year	426,687	71,836	16,640	515,163
At 31 December 2016				
Cost	426,687	164,571	32,841	624,099
Accumulated amortization	–	(92,735)	(16,201)	(108,936)
Balance at end of year	426,687	71,836	16,640	515,163
Year ended 31 December 2015				
Balance at beginning of year	344,956	50,924	3,412	399,292
Exchange rate adjustments	(3,960)	(1,974)	(100)	(6,034)
Acquisition of subsidiaries and insurance brokerage portfolios (Note 45)	105,188	18,524	–	123,712
Additions	–	–	2,458	2,458
Adjustments	1,321	–	–	1,321
Amortization	–	(13,699)	(1,953)	(15,652)
Balance at end of year	447,505	53,775	3,817	505,097
At 31 December 2015				
Cost	447,505	124,520	17,000	589,025
Accumulated amortization	–	(70,745)	(13,183)	(83,928)
Balance at end of year	447,505	53,775	3,817	505,097

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

Notes to the Consolidated Financial Statements (continued)

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7. INTANGIBLE ASSETS (CONTINUED)

(a) During the year, the Group completed its fair valuation exercise of identifiable assets and liabilities on acquisition of the "Boogaard Group" (see note 45). This resulted in the following:

(i) The Group recognised a deferred tax liability of $12,355,000 on intangible assets. This amount was reallocated from goodwill to deferred tax liabilities.

(ii) The Group recognised customer-related and other intangible assets of $35,792,000 and $13,767,000 respectively. These amounts were reallocated from goodwill.

Goodwill

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

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

	2016 $'000	2015 $'000
Guardian General Insurance Limited	97,459	97,459
Guardian Insurance Limited	153,977	153,977
Guardian General Insurance Jamaica Limited	6,582	6,264
Thoma Exploitatie B.V.	65,858	65,019
Royal & Sun Alliance Insurance (Antilles) N.V.	26,712	25,421
Kruit en Venema Assuradeuren B.V.	16,988	16,685
Fatum Brokers Holding B.V.	59,111	82,680
	426,687	447,505

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

	Discount Rate		Growth Rate	
Cash generating unit	**2016**	**2015**	**2016**	**2015**
Guardian General Insurance Limited	9.6%	8.9%	5.0%	5.0%
Guardian Insurance Limited (Trinidad and Tobago based subsidiaries)	10.0%	9.5%	5.0%	5.0%
Guardian Insurance Limited (Jamaica based subsidiary)	10.0%	12.3%	5.0%	5.0%
Guardian General Insurance Jamaica Limited	12.0%	15.8%	5.0%	5.0%
Thoma Exploitatie B.V.	11.7%	11.1%	2.0%	1.0%
Royal & Sun Alliance Insurance (Antilles) N.V.	10.3%	10.7%	2.0%	2.0%
Kruit en Venema Assuradeuren B.V.	11.7%	11.1%	2.0%	-1.7%
Fatum Brokers Holding B.V.	10.5% to 11.1%	10.7%	2.0%	0.0%

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

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

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

Notes to the Consolidated Financial Statements (continued)

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8. INVESTMENT IN ASSOCIATED COMPANIES

	2016 $'000	2015 $'000
Balance at beginning of year	212,125	194,925
Exchange rate adjustments	3,140	603
Investment in associated company	172	–
Share of profit after tax	3,285	17,381
Dividends received	(6,799)	(3,178)
Reserve and other movements	(357)	2,394
Balance at end of year	211,566	212,125

The Group's interests in its associates, which are unlisted, are as follows:

Name	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held 2016	2015
RoyalStar Holdings Limited	Property and Casualty Insurer	Bahamas	26.3%	26.3%
Ocho Rios Beach Resorts Limited (Note 17)	Commercial Real Estate	Jamaica	0.0%	24.0%
RGM Limited	Property Development & Facilities Management	Trinidad and Tobago	33.3%	33.3%
Sas Compagnie Hoteliere de la Pointe Simon	Hotel Operations	Martinique	24.0%	24.0%

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represent amounts shown in the associate's financial statements prepared in accordance with IFRSs (adjusted by the Group for equity accounting purposes).

	RoyalStar Holdings Limited		RGM Limited	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Total assets	519,633	413,320	894,995	928,058
Total liabilities	(287,454)	(173,124)	(443,598)	(481,312)
Equity	232,179	240,196	451,397	446,746
Carrying amount of the investment	61,100	63,210	150,466	148,915
Revenue	167,874	166,720	153,012	173,702
Profit/(loss) for the year	(6,035)	19,226	15,152	37,036
Other comprehensive (loss)/income	–	–	(1,070)	397
Total comprehensive (loss)/income	(6,035)	19,226	14,082	37,433
Dividends received during the year	3,655	3,178	3,144	–

The associated companies had no contingent liabilities at 31 December 2015 or 2016.

RGM Limited has capital commitments in respect of an investment property in the amount of $6,697,000 (2015: $30,155,000). RoyalStar Holdings Limited has no capital commitments at 31 December 2015 or 2016.

Notes to the Consolidated Financial Statements (continued)

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9. FINANCIAL ASSETS

	2016		2015	
	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Financial assets	15,391,785	15,879,888	13,757,214	14,172,487
Financial assets of mutual fund unit holders	976,307	976,307	1,046,642	1,046,642
	16,368,092	16,856,195	14,803,856	15,219,129
Financial assets at fair value through profit or loss	7,591,259	7,591,259	6,659,482	6,659,482
Held to maturity financial assets	8,776,833	9,264,936	8,144,374	8,559,647
Total financial assets	16,368,092	16,856,195	14,803,856	15,219,129

	Carrying value	
Financial assets at fair value through profit or loss	2016 $'000	2015 $'000
Equity securities:		
- Listed	2,354,039	1,868,918
- Unlisted	69,566	41,243
	2,423,605	1,910,161
Debt securities:		
- Government securities	2,526,536	2,426,710
- Debentures and corporate bonds	1,736,575	1,513,314
	4,263,111	3,940,024
Deposits with financial institutions (more than 90 days)	763,429	664,500
Other	22,647	23,595
	786,076	688,095
	7,472,792	6,538,280
Interest receivable	118,467	121,202
	7,591,259	6,659,482
Current	2,196,675	2,064,527
Non-current	5,394,584	4,594,955
	7,591,259	6,659,482

The carrying amount of financial assets above that were pledged as collateral for liabilities was $23,398,000 (2015: $10,051,000).

	2016		2015	
Held-to-maturity financial assets	Carrying value $'000	Fair value $'000	Carrying value $'000	Fair value $'000
Debt securities:				
- Government securities	6,455,838	6,930,555	5,707,471	6,092,942
- Debentures and corporate bonds	647,650	661,036	533,962	563,764
	7,103,488	7,591,591	6,241,433	6,656,706
Deposits with financial institutions (more than 90 days)	1,506,559	1,506,559	1,755,851	1,755,851
	8,610,047	9,098,150	7,997,284	8,412,557
Interest receivable	166,786	166,786	147,090	147,090
	8,776,833	9,264,936	8,144,374	8,559,647

Notes to the Consolidated Financial Statements (continued)

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9. FINANCIAL ASSETS (CONTINUED)

	Carrying value	
	2016 $'000	**2015 $'000**
Current	1,844,117	1,889,295
Non-current	6,932,716	6,255,079
	8,776,833	8,144,374

The table below illustrates the movements in financial assets:

	Financial assets at fair value through profit or loss $'000	**Held to maturity financial assets $'000**	**Total $'000**
At beginning of 2016	6,538,280	7,997,284	14,535,564
Exchange differences	90,120	131,385	221,505
Additions	3,643,231	2,716,078	6,359,309
Disposals/maturities	(2,874,656)	(2,234,700)	(5,109,356)
Fair value adjustments	73,401	–	73,401
Impairment losses	(1,549)	–	(1,549)
Capitalized interest	3,965	–	3,965
At end of 2016	7,472,792	8,610,047	16,082,839

	Financial assets at fair value through profit or loss $'000	**Held to maturity financial assets $'000**	**Total $'000**
At beginning of 2015	6,266,176	7,425,442	13,691,618
Exchange differences	(63,640)	(9,424)	(73,064)
Additions	2,008,811	2,748,310	4,757,121
Disposals/maturities	(1,610,928)	(2,167,044)	(3,777,972)
Fair value adjustments	(67,821)	–	(67,821)
Capitalized interest	5,682	–	5,682
At end of 2015	6,538,280	7,997,284	14,535,564

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10. LOANS AND RECEIVABLES

	2016 $'000	2015 $'000
Debt securities:		
- Government securities	3,946	8,209
- Debentures and corporate bonds	191,333	152,542
	195,279	160,751
Premiums receivable	488,182	407,545
Deposits with / due from reinsurers	295,656	247,029
Provision for impairment of premium and reinsurance receivables	(55,444)	(53,240)
Mortgages	394,225	390,021
Policy loans	54,266	55,774
Other loans and receivables	672,474	603,570
Provision for impairment of other loans and receivables	(13,749)	(10,233)
	1,835,610	1,640,466
Interest receivable	14,853	20,261
	2,045,742	1,821,478
Current	1,071,088	1,041,005
Non-current	974,654	780,473
	2,045,742	1,821,478

The carrying amounts of loans and receivables (excluding debt securities) are reasonable approximations of their fair values. The fair value of debt securities amounted to $196,517,000 (2015: $164,346,000). There were no loans and receivables pledged as collateral for liabilities at year end (2015: nil).

