

CHAIRMAN'S REPORT

Dear Shareholders,

The Group consolidated financial statements presented for the first quarter 2023 are radically different in many respects from previous years. Effective 1 January 2023 your Group implemented International Financial Reporting Standards (IFRS) 17 – Insurance Contracts. The new accounting standard materially changes the financial statements in terms of presentation, recognition and measurement of insurance contracts mainly in the Life, Health and Pension (LHP) segment. Implementation of IFRS 17 required considerable investment in new systems, process changes and valuation modelling. This has been a significant undertaking not only for our Group but for the insurance industry globally and is described as the single greatest transformational event to impact the insurance industry in decades. The first phase of the new standard was focused on implementation and compliance. As we move to the next phase, post implementation, a steady state begins to emerge with focus to refine our systems architecture, finance and actuarial processes that were developed. This is part of the Group's ongoing rigorous quality control reviews of which any financial outcomes will be updated and reflected in future reporting. The Group, in accordance with the transition provisions of IFRS 17, has restated its prior year comparative results and recognised the total impact on initial application of IFRS 17 in the opening consolidated statement of financial position as at 1 January 2022.

The Group recorded profit attributable to equity shareholders for the three months ended 31 March 2023 of \$61 million, a decline of \$68 million or 53% when compared to the profit of \$129 million recorded in the same period last year. Correspondingly, earnings per share decreased to \$0.26 versus \$0.55 in the comparative period. While the Group delivered revenue growth year-over-year this was partially offset by increasing reinsurance costs, higher operational expenses due to sales activities and IFRS 17 implementation and growth of finance expenses partially due to interest rates movements on the liabilities. The factors that have influenced these results are described in succeeding paragraphs. Your Group is committed to delivering strong results and continues to explore and action opportunities to maximise financial performance.

Insurance service result increased by \$45 million or 30% from \$148 million in the prior period to \$192 million in the current period. Favourable contributions came from both our Life, Health and Pension (LHP) and Property and Casualty (P&C) segments from growth in our revenue lines. Overall insurance revenue, net of claims and insurance related expenses, increased by \$128 million partially offset by increased reinsurance expenses of \$83 million due to higher reinsurance costs from P&C lines.

Net income from investing activities also increased by \$71 million or 31% over prior year of \$229 million. Lower fair value losses of \$50 million mainly from equities and growth of investment income on financial securities plus dividend income of \$16 million were the main contributors to the favourable result. Your Group continues to closely monitor volatile markets and rebalance portfolios as necessary.

Net insurance finance expenses increased by \$137 million from \$63 million in Q1 2022 mainly from our LHP segments. Among other items, finance expenses include the impact of interest rate movements and the returns earned by our policyholders who hold insurance products with an investment component. In Q1 2023, the impact of those interest rate movements was less favourable to the Group's insurance liabilities. Further, policyholders earned higher investment income in this quarter due to the growth in the policyholders' underlying funds, which results in higher expenses for the Group.

Fee and commission income from brokerage activities increased by \$12 million or 30% year-on-year mainly due to brokerage activities in the Dutch Caribbean. Our Asset Management segment also reported growth in after tax profit during the quarter of 35% over prior year. Your Group continues to focus efforts on developing this segment through third-party business and product offerings.

Operating expenses increased by \$26 million or 15% year-over-year and are mainly related to investment in our people, sales-related expenses, growth strategies across the Group's business segments, coupled with continued investment in our IFRS 17 implementation activities.

As we navigate through 2023 with vigor and purpose, your Group continues to action efforts to perfect and protect our core which remains at the heart of our operations. We are excited about the opportunities that exist in our markets and continue to invest and focus on building other phases of our transformation journey geared toward further digital technology, exploring new markets and products and services. As we continue to implement planned changes, the Group remains steadfast, resolute and prepared to successfully face the road ahead.



Patrick Hylton
Chairman Guardian Holdings Limited
4 May 2023

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 3-Months Mar 2023 TT\$'000	Unaudited 3-Months Mar 2022 TT\$'000 (Restated)
Insurance service result	192,330	147,791
Net income from investing activities	299,646	229,049
Net insurance finance expenses	(200,181)	(63,435)
Net insurance and investment result	291,795	313,405
Fee and commission income from brokerage activities	50,115	38,582
Net income from all activities	341,910	351,987
Other operating expenses	(198,717)	(172,761)
Other finance charges	(44,560)	(51,993)
Operating profit	98,633	127,233
Share of after tax profits of associated companies	1,049	4,145
Profit before taxation	99,682	131,378
Taxation	(37,660)	(2,278)
Profit for the period	62,022	129,100
Profit attributable to non-controlling interest	(1,250)	(542)
Profit attributable to equity holders of the company	60,772	128,558
Earnings per share		
- Basic	\$ 0.26	\$ 0.55