11. PROPERTIES FOR DEVELOPMENT AND SALE

	2016 $'000	2015 $'000
Properties for development and sale (Note 6)	168,972	188,973

Properties for development and sale comprise the Group's investment in one component of the Pointe Simon urban re-development project in Fort De France, Martinique.

The French government provides incentives for qualifying property developments in France's overseas territories. During 2013 and 2014, the Group availed itself of the programme and received funds based upon agreed valuations of twenty-five condominium units in 2014 (2013 – three units). The sums received were recorded as other income.

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

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

The Group financed the sale to CHPS and at 31 December 2016 the outstanding balance was €15.1 million (2015: €17.3 million). The loan has three components, with terms as follows:

1. €11.1 million repayable in 20 biannual instalments of €0.4 million with a bullet at maturity of €6.2 million. Interest is fixed at 3.3%.
2. €0.6 million repayable over 3 years at 3.30% per annum.
3. €6.4 million to be repaid upon receipt of certain subsidies and tax refunds from the French government.

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12. PENSION PLAN ASSETS/LIABILITIES

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

	Pension plan asset		Pension plan liability		Net pension plan asset/(liability)	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Fair value of pension plan assets	403,036	375,091	459,070	437,954	862,106	813,045
Less: Present value of funded obligations	(296,896)	(272,359)	(526,442)	(522,810)	(823,338)	(795,169)
	106,140	102,732	(67,372)	(84,856)	38,768	17,876
Less: Present value of unfunded obligations	–	–	(881)	(969)	(881)	(969)
IAS 19 Consolidated statement of financial position assets/(liabilities)	106,140	102,732	(68,253)	(85,825)	37,887	16,907

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

	2016 $'000	2015 $'000
Net interest expense	374	(1,197)
Current service cost	(24,150)	(25,185)
Adjustment in value of recognisable assets	–	564
Net loss for the year (Note 34)	(23,776)	(25,818)
The remeasurement of pension plan obligation in other comprehensive income is made up as follows:-		
Actuarial gains and losses arising during the period from:		
- changes in demographic assumptions	–	11,351
- changes in financial assumptions	30,082	15,521
- experience adjustment	(16,119)	(5,748)
	13,963	21,124
The movement in the fair value of pension plan assets of the year is as follows:		
Balance at beginning of year	813,045	784,527
Exchange rate adjustments	18,860	4,736
Benefit payments	(27,577)	(28,537)
Company contributions	25,661	32,703
Contributions by plan participants	1,357	1,413
Settlements	15,962	13,995
Remeasurement arising from experience adjustment	(9,122)	(18,124)
Interest income	23,920	22,332
Balance at end of year	862,106	813,045

Notes to the Consolidated Financial Statements (continued)

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12. PENSION PLAN ASSETS/LIABILITIES (CONTINUED)

	2016 $'000	2015 $'000
The movement in the obligation to plan members over the year is as follows:		
Balance at beginning of year	796,138	796,488
Exchange rate adjustments	13,962	3,611
Current service cost	24,150	25,185
Interest cost	39,274	37,384
Contributions by plan participants	1,357	1,250
Remeasurement arising from changes in demographic assumptions	–	(11,351)
Remeasurement arising from changes in financial assumptions	(30,082)	(15,521)
Remeasurement arising from experience adjustment	6,997	(12,376)
Benefits paid	(27,577)	(28,532)
Balance at end of year	824,219	796,138

The principal actuarial assumptions used for accounting purposes were:

	2016	2015
Discount rates	4.2% - 7.8%	4.3% - 7.8%
Future salary increases	0.0% - 5.0%	0.0% - 5.0%
Post retirement mortality	GAM 94/ GBM/GBV2000 - 2005	GAM 94/ GBM/GBV2000 - 2005
Pre-retirement mortality	GAM 94	GAM 94
Withdrawal from service	Yes	Yes
Future pension increases	0.0% - 3.5%	0.0% - 3.5%
Proportion of employees opting for early retirement	Nil	Nil
Life expectation of pensioners at the age of 65 - male	15.3 to 18.3 years	15.3 to 18.3 years
Life expectation of pensioners at the age of 65 - female	19.0 to 21.8 years	19.0 to 21.8 years

The actual return on plan assets was $30,854,000 (2015: $26,597,000).

	2016		2015	
Pension plan assets are comprised as follows:	$'000	%	$'000	%
Quoted investments				
Equity securities				
- Trinidad and Tobago	131,715	15.3%	133,261	16.4%
- Non Caribbean	16,871	2.0%	15,054	1.9%
Government securities				
- Trinidad and Tobago	95,413	11.1%	102,170	12.6%
- Non Caribbean	40,637	4.7%	36,247	4.5%
Corporate bonds				
- Trinidad and Tobago	51,379	6.0%	43,970	5.4%
- Non Caribbean	123,507	14.3%	111,052	13.7%
Unquoted investments				
Government securities				
- Other Caribbean	138,964	16.1%	155,656	19.1%
Cash and cash equivalents	8,060	0.9%	3,217	0.4%
Property	16,700	1.9%	16,375	2.0%
Other	238,860	27.7%	196,043	24.0%
	862,106	100.0%	813,045	100.0%

Notes to the Consolidated Financial Statements (continued)

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12. PENSION PLAN ASSETS/LIABILITIES (CONTINUED)

The defined benefit plan assets as at 31 December 2016 include the Group's financial instruments of $10,353,000 (2015: $9,871,000). Included in the plan's assets is a property with a fair value of $16,700,000 (2015: $16,375,000), which is not occupied by the Group.

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

The Group's expected contributions to its defined benefit pension plans for the year ending 31 December 2017 are $25,495,000.

The average duration of the defined benefit plans obligation at the end of the reporting period is 14 to 25 years (2015: 14.3 to 25.1 years).

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is shown below:

	Impact on the net defined benefit obligation	
	Increase	**Decrease**
1% increase/decrease in discount rate	(103,773)	131,344
1% increase/decrease in future salary increases	29,659	(25,622)
1% increase in future pension increases	43,454	(36,795)
Life expectancy increase/decrease by 1 year - male	2,683	(2,863)
Life expectancy increase/decrease by 1 year - female	3,359	(3,664)

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

13. DEFERRED TAXATION

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

	2016 $'000	**2015 $'000**
Deferred tax assets:		
- To be recovered after more than 12 months	14,543	10,310
- To be recovered within 12 months	9,803	7,003
	24,346	17,313
Deferred tax liabilities:		
- Crystallizing after more than 12 months	(236,591)	(222,102)
- Crystallizing within 12 months	(10,192)	(8,950)
	(246,783)	(231,052)
Net deferred tax liability	(222,437)	(213,739)

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

The movement on the net deferred tax account is as follows:	**2016 $'000**	**2015 $'000**
Balance at beginning of year	(213,739)	(184,331)
Exchange rate adjustments	(1,227)	1,123
Credit/(charge) for the year (Note 37)	8,832	(23,951)
Tax (charged)/credited to equity in respect of revaluation of properties	(5,682)	1,193
Acquisition of subsidiary/brokerage portfolios (Note 45)	–	(4,631)
Other movements	(10,621)	(3,142)
Balance at end of year	(222,437)	(213,739)

Notes to the Consolidated Financial Statements (continued)

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13. DEFERRED TAXATION(CONTINUED)

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

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

	Balance at beginning 2015 $'000	Exchange rate adjustment $'000	Credit/ (charge) for the year $'000	Revaluation of properties $'000	Other movements $'000	Acquisition of subsidiary $'000	Balance at end 2015 $'000
Future distributions	(115,325)	180	(11,912)	–	–	–	(127,057)
Zero coupon bonds	(4,057)	–	(815)	–	–	–	(4,872)
Pension plan assets	8,643	4	(2,124)	–	(3,063)	–	3,460
Accelerated tax depreciation	(17,367)	(29)	(5,930)	–	(2,679)	–	(26,005)
Tax losses carried forward	4,444	13	1,692	–	–	–	6,149
Investments at fair value through profit or loss	(25,891)	303	(7,462)	–	–	–	(33,050)
Intangibles	(7,339)	383	2,118	–	–	(4,631)	(9,469)
Revaluation of properties	(12,408)	278	(275)	1,193	2,679	–	(8,533)
Post retirement medical benefit obligation	2,875	(9)	167	–	(79)	–	2,954
Catastrophe reserve	(17,906)	–	590	–	–	–	(17,316)
	(184,331)	1,123	(23,951)	1,193	(3,142)	(4,631)	(213,739)

There are tax losses relating to subsidiaries that are available for set off against future chargeable profits of $50,526,000 (2015 - $54,406,000). These tax losses expire over varying periods. No deferred tax asset has been recognised on tax losses carried forward of $29,325,000 (2015 - $35,597,000), due to the uncertain timing of their recovery. Some of these losses have not yet been agreed with the respective tax authorities.

Notes to the Consolidated Financial Statements (continued)

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14. REINSURANCE ASSETS

	2016 $'000	2015 $'000
This represents the Group's net contractual rights under reinsurance contracts:		
Long term insurance contracts:		
With fixed and guaranteed terms	34,384	36,813
Short term insurance contracts:		
Claims reported and loss adjustment expenses (Note 21.1(e))	366,831	279,280
Claims incurred but not reported (Note 21.1(e))	61,506	71,061
Unearned premiums (Note 21.1(f))	328,075	315,394
	756,412	665,735
Total reinsurers' share of insurance liabilities	790,796	702,548
Current	565,214	514,618
Non-current	225,582	187,930
Total reinsurers' share of insurance liabilities	790,796	702,548

15. DEFERRED ACQUISITION COSTS

	2016 $'000	2015 $'000
Short-term insurance contracts:		
Balance at beginning of year	88,240	87,491
Acquisition of subsidiary	–	624
Exchange rate adjustments	2,143	(28)
Increase in the year	87,389	87,242
Release in the year	(89,274)	(87,089)
Balance at end of year	88,498	88,240
Current	88,498	88,240
Non-current	–	–
	88,498	88,240

16. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
Cash at bank and in hand	1,437,498	1,366,820
Short term deposits (90 days or less)	306,555	481,081
Cash and cash equivalents	1,744,053	1,847,901
Cash and cash equivalents in mutual funds	161,142	203,157
Net cash and cash equivalents	1,905,195	2,051,058
At beginning of year	2,051,058	2,339,687
Exchange rate adjustments	64,140	(3,176)
Acquisition of subsidiaries and insurance brokerage portfolios	–	26,391
	2,115,198	2,362,902
At end of year	1,905,195	2,051,058
Net decrease in cash used in cash flow	(210,003)	(311,844)

Cash at banks 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 carrying amount of cash and cash equivalents pledged as collateral for financial liabilities was nil as at 31 December 2016 (2015: nil).

Notes to the Consolidated Financial Statements (continued)

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17. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities held for sale

In accordance with the requirements of IFRS 5, the Group classified certain operations as "Assets held for sale" and "Liabilities related to assets held for sale". Details are as follows:

Ocho Rios Beach Resorts Limited

In January 2013, the Group accepted an offer to sell its investment in Ocho Rios Beach Resorts Limited and on this basis has reclassified their interest as held for sale in the consolidated statement of financial position. At 30 June 2015, the majority shareholder revised his offer price based on an internal valuation and the Group made a further impairment provision of $3,386,000 on the investment. During 2016, the Group completed the sale of Ocho Rios Beach Resorts Limited, and recognised a gain of $14,567,000 (which includes a translation gain on disposal of $13,698,000).

Lloyd's Syndicates

The Group's reinsurance subsidiary Guardian Re (SAC) Limited provided proportional quota share reinsurance on an international property book of business and incidental life book of business written in the Lloyd's market up to 30 September 2011. After this date, the Group ceased underwriting any new risks at Lloyd's or offering renewal at expiry, and is actively seeking to dispose of its residual interest in these treaties. Consequently, the Group's residual interests in these treaties have been classified as a disposal group held for sale and as a discontinued operation. During 2016, the Group completed transfer of this operation to a third party.

The net results of the disposal group have been consolidated into one line on the Statement of Income as Net gain on Discontinued Operations. These results are presented below:

	2016 $'000	2015 $'000
Revenue	1,718	33,628
Expenses	(430)	(27,774)
Reversal of impairment of loan	7,785	–
Translation gain recognised on disposal of Ocho Rios Beach Resorts Limited	13,698	–
Impairment of Ocho Rios Beach Resorts Limited	–	(3,386)
Net gain on discontinued operations (attributable to equity holders of the parent)	22,771	2,468

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

Assets held for sale		
Financial assets	251	18,449
Investment in associated company	–	5,853
	251	24,302
Liabilities related to assets held for sale		
Other liabilities	251	18,449
Net assets directly associated with disposal group held for sale	–	5,853

Notes to the Consolidated Financial Statements (continued)

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18. SHARE CAPITAL

	2016 $'000	2015 $'000
Authorized		
An unlimited number of ordinary shares of no par value		
An unlimited number of preferred shares of no par value		
Issued and fully paid		
231,899,986 ordinary shares of no par value (2015: 231,899,986 ordinary shares)	2,032,282	2,038,280

	Number of shares (thousands)	Share capital $'000	Share option plan $'000	Total $'000
Balance at 1 January 2016	231,900	1,967,617	70,663	2,038,280
Movement in unallocated shares	–	(4)	–	(4)
Executive share option plan:				
- value of lapsed options	–	–	(5,994)	(5,994)
Balance at 31 December 2016	231,900	1,967,613	64,669	2,032,282
Balance at 1 January 2015	231,900	1,967,617	71,319	2,038,936
Executive share option plan:				
- value of lapsed options	–	–	(656)	(656)
Balance at 31 December 2015	231,900	1,967,617	70,663	2,038,280

Performance share option plan

The Group operates a Stock Option Plan for its Executives. A total of 33,890,023 shares have been allocated to this plan since inception inclusive of bonus issues and stock dividends. Increases were approved at the Annual Meetings in 1999, 2004 and in 2011.

The current status of options inclusive of bonus issues and stock dividends to date is as follows (in thousands):

	2016	2015
Total shares allocated to the plan	33,890	33,890
Issued pursuant to exercise of options	(9,586)	(9,586)
Outstanding options	(16,199)	(16,995)
Remaining shares allocated to plan in respect of which options have not been granted	8,105	7,309

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

	2016 Average exercise price	2016 Options (thousands)	2015 Average exercise price	2015 Options (thousands)
At beginning of year	$ 21.31	16,995	$ 21.34	17,266
Lapsed	$ 33.79	(796)	$ 23.03	(271)
At end of year	$ 20.69	16,199	$ 21.31	16,995

The exercise price of the options granted up to 2008 is equal to the average market price of the shares on the three dealing days preceding the date of the grant. The exercise price of the options granted from 2011 is the greater of $18.00 and the adjusted reference price. The vesting period is 2 years. Options are exercisable starting two years from the grant date up to the eighth anniversary of the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Consolidated Financial Statements (continued)

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18. SHARE CAPITAL(CONTINUED)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	Exercise price	Number of shares (thousands) 2016	2015
31 Mar 2016	$33.17	–	747
3 Apr 2017	$43.33	634	683
28 May 2018	$27.73	1,398	1,398
2 Apr 2019	$19.99	1,511	1,511
31 Mar 2020	$24.51	1,694	1,694
5 Sep 2021	$18.00	4,276	4,276
12 Apr 2022	$18.00	6,686	6,686
		16,199	16,995

On 9 March 2017, the Board of Directors approved the purchase of certain options granted under the Group's long term incentive plan. The estimated cost has been provided for in full in these financial statements.

19. RESERVES

	Property revaluation reserve $'000	Statutory reserves $'000	Translation reserves $'000	Total $'000
Balance at 1 January 2016	183,944	15,755	(797,474)	(597,775)
Other comprehensive income	24,975	–	39,807	64,782
Disposal of asset held for sale (Note 17)	–	–	(13,698)	(13,698)
Transfer to/from retained earnings	(1,027)	532	–	(495)
Balance at 31 December 2016	207,892	16,287	(771,365)	(547,186)
Balance at 1 January 2015	179,395	23,879	(722,624)	(519,350)
Other comprehensive income/(loss)	2,788	–	(74,850)	(72,062)
Transfer to/from retained earnings	1,761	(8,124)	–	(6,363)
Balance at 31 December 2015	183,944	15,755	(797,474)	(597,775)

A statutory reserve is maintained by general insurance companies in Trinidad and Tobago. This is in accordance with the provisions of Section 171 of the Insurance Act 1980 of Trinidad and Tobago, where companies are required to appropriate towards statutory reserve at least 25% of the prior year's profit until the excess of assets over liabilities equals or exceeds the reserve in respect of its unearned premiums. The general insurance companies in Trinidad and Tobago comply with this requirement.

The Financial Institutions Act 2008 requires a financial institution in Trinidad and Tobago to transfer annually a minimum of 10% of its profit after taxation to a reserve fund until the balance on this reserve is not less than the paid up capital of the institution. The trust services company in Trinidad and Tobago complies with this requirement.

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20. NON-CONTROLLING INTERESTS IN SUBSIDIARY

	2016 $'000	2015 $'000
Non-controlling interests in subsidiary	22,467	23,599

At the end of the year, the non-controlling interest balance represents a 40.6% (2015: 46%) effective shareholding in Guardian General Insurance (OECS) Limited (formerly Trans-Nemwil Insurance (Grenada) Limited).

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

	2016 $'000	2015 $'000
Cash consideration paid to non-controlling shareholder	2,874	–
Carrying value of the additional interest in Guardian General Insurance (OECS) Limited	(2,818)	–
Additional interest acquired - recognised in retained earnings	56	–

21. INSURANCE CONTRACTS

	2016 $'000	2015 $'000
Long term insurance contracts:		
With fixed and guaranteed terms and without DPF (Note 21.1(a))	7,965,070	6,987,858
With fixed and guaranteed terms and with DPF (Note 21.1 (b))	111,195	123,849
Without fixed terms (Note 21.1(c))	4,323,422	3,948,657
	12,399,687	11,060,364
Participating policyholders' share of the surplus from long-term insurance business (Note 21.1(d))	473,971	461,355
	12,873,658	11,521,719
Short term insurance contracts:		
Claims reported and loss adjustment expenses (Note 21.1(e))	889,948	793,854
Claims incurred but not reported (Note 21.1(e))	135,674	147,572
Unearned premiums (Note 21.1(f))	763,888	768,623
	1,789,510	1,710,049
Total gross insurance liabilities	14,663,168	13,231,768
Current	1,429,780	1,375,622
Non-current	13,233,388	11,856,146
	14,663,168	13,231,768

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21. INSURANCE CONTRACTS (CONTINUED)

21.1 Movements in insurance liabilities and reinsurance assets

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

	2016 $'000	2015 $'000
At beginning of year	6,987,858	6,625,823
Exchange rate adjustments	203,881	2,991
Valuation premiums received	366,578	352,455
Liabilities released for payments on death, surrender and other terminations in the year	(255,211)	(285,184)
Accretion of interest	189,239	171,852
Cash paid for claims settled in the year	(155,057)	(141,675)
Increase in liabilities	181,015	148,703
Other movements	446,767	112,893
At end of year	7,965,070	6,987,858

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

At beginning of year	123,849	137,392
Exchange rate adjustments	(520)	(1,458)
Change in lapse rates	1,286	(7,294)
Change in interest rates	(9,301)	3,872
Change in expenses	(112)	(4,584)
Normal decrease due to the passage of time	(4,007)	(4,079)
At end of year	111,195	123,849

(c) Long term insurance contracts without fixed terms

At beginning of year	3,948,657	3,774,375
Exchange rate adjustments	1,745	493
Premiums received	449	497
Liabilities released for payments on death, surrender and other terminations in the year	(2,306)	(2,389)
Changes in unit prices	286	517
Cash paid for claims settled in the year	(272,593)	(240,954)
Increase in liabilities	271,112	246,428
Other movements	376,072	169,690
At end of year	4,323,422	3,948,657

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

At beginning of year	461,355	450,302
Surplus arising from operations	15,552	12,938
Translation reserve	(2,936)	(1,885)
At end of year	473,971	461,355

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21. INSURANCE CONTRACTS (CONTINUED)

21.1 Movements in insurance liabilities and reinsurance assets (continued)

Short term insurance contracts:

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

	2016			2015		
Year ended 31 December	**Gross $'000**	**Reinsurance $'000**	**Net $'000**	**Gross $'000**	**Reinsurance $'000**	**Net $'000**
Notified claims	793,854	(279,280)	514,574	845,872	(268,624)	577,248
Incurred but not reported	147,572	(71,061)	76,511	156,494	(68,406)	88,088
Total at beginning of year	941,426	(350,341)	591,085	1,002,366	(337,030)	665,336
Acquisition of subsidiary	–	–	–	1,983	(1,660)	323
Cash paid for claims settled in the year	(1,146,087)	240,670	(905,417)	(1,209,102)	223,044	(986,058)
Increase in liabilities	1,239,255	(335,216)	904,039	1,163,870	(240,122)	923,748
Net exchange differences	(8,972)	16,550	7,578	(17,691)	5,427	(12,264)
Total at end of year	1,025,622	(428,337)	597,285	941,426	(350,341)	591,085
Notified claims	889,948	(366,831)	523,117	793,854	(279,280)	514,574
Incurred but not reported	135,674	(61,506)	74,168	147,572	(71,061)	76,511
	1,025,622	(428,337)	597,285	941,426	(350,341)	591,085

(f) Provisions for unearned premiums

Total at beginning of year	768,623	(315,394)	453,229	788,344	(290,352)	497,992
Acquisition of subsidiary	–	–	–	3,518	(1,962)	1,556
Increase in the period	751,748	(323,508)	428,240	765,390	(304,348)	461,042
Release in the period	(776,041)	316,768	(459,273)	(786,110)	288,785	(497,325)
Net exchange differences	19,558	(5,941)	13,617	(2,519)	(7,517)	(10,036)
Total at end of year	763,888	(328,075)	435,813	768,623	(315,394)	453,229

21.2 Development claim tables – short term insurance contracts

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

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

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21. INSURANCE CONTRACTS (CONTINUED)

21.2 Development claim tables – short term insurance contracts (continued)

	Total $'000
Insurance claims – gross	
- By accident year	811,388
- By underwriting year	214,234
Total liability (Note 21.1 (e))	1,025,622
Insurance claims – net	
- By accident year	527,955
- By underwriting year	69,330
Total liability (Note 21.1 (e))	597,285

Insurance claims – gross

Accident year	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of accident year	884,308	1,051,537	1,067,088	1,257,444	1,295,048	–
- one year later	794,451	1,007,066	1,025,709	1,191,922	–	–
- two years later	803,797	975,149	1,027,334	–	–	–
- three years later	828,702	974,283	–	–	–	–
- four years later	829,956	–	–	–	–	–
Current estimate of cumulative claims	829,956	974,283	1,027,334	1,191,922	1,295,048	5,318,543
Cumulative payments to date	(791,095)	(925,220)	(938,289)	(1,064,239)	(921,113)	(4,639,956)
Liability recognised in the consolidated statement of financial position	38,861	49,063	89,045	127,683	373,935	678,587
Liability in respect of prior years						132,801
Total liability						811,388

Insurance claims – gross

Underwriting year	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**Total $'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	9,149	56,631	32,495	25,186	21,138	–
- one year later	12,510	64,836	40,485	33,322	–	–
- two years later	12,661	61,530	37,038	–	–	–
- three years later	13,361	60,477	–	–	–	–
- four years later	13,266	–	–	–	–	–
Current estimate of cumulative claims	13,266	60,477	37,038	33,322	21,138	165,241
Cumulative payments to date	(10,009)	(54,038)	(28,290)	(11,821)	(3,496)	(107,654)
Liability recognised in the consolidated statement of financial position	3,257	6,439	8,748	21,501	17,642	57,587
Liability in respect of prior years						156,647
Total liability						214,234

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21. INSURANCE CONTRACTS (CONTINUED)

21.2 Development claim tables – short term insurance contracts (continued)

Insurance claims – net **Accident year**	**2012** **$'000**	**2013** **$'000**	**2014** **$'000**	**2015** **$'000**	**2016** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:						
- at end of accident year	765,198	791,741	868,913	926,667	931,926	–
- one year later	634,082	719,202	824,321	848,148	–	–
- two years later	666,256	700,780	813,125	–	–	–
- three years later	657,672	701,938	–	–	–	–
- four years later	650,123	–	–	–	–	–
Current estimate of cumulative claims	650,123	701,938	813,125	848,148	931,926	3,945,260
Cumulative payments to date	(618,783)	(658,382)	(732,300)	(768,633)	(700,485)	(3,478,583)
Liability recognised in the consolidated statement of financial position	31,340	43,556	80,825	79,515	231,441	466,677
Liability in respect of prior years						61,278
Total liability						527,955

Insurance claims – net **Underwriting year**	**2012** **$'000**	**2013** **$'000**	**2014** **$'000**	**2015** **$'000**	**2016** **$'000**	**Total** **$'000**
Estimate of ultimate claims costs:						
- at end of underwriting year	9,149	56,631	32,495	25,186	21,138	–
- one year later	12,510	64,836	40,485	33,322	–	–
- two years later	12,661	61,530	37,038	–	–	–
- three years later	13,361	60,477	–	–	–	–
- four years later	13,266	–	–	–	–	–
Current estimate of cumulative claims	13,266	60,477	37,038	33,322	21,138	165,241
Cumulative payments to date	(10,009)	(54,038)	(28,290)	(11,821)	(3,496)	(107,654)
Liability recognised in the consolidated statement of financial position	3,257	6,439	8,748	21,501	17,642	57,587
Liability in respect of prior years						11,743
Total liability						69,330

22. FINANCIAL LIABILITIES

	2016 **$'000**	**2015** **$'000**
Non-current portion of financial liabilities		
Medium-term borrowings (Note 22.1)	1,639,461	1,427,087
Current portion of financial liabilities		
Medium-term borrowings	56,352	315,613
Short-term borrowings	441,039	376,040
Total current portion of borrowings (Note 22.1)	497,391	691,653
Derivative financial instrument	–	228
Interest payable	33,795	35,467
	531,186	727,348
Total	2,170,647	2,154,435

Notes to the Consolidated Financial Statements (continued)

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22. FINANCIAL LIABILITIES (CONTINUED)

The fair value of medium term borrowings amounted to $1,526,944,000 (2015: $1,580,403,000). These fair value of borrowings are determined by applying a discounted cash flow model for the remaining term to maturity using a current yield curve for a similar debt instrument. The discount rate used in the valuation technique is based on the borrowing rates of 8.17% - 9.87% (2015: 8.75% - 9.80%) for Trinidad and Tobago debt, 7.87% (2015: 8.32%) for Jamaica debt and 4.01% Dutch Caribbean debt. For short term debt, the carrying amounts approximate their fair value.

The Group has not had any defaults of principal, interest or other breaches with respect to their borrowings during the period (2015 - Nil).

22.1 Borrowings

	2016 $'000	2015 $'000
Parent company	1,797,105	1,772,845
Subsidiaries	339,747	345,895
	2,136,852	2,118,740
Current	497,391	691,653
Non-current	1,639,461	1,427,087
	2,136,852	2,118,740

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

Parent company

Facility 1 – $1 billion

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

Facility 2 – $517 million

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

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

Facility 3 – $400 million

This is an unsecured 1-year fixed rate loan ending in December 2017. Interest is charged at 4.23% per annum. Both the principal and interest are to be repaid at maturity.

Subsidiaries

Loan 1 – US$50 million

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

Loan 2 – J$1.8 billion

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

Notes to the Consolidated Financial Statements (continued)

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23. INVESTMENT CONTRACT LIABILITIES

	2016 $'000	2015 $'000
The movements in the liabilities arising from investment contracts are summarized below:		
At beginning of year	1,697,594	1,622,521
Premiums received	238,440	249,766
Fees deducted from account balances	(9,972)	(15,123)
Account balances paid on surrender and other terminations in the year	(183,351)	(210,333)
Interest credited through income	64,128	68,438
Other movements	5,792	3,063
Exchange rate adjustments	(870)	(20,738)
Balance at end of year	1,811,761	1,697,594

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

24. THIRD PARTY INTEREST IN MUTUAL FUNDS

	2016 $'000	2015 $'000
Balance at beginning of year	1,045,130	992,350
Change in liability for interest in consolidated funds (Note 32)	28,391	18,595
Unrealized losses	(8,412)	(34,492)
Net change in mutual fund holder balances	29,847	79,809
Distributions	(12,245)	(11,132)
Balance at end of year	1,082,711	1,045,130

25. POST RETIREMENT MEDICAL BENEFIT OBLIGATIONS

	2016 $'000	2015 $'000
The amounts recognised in the consolidated statement of financial position are as follows:		
Present value of obligations	89,646	78,636
The amount in the consolidated statement of income is made up as follows:		
Interest cost	3,456	3,309
Current service cost	2,358	2,161
Expense for the year (Note 35)	5,814	5,470
The movement in the liability is as follows:		
Balance at beginning of year	78,636	73,200
Exchange rate adjustments	2,298	575
Remeasurement of obligation (actuarial losses)	5,354	1,478
Employer contributions	(2,456)	(2,087)
Expense as per above	5,814	5,470
Balance at end of year	89,646	78,636

The principal actuarial assumptions used were as follows:	2016	2015
Discount rate	4.2% - 9%	4.5% - 8.5%
Healthcare cost escalation	2.5% - 9%	2.5% - 8.0%
Retiree premium escalation:		
Existing retirees	0% - 5%	0% - 3%
Future retirees	0% - 5%	0% - 3%
Pre-retirement mortality	GBM/ GBV2000 - 2005	GBM/ GBV2000 - 2005
Post retirement mortality	GAM94	GAM94

Notes to the Consolidated Financial Statements (continued)

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25. POST RETIREMENT MEDICAL BENEFIT OBLIGATION (CONTINUED)

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is shown below:

	Impact on the obligation	
	Increase $'000	**Decrease $'000**
1% increase/decrease in discount rate	(13,169)	17,077
1% increase/decrease in medical cost trend rate	16,765	(13,141)

Expected contributions to post-employment benefit plans for the year ending 31 December 2017 are $2,487,000.

26. OTHER LIABILITIES

	2016 $'000	**2015 $'000**
Deposits and premiums received in advance	90,354	102,476
Amount due to reinsurers	316,697	220,242
Sundry payables	571,585	530,658
	978,636	853,376

27. NET PREMIUM INCOME

	2016 $'000	**2015 $'000**
(a) Insurance premium income		
Long-term insurance contracts	2,641,640	2,157,478
Short-term insurance contracts:		
- premiums receivable	2,833,496	2,994,075
- change in unearned premium provision	24,293	20,720
	5,499,429	5,172,273
(b) Insurance premium ceded to reinsurers		
Long-term reinsurance contracts	(121,279)	(114,649)
Short-term reinsurance contracts:		
- premiums payable	(1,342,395)	(1,485,188)
- change in unearned premium provision	6,740	15,563
	(1,456,934)	(1,584,274)

28. POLICY ACQUISITION EXPENSES

	2016 $'000	**2015 $'000**
Commissions	592,639	590,552
Other expenses for the acquisition of insurance and investment contracts	50,500	52,004
	643,139	642,556

Notes to the Consolidated Financial Statements (continued)

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29. NET INSURANCE BENEFITS AND CLAIMS

	2016 $'000	2015 $'000
Insurance benefits - gross	2,184,929	1,631,242
Insurance benefits - recovered from reinsurers	(49,963)	(43,328)
Insurance claims and loss adjustment expenses - gross	1,239,255	1,163,870
Insurance claims and loss adjustment expenses - recovered from reinsurers	(335,216)	(240,122)
	3,039,005	2,511,662

	2016		
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	665,940	(25,212)	640,728
- increase in liabilities	742,536	678	743,214
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	426,054	(24,686)	401,368
- change in unit prices	332,170	–	332,170
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	1,667	–	1,667
- decrease in liabilities	(684)	–	(684)
Short term insurance contracts - life	17,246	(743)	16,503
Total cost of policyholder benefits	2,184,929	(49,963)	2,134,966

	2015		
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	668,977	(23,864)	645,113
- increase in liabilities	351,369	960	352,329
Long-term insurance contracts without fixed terms:			
- death, maturity and surrender benefits	381,729	(19,437)	362,292
- change in unit prices	217,626	–	217,626
Long-term insurance contracts with fixed and guaranteed terms and with DPF:			
- death, maturity and surrender benefits	2,151	–	2,151
- decrease in liabilities	(3,332)	–	(3,332)
Short term insurance contracts - life	12,722	(987)	11,735
Total cost of policyholder benefits	1,631,242	(43,328)	1,587,914

30. INVESTMENT INCOME

	2016 $'000	2015 $'000
Fair value through profit or loss assets - interest income	218,689	206,298
Fair value through profit or loss assets - dividend income	64,129	62,166
Held-to-maturity assets - interest income	462,544	422,339
Loans and receivables - interest income	64,520	61,179
Cash and cash equivalents - interest income	10,411	19,522
	820,293	771,504

Notes to the Consolidated Financial Statements (continued)

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31. NET REALIZED GAINS/(LOSSES)

	2016 $'000	2015 $'000
Equity securities	57,729	9,231
Debt securities	(793)	3,816
Other assets	(1,202)	–
	55,734	13,047

32. NET FAIR VALUE GAINS/(LOSSES)

	2016 $'000	2015 $'000
Net fair value gains on financial assets at fair value through profit or loss	44,459	(13,677)
Provision for impairment	(3,350)	(2,703)
Change in liability for mutual funds (Note 24)	(28,391)	(18,595)
Fair value adjustment on investment properties (Note 6)	44,233	27,795
	56,951	(7,180)

33. FEE INCOME

	2016 $'000	2015 $'000
Policy administration and asset management services:		
- Insurance contracts	8,166	7,700
- Investment contracts without a discretionary participation feature	25,821	22,794
Surrender charges – insurance contracts	13,422	11,060
Other	6,314	6,898
	53,723	48,452

34. OTHER INCOME/(LOSS)

	2016 $'000	2015 $'000
Rental income	49,850	32,946
Foreign exchange gains	56,060	7,960
Net loss for the year on pension plan assets (Note 12)	(23,776)	(25,818)
Other income	23,278	16,292
	105,412	31,380

35. OPERATING EXPENSES

	2016 $'000	2015 $'000
Staff cost	594,519	514,185
Depreciation and amortization	79,096	61,392
Auditors' remuneration	13,094	13,081
Directors' fees	7,804	7,112
Other expenses	425,942	365,959
	1,120,455	961,729
Staff cost includes:		
Wages, salaries and bonuses	420,363	386,028
Health and medical	15,429	14,194
Staff training	3,951	4,374
National Insurance	42,026	34,473
Pension costs	20,518	21,849
Post retirement medical benefit obligations (Note 25)	5,814	5,470
Termination benefits	7,529	1,925
Other	78,889	45,872
	594,519	514,185
Average number of employees	2,955	2,949

Notes to the Consolidated Financial Statements (continued)

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36. FINANCE CHARGES

	2016 $'000	2015 $'000
Interest on borrowings	129,605	141,094

37. TAXATION

	2016 $'000	2015 $'000
Current tax	131,000	78,961
Business levy/green fund levy	7,221	2,296
Prior year taxation adjustment	760	(3,309)
Deferred tax (Note 13)	(8,832)	23,951
	130,149	101,899

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

	2016 $'000	2015 $'000
Profit before taxation	520,587	448,691
Prima facie tax calculated at domestic corporation tax rate of 25%	130,147	112,174
Effect of different tax rate of life insurance companies	(20,096)	(7,505)
Effect of different tax rate in other countries	(6,200)	(1,176)
Income not subject to tax	(289,775)	(294,798)
Expenses not deductible for tax purposes	293,297	250,858
Net adjustment to recognised and unrecognised tax losses	(1,759)	(408)
Tax reliefs and deductions	(3,108)	(2,358)
Business levy/green fund levy	7,221	2,296
Prior year taxation adjustment	760	(3,309)
Other	19,662	46,125
Tax charge for the period	130,149	101,899

38. EARNINGS PER SHARE

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

	2016 $'000	2015 $'000
Net profit attributable to ordinary shareholders	395,800	334,763
Net profit attributable to ordinary shareholders from continuing operations	373,029	332,295
Net profit attributable to ordinary shareholders from discontinued operations	22,771	2,468

	Number of shares ('000)	
	2016	2015
Weighted average number of ordinary shares in issue (thousands)	231,900	231,900

	2016 $	2015 $
Basic earnings per ordinary share	1.71	1.44
Basic earnings per ordinary share from continuing operations	1.61	1.43
Basic earnings per ordinary share from discontinued operations	0.10	0.01

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39. DIVIDENDS

	2016 $'000	2015 $'000
Final dividend for 2015 - 42¢ per share (2014 - 40¢ per share)	97,398	92,760
Interim dividend for 2016 - 21¢ per share (2015 - 19¢ per share)	48,699	44,061
	146,097	136,821

On 9 March 2017, the Board of Directors declared a final dividend of 45 cents per share (2015: 42 cents), a total dividend to be paid of $104 million (2015: $97 million). These consolidated financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

40. ADJUSTMENT FOR NON-CASH ITEMS IN OPERATING PROFIT

	2016 $'000	2015 $'000
Share of profit from associated companies (Note 8)	(3,285)	(17,381)
Net fair value (gains)/losses on financial and other assets	(49,380)	13,677
Change in liability for interest in consolidated funds (Note 24)	28,391	18,595
Net realized gains on financial and other assets	(57,805)	(13,046)
Impairment of financial assets	1,026	2,703
Net loss for the year on post employment benefits	29,590	31,288
Depreciation and amortization	79,096	61,392
Losses/(gains) on disposal of property, plant & equipment	3,272	(111)
Change in fair value of other investment properties (Note 6)	(44,233)	(27,795)
Change in fair value adjustment on Pointe Simon (Note 6)	7,244	–
Loss on disposal of investment property	1,267	15
Foreign exchange (gains)/losses	(259,601)	42,719
Other non-cash expense	25,361	7,200
	(239,057)	119,256

41. FAIR VALUES MEASUREMENT

The following table provides the fair value measurement of the Group's assets and liabilities that are disclosed at fair value in the statement of financial position.

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

Notes to the Consolidated Financial Statements (continued)

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41. FAIR VALUES MEASUREMENT (CONTINUED)

At 31 December 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets measured at fair value:				
Freehold properties	–	285,917	105,301	391,218
Investment properties	–	941,496	8,421	949,917
Financial assets at fair value through profit or loss:				
Equity securities	1,863,833	10,800	35,528	1,910,161
Government securities	601,152	1,815,356	10,202	2,426,710
Debentures & corporate bonds	198,925	1,298,439	15,950	1,513,314
Other	2,716	9,364	11,515	23,595
Assets held for sale	17,672	–	–	17,672
	2,684,298	4,361,372	186,917	7,232,587
Liabilities measured at fair value:				
Derivatives	–	228	–	228

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

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

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

Assets measured at fair value:

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

	At 1st Jan 2015 $'000	Exchange rate adjustment $'000	Total gain /(loss) in statement of income $'000	Purchases $'000	Sales $'000	Transfers into/ (out of) Level 3 $'000	Other movements $'000	At 31 Dec. 2015 $'000
Freehold properties	104,291	1,293	–	2,292	–	–	(2,575)	105,301
Investment properties	7,744	99	263	1,792	(1,477)	–	–	8,421
Financial assets at fair value through profit or loss:								
Equity securities	31,298	270	(9,451)	13,912	(501)	–	–	35,528
Government securities	19,372	274	–	16,333	(16,304)	(9,473)	–	10,202
Debentures & corporate bonds	9,329	168	3,443	5,259	(2,249)	–	–	15,950
Other	11,489	199	(273)	400	(300)	–	–	11,515
	183,523	2,303	(6,018)	39,988	(20,831)	(9,473)	(2,575)	186,917

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41. FAIR VALUE MEASUREMENT (CONTINUED)

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

	2016 $'000	2015 $'000
Assets measured at fair value:		
Investment properties	–	263
Financial assets at fair value through profit or loss:		
Equity securities	(265)	(9,449)
Debentures & corporate bonds	(1,854)	1,254
Other	302	332
	(1,817)	(7,600)

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

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

	2015		
	Realized gains $'000	Fair value losses $'000	Total $'000
Total gains/(losses) included in the consolidated statement of income for the year	1,582	(7,600)	(6,018)
Total losses included in the consolidated statement of income for the year for assets and liabilities held at the end of the year	–	(7,600)	(7,600)

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

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

At 31 December 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets for which fair values are disclosed:				
Held to maturity financial assets:				
Government securities	–	6,930,555	–	6,930,555
Debentures & corporate bonds	–	661,036	–	661,036
Loans and receivables (debt securities)	–	196,517	–	196,517
	–	7,788,108	–	7,788,108
Liabilities for which fair values are disclosed:				
Medium term borrowings	–	1,526,944	–	1,526,944

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

41. FAIR VALUE MEASUREMENT (CONTINUED)

At 31 December 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair value $'000
Assets for which fair values are disclosed:				
Held to maturity financial assets:				
Government securities	–	6,092,942	–	6,092,942
Debentures & corporate bonds	–	563,764	–	563,764
Loans and receivables (debt securities)	–	164,346	–	164,346
	–	6,821,052	–	6,821,052
Liabilities for which fair values are disclosed:				
Medium term borrowings	–	1,580,403	–	1,580,403

42. SEGMENT INFORMATION

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

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2016					
Insurance activities					
Insurance premium income	3,466,407	2,033,022	–	–	5,499,429
Insurance premium ceded to reinsurers	(168,044)	(1,288,890)	–	–	(1,456,934)
Commission income	26,961	225,342	–	–	252,303
Net underwriting revenue	3,325,324	969,474	–	–	4,294,798
Policy acquisition expenses	(386,374)	(262,832)	–	6,067	(643,139)
Net insurance benefits and claims	(2,687,372)	(351,633)	–	–	(3,039,005)
Underwriting expenses	(3,073,746)	(614,465)	–	6,067	(3,682,144)
Net result from underwriting activities	251,578	355,009	–	6,067	612,654
Investing activities					
Investment income	740,542	69,136	62,274	(51,659)	820,293
Net realised gains/(losses)	49,789	(47)	10,307	(4,315)	55,734
Net fair value gains/(losses)	83,714	15,129	(31,152)	(10,740)	56,951
Fee income	26,654	3,269	27,988	(4,188)	53,723
Other income/(loss)	99,857	8,453	10,553	(13,451)	105,412
Investment contract benefits	(64,407)	–	–	–	(64,407)
Net income/(loss) from investing activities	936,149	95,940	79,970	(84,353)	1,027,706
Fee and commission income from brokerage activities	–	127,002	–	–	127,002
Net income/(loss) from all activities	1,187,727	577,951	79,970	(78,286)	1,767,362
Operating expenses	(548,772)	(410,122)	(41,663)	(119,898)	(1,120,455)
Finance charges	(4,921)	(21,437)	(397)	(102,850)	(129,605)
Operating profit/(loss)	634,034	146,392	37,910	(301,034)	517,302
Share of profit/(loss) of associated companies	–	(1,588)	–	4,873	3,285
Profit/(loss) before taxation	634,034	144,804	37,910	(296,161)	520,587
Taxation	(96,000)	(32,117)	(8,502)	6,470	(130,149)
Profit/(loss) after taxation	538,034	112,687	29,408	(289,691)	390,438
Amount attributable to participating policyholders	(15,552)	–	–	–	(15,552)
Profit/(loss) from continuing operations	522,482	112,687	29,408	(289,691)	374,886
Net gain on discontinued operations	14,568	8,203	–	–	22,771
Profit/(loss) for the year	537,050	120,890	29,408	(289,691)	397,657

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

42. SEGMENT INFORMATION (CONTINUED)

The segment results for the year ended 31 December 2015 are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2015					
Insurance activities					
Insurance premium income	3,045,697	2,126,576	–	–	5,172,273
Insurance premium ceded to reinsurers	(200,306)	(1,383,968)	–	–	(1,584,274)
Commission income	15,955	212,484	–	–	228,439
Net underwriting revenue	2,861,346	955,092	–	–	3,816,438
Policy acquisition expenses	(410,032)	(240,711)	–	8,187	(642,556)
Net insurance benefits and claims	(2,185,436)	(326,226)	–	–	(2,511,662)
Underwriting expenses	(2,595,468)	(566,937)	–	8,187	(3,154,218)
Net result from underwriting activities	265,878	388,155	–	8,187	662,220
Investing activities					
Investment income	684,027	67,806	63,284	(43,613)	771,504
Net realised gains/(losses) on financial instruments	6,322	(195)	6,241	679	13,047
Net fair value gains/(losses)	28,849	(677)	(36,159)	807	(7,180)
Fee income	23,912	2,821	26,111	(4,392)	48,452
Other income/(loss)	49,882	1,858	(471)	(19,889)	31,380
Investment contract benefits	(68,881)	–	–	–	(68,881)
Net income/(loss) from investing activities	724,111	71,613	59,006	(66,408)	788,322
Fee and commission income from brokerage activities	–	83,591	–	–	83,591
Net income/(loss) from all activities	989,989	543,359	59,006	(58,221)	1,534,133
Operating expenses	(535,912)	(336,141)	(38,200)	(51,476)	(961,729)
Finance charges	(3,090)	(26,500)	(223)	(111,281)	(141,094)
Operating profit/(loss)	450,987	180,718	20,583	(220,978)	431,310
Share of profit of associated companies	–	5,036	–	12,345	17,381
Profit/(loss) before taxation	450,987	185,754	20,583	(208,633)	448,691
Taxation	(55,507)	(44,402)	(5,820)	3,830	(101,899)
Profit/(loss) after taxation	395,480	141,352	14,763	(204,803)	346,792
Amount attributable to participating policyholders	(12,938)	–	–	–	(12,938)
Profit/(loss) from continuing operations	382,542	141,352	14,763	(204,803)	333,854
Net gain/(loss) on discontinued operations	9,429	(6,961)	–	–	2,468
Profit/(loss) for the year	391,971	134,391	14,763	(204,803)	336,322

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

42. SEGMENT INFORMATION (CONTINUED)

The segment assets and liabilities are as follows:

	Life, health and pension business $'000	Property and casualty business $'000	Asset Management $'000	Other including consolidation adjustments $'000	Group $'000
Year ended 31 December 2016					
Assets					
Intangible assets	139,092	164,651	–	211,420	515,163
Investment in associated companies	–	61,099	–	150,467	211,566
Financial assets	14,074,498	1,366,607	108,292	(157,612)	15,391,785
Financial assets of mutual fund unit holders	74,992	–	1,062,084	(160,769)	976,307
Loans and receivables	1,274,523	561,029	84,465	125,725	2,045,742
Properties for development and sale	–	–	–	168,972	168,972
Reinsurance assets	56,788	734,008	–	–	790,796
Deferred acquisition costs	2,955	85,543	–	–	88,498
Cash and cash equivalents of mutual fund unit holders	182,071	10,033	159,986	(190,948)	161,142
Assets held for sale	–	251	–	–	251
Other assets	3,105,242	1,093,011	147,588	(443,771)	3,902,070
Total assets	18,910,161	4,076,232	1,562,415	(296,516)	24,252,292
Liabilities					
Insurance liabilities	13,036,645	1,639,267	–	(12,744)	14,663,168
Liabilities related to assets held for sale	–	251	–	–	251
Other liabilities	2,555,184	981,410	1,383,268	1,605,416	6,525,278
Total liabilities	15,591,829	2,620,928	1,383,268	1,592,672	21,188,697
Capital expenditure	251,841	31,845	180	33,231	317,097
Year ended 31 December 2015					
Assets					
Intangible assets	138,675	151,149	–	215,273	505,097
Investment in associated companies	–	63,209	–	148,916	212,125
Financial assets	12,435,512	1,382,638	90,491	(151,427)	13,757,214
Financial assets of mutual fund unit holders	70,312	–	1,129,046	(152,716)	1,046,642
Loans and receivables	1,143,593	498,644	33,628	145,613	1,821,478
Properties for development and sale	–	–	–	188,973	188,973
Reinsurance assets	58,908	643,640	–	–	702,548
Deferred acquisition costs	3,030	85,210	–	–	88,240
Cash and cash equivalents of mutual fund unit holders	269,698	9,187	203,161	(278,889)	203,157
Assets held for sale	5,853	18,449	–	–	24,302
Other assets	2,835,303	1,219,945	151,188	(572,294)	3,634,142
Total assets	16,960,884	4,072,071	1,607,514	(456,551)	22,183,918
Liabilities					
Insurance liabilities	11,693,543	1,549,073	–	(10,848)	13,231,768
Liabilities related to assets held for sale	–	18,449	–	–	18,449
Other liabilities	2,430,917	903,715	1,430,463	1,414,597	6,179,692
Total liabilities	14,124,460	2,471,237	1,430,463	1,403,749	19,429,909
Capital expenditure	55,371	137,366	50	101,366	294,153

Inter-segment revenues are eliminated upon consolidation and reflected in the `consolidation adjustments' column.

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

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

42. SEGMENT INFORMATION (CONTINUED)

	Total revenue from external customers		Non current assets	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trinidad and Tobago	2,640,818	2,071,915	1,055,173	847,802
Jamaica	1,036,084	961,289	648,991	572,019
Barbados	167,291	146,449	57,438	49,412
Dutch Caribbean	1,248,087	1,088,617	330,237	308,036
Latin America	128,921	187,404	–	–
Other Countries	292,712	301,558	654,242	642,770
	5,513,913	4,757,232	2,746,081	2,420,039

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 that 10% of total revenue.

Non current assets for this purpose consist of property, plant and equipment, investment properties, intangible assets, investment in associated companies and properties for development and sale.

43. CONTINGENT LIABILITIES

Legal proceedings

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

44. COMMITMENTS

Capital commitments

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

	2016 $'000	2015 $'000
Property development	767	6,069

Operating lease commitments – where a Group company is the lessee

The aggregate minimum lease payments under operating leases are as follows:

Not later than one year	24,203	24,293
Later than one year and no later than five years	57,280	77,322
Over five years	–	4,413
	81,483	106,028

Rental expense under these leases amounted to $26,147,000 for the year ended 31 December 2016 (2015 - $22,509,000).

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

45. ACQUISITIONS

Acquisitions made during 2015

On July 29, 2015, the Group completed the acquisition of 100% of the issued shares of the following companies (the "Boogaard Group") through its subsidiary Fatum Brokers Holding B.V.:

- Boogaard Assurantiën N.V. and Elvira Verzekeringen N.V. (in Aruba);
- Boogaard Assurantiën Bonaire B.V. (in Bonaire);
- Seguros Brouwer N.V. (in Curaçao);
- N.C. Wathey Insurance Services B.V. and Caribbean Insurance Brokers N.V. (in St. Maarten).

The acquired companies are insurance brokerage operations, except for Elvira Verzekeringen N.V. which sells travel insurance. An initial purchase price of ANG 22,000,000 (TT$81,439,000) was paid in 2015, pending the completion of the audits for the year ended December 31, 2014. The purchase price was finalised during 2016 and additional consideration of ANG 2,413,000 (TT$9,094,000) was paid.

The Group was not able to measure the fair value of the identifiable assets and liabilities at the acquisition date. This exercise was completed in 2016 and the fair value adjustments are detailed in Note 7.

Insurance Brokerage Portfolios

During 2015, the Group acquired three insurance brokerage portfolios through its subsidiary Thoma Exploitatie B.V. in order to further expand its brokerage activities in the Netherlands. The total consideration payable was EUR5,030,000 (TT$34,451,000). The fair valuation of the identifiable assets and liabilities acquired was completed in 2015.

	Recognised amounts of identifiable assets acquired and liabilities assumed		
	Boogaard Group Companies $'000	**Brokerage portfolios $'000**	**Total $'000**
Net assets acquired:			
Property, plant and equipment	6,746	–	6,746
Intangible assets - customer-related intangibles	–	18,524	18,524
Loans, receivables and other assets	108,628	2,546	111,174
Cash and cash equivalents	25,744	647	26,391
Deferred tax liability	–	(4,631)	(4,631)
Other liabilities	(142,359)	(5,143)	(147,502)
Identifiable net assets/(liabilities)	(1,241)	11,943	10,702
Goodwill	82,680	22,508	105,188
Total consideration	81,439	34,451	115,890
Satisfied by:			
Cash consideration	81,439	34,451	115,890
Cash consideration	81,439	34,451	115,890
Cash and cash equivalent balances acquired	(25,743)	(646)	(26,389)
Net cash flow on acquisitions	55,696	33,805	89,501
Acquisition related costs recognised as an expense and included in operating expenses	632	178	810

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

46. RELATED PARTY DISCLOSURES

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

Name	Country of Incorporation	Effective Percentage of interest held 2016
Guardian General Insurance Limited	Trinidad and Tobago	100.0
Guardian Life of the Caribbean Limited	Trinidad and Tobago	100.0
Guardian Group Trust Limited	Trinidad and Tobago	100.0
Guardian Asset Management & Investment Services Limited	Trinidad and Tobago	100.0
Bancassurance Caribbean Limited	Trinidad and Tobago	100.0
Laevulose Inc. Limited	Trinidad and Tobago	100.0
Guardian Shared Services Limited	Trinidad and Tobago	100.0
RGM Limited	Trinidad and Tobago	33.3
Fatum Holding N.V.	Curacao	100.0
Fatum Accident & Health N.V.	Curacao	100.0
Fatum General Insurance Aruba N.V.	Aruba	100.0
Fatum General Insurance N.V.	Curacao	100.0
Fatum Life Aruba N.V.	Aruba	100.0
Fatum Life N.V.	Curacao	100.0
Homes & Properties N.V.	Curacao	100.0
Thoma Exploitatie B.V.	Netherlands	100.0
Kruit en Venema Assuradeuren B.V.	Netherlands	100.0
Guardian Life Limited	Jamaica	100.0
Guardian General Insurance Jamaica Limited	Jamaica	100.0
Guardian Resorts (Jamaica) Limited	Jamaica	100.0
Guardian Re (SAC) Limited	Bermuda	100.0
RoyalStar Holdings Limited	Bahamas	26.3
Guardian General Insurance (OECS) Limited	Grenada	59.4
Sas Compagnie Hoteliere de la Pointe Simon	Martinique	24.0
Gamay Investments Limited	Malta	100.0

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

The following transactions were carried out with related parties:	2016 $'000	2015 $'000
(a) Sales of insurance contracts and other services:		
- Key management personnel	267	3,754
(b) Interest income from:		
- Key associates	14,992	12,145
(c) Financial assets of:		
- Key associates	250,474	303,787
(d) Key management personnel compensation:		
- Salaries and other short-term employee benefits	107,574	78,922
- Post-employment benefits	20,277	18,649

Notes to the Consolidated Financial Statements (continued)

Expressed in Trinidad & Tobago Dollars • for the year ended December 31, 2016

46. RELATED PARTY DISCLOSURES (CONTINUED)

	2016 $'000	2015 $'000
(e) Loans to related parties:		
Loans to key management of the Group:		
Balance at beginning of year	30,214	33,299
Exchange rate adjustments	147	42
Loans advanced during the year	8,548	1,250
Loan repayments received	(2,948)	(4,378)
Interest charged	1,284	1,306
Interest received	(1,290)	(1,305)
Balance at end of year	35,955	30,214
Loans to key associates:		
Balance at beginning of year	126,554	177,037
Exchange rate adjustments	2,179	(13,396)
Loans advanced during the year	2,898	57,753
Loan repayments received	(19,101)	(98,178)
Interest charged	4,069	3,338
Balance at end of year	116,599	126,554

There was no provision for doubtful debts at the reporting date and no bad debt expense in the year (2015: Nil).

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

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

47. ASSETS UNDER MANAGEMENT

Assets under management, which are not beneficially owned by the Group, but which are managed by them on behalf of investors are listed below:

	2016 Carrying Amount $'000	2015 Carrying Amount $'000
Amounts not included in the consolidated statement of financial position		
Cash and short-term investments	417,971	447,414
Investments	2,564,272	2,165,388
Interest and other receivables	106,007	101,599
	3,088,250	2,714,401

48. PLEDGED ASSETS

The Group had deposited certain assets with the regulatory authorities in the countries in which it is authorized 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:

	2016 $'000	2015 $'000
Statutory deposits / funds	8,295,699	8,167,560

Financials expressed in US dollars

Expressed in United States Dollars • for the year ended December 31, 2016

The Group's Consolidated Statement of Financial Position and Consolidated Statement of Income expressed in US dollars appears below. The purpose of this publication is to provide readers of the Group's Annual Report, a number of whom are from jurisdictions outside of Trinidad and Tobago, with a quick and convenient overview of the Group's financial performance, referenced against a major international currency. The exchange rate used for this purpose is TT$6.74585 to US$1.00.

Consolidated Statement of Financial Position

	2016 US$'000	2015 US$'000
Assets		
Property, plant and equipment	87,970	83,596
Investment properties	186,329	140,815
Intangible assets	76,367	74,875
Investment in associated companies	31,362	31,445
Financial assets	2,281,667	2,039,360
Financial assets of mutual fund unit holders	144,727	155,153
Loans and receivables	303,259	270,015
Properties for development and sale	25,048	28,013
Pension plan assets	15,734	15,229
Deferred tax assets	3,609	2,566
Reinsurance assets	117,227	104,145
Deferred acquisition costs	13,119	13,081
Taxation recoverable	26,261	22,585
Cash and cash equivalents	258,537	273,932
Cash and cash equivalents of mutual fund unit holders	23,888	30,116
Assets held for sale	37	3,603
Total assets	3,595,141	3,288,529
Equity and liabilities		
Share capital	301,264	302,153
Reserves	(81,114)	(88,614)
Retained earnings	230,665	191,215
Equity attributable to owners of the parent	450,815	404,754
Non-controlling interests in subsidiary	3,330	3,498
Total equity	454,145	408,252
Liabilities		
Insurance contracts	2,173,658	1,961,468
Financial liabilities	321,775	319,372
Investment contract liabilities	268,574	251,650
Third party interests in mutual funds	160,500	154,929
Pension plan liabilities	10,118	12,723
Post retirement medical benefit obligations	13,289	11,657
Deferred tax liabilities	36,583	34,251
Provision for taxation	11,391	4,987
Other liabilities	145,071	126,505
Liabilities related to assets held for sale	37	2,735
Total liabilities	3,140,996	2,880,277
Total equity and liabilities	3,595,141	3,288,529

Consolidated Statement of Income

	2016 US$'000	2015 US$'000
Insurance activities		
Insurance premium income	815,231	766,734
Insurance premium ceded to reinsurers	(215,975)	(234,852)
Reinsurance commission income	37,401	33,864
Net underwriting revenue	636,657	565,746
Policy acquisition expenses	(95,338)	(95,252)
Net insurance benefits and claims	(450,500)	(372,327)
Underwriting expenses	(545,838)	(467,579)
Net result from insurance activities	90,819	98,167
Investing activities		
Investment income	121,600	114,367
Net realized gains	8,262	1,934
Net fair value gains/(losses)	8,442	(1,064)
Fee income	7,964	7,182
Other income	15,626	4,652
Investment contract benefits	(9,548)	(10,211)
Net income from investing activities	152,346	116,860
Fee and commission income from brokerage activities	18,827	12,391
Net income from all activities	261,992	227,418
Operating expenses	(166,095)	(142,566)
Finance charges	(19,213)	(20,916)
Operating profit	76,684	63,936
Share of profit of associated companies	487	2,577
Profit before taxation	77,171	66,513
Taxation	(19,293)	(15,105)
Profit after taxation	57,878	51,408
Amount attributable to participating policyholders	(2,305)	(1,918)
Profit from continuing operations	55,573	49,490
Net gain on discontinued operations	3,376	366
Profit for the year	58,949	49,856
Profit attributable to non-controlling interests	(275)	(231)
Profit attributable to equity holders of the parent	58,674	49,625
Earnings per share		
- Basic	$ 0.25	$ 0.21
- Basic - for continuing operations	$ 0.24	$ 0.21

Consolidated Statement Of Comprehensive Income

	2016 US$'000	2015 US$'000
Profit for the year	58,949	49,856
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	6,092	(10,995)
Net other comprehensive income/(loss) that may be reclassified subsequently to profit or loss	6,092	(10,995)
Items that will not be reclassified subsequently to profit or loss:		
Gains on property revaluation	4,545	234
Remeasurement of pension plans	2,070	3,131
Remeasurement of post retirement medical benefit obligations	(794)	(219)
Other reserve movements	(52)	(43)
Taxation	(585)	(286)
Net other comprehensive income that will not be reclassified subsequently to profit or loss	5,184	2,817
Other comprehensive income/(loss) for the period, net of tax	11,276	(8,178)
Total comprehensive income for the period, net of tax	70,225	41,678
Comprehensive income attributable to non-controlling interests	(466)	(331)
Comprehensive income attributable to equity holders of the parent	69,759	41,347

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