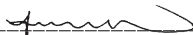
SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME


	Unaudited 3-Months Mar 2023 TT\$'000	Unaudited 3-Months Mar 2022 TT\$'000 (Restated)
Profit for the period	62,022	129,100
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	31,127	(5,324)
Net gains/(losses) on debt instruments at fair value through other comprehensive income	2,498	(195,565)
Finance income from insurance contracts issued	97,171	180,043
Other reserve movements	(122)	27
Taxation relating to components of other comprehensive income	8,485	22,779
Other comprehensive income for the period, net of taxation	139,159	1,960
Total comprehensive income for the period, net of taxation	201,181	131,060
Comprehensive income attributable to non-controlling interest	(1,258)	(539)
Comprehensive income attributable to equity holders of the company	199,923	130,521

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited Mar 2023 TT\$'000	Unaudited Mar 2022 TT\$'000 (Restated)	Unaudited Dec 2022 TT\$'000 (Restated)	Unaudited 1 Jan 2022 TT\$'000 (Restated)
ASSETS				
Property, plant and equipment	755,436	690,795	756,153	679,813
Right-of-use assets	55,363	78,965	42,480	82,485
Investment properties	1,593,131	1,646,119	1,590,437	1,645,435
Intangible assets	662,871	667,531	668,441	664,606
Investment in associated companies	304,334	297,778	307,634	293,651
Investment securities	22,322,305	21,825,546	21,752,636	21,919,371
Investment securities of mutual fund unit holders	1,707,253	1,792,145	1,741,039	1,743,378
Loans and receivables	3,555,976	2,654,714	3,264,323	2,515,037
Properties for development and sale	98,662	98,566	96,122	101,482
Pension plan assets	110,980	62,833	111,909	61,610
Deferred tax assets	140,651	81,636	106,953	95,961
Reinsurance contract assets	736,940	564,428	551,404	634,658
Insurance contract assets	1,060,694	338,042	762,794	176,240
Taxation recoverable	184,965	181,966	191,600	183,043
Cash and cash equivalents	3,076,628	3,441,553	3,464,704	3,483,168
Cash and cash equivalents of mutual fund unit holders	178,997	239,944	144,389	323,296
Total assets	36,545,186	34,662,561	35,553,018	34,603,234
EQUITY AND LIABILITIES				
Share capital	1,970,043	1,970,043	1,970,043	1,970,043
Reserves	(709,882)	(797,069)	(977,416)	(799,010)
Retained earnings	3,164,680	3,065,384	3,224,682	3,057,457
Attributable to equity holders of the company	4,424,841	4,238,358	4,217,309	4,228,490
Non-controlling interest in subsidiary	12,407	9,536	11,155	8,997
Total equity	4,437,248	4,247,894	4,228,464	4,237,487
Liabilities				
Insurance contract liabilities	22,909,148	21,286,932	22,218,127	21,010,679
Reinsurance contract liabilities	585,154	318,269	566,825	554,515
Financial liabilities	3,347,240	3,503,483	3,305,274	3,521,703
Lease liabilities	64,550	93,978	54,288	96,245
Investment contract liabilities	2,031,016	2,015,645	2,021,243	1,992,053
Third party interests in mutual funds	1,596,729	1,563,049	1,563,727	1,599,412
Pension plan liabilities	39,327	38,743	40,294	38,459
Post-retirement medical benefit obligations	107,117	123,523	106,438	123,191
Deferred tax liabilities	274,279	247,917	249,248	270,628
Provision for taxation	211,019	199,889	274,000	275,541
Other liabilities	942,359	1,023,239	925,090	883,321
Total liabilities	32,107,938	30,414,667	31,324,554	30,365,747
Total equity and liabilities	36,545,186	34,662,561	35,553,018	34,603,234

These consolidated financial statements have been approved for issue by the Board of Directors on 4 May 2023 and signed on its behalf:

Director: 

Director: 

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Mar 2023 TT\$'000	Unaudited Mar 2022 TT\$'000 (Restated)
Balance at beginning of period	4,228,464	4,983,378
IFRS 17 transition adjustment	-	(745,891)
Impact of redesignation of financial assets	128,256	-
Total comprehensive income	201,181	131,060
Dividends	(120,653)	(120,653)
Balance at end of period	4,437,248	4,247,894

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Mar 2023 TT\$'000	Unaudited Mar 2022 TT\$'000 (Restated)
Profit before taxation	99,682	131,378
Adjustment for specific items included on the accruals basis:		
- Other finance charges	44,560	51,993
- Investment income	(321,684)	(306,289)
Interest and dividends received	267,621	256,955
Adjustments for non-cash items	64,515	134,541
Operating profit before changes in operating assets/liabilities	154,694	268,578
Changes in insurance and reinsurance contracts	298,697	115,971
Net purchases of investment securities	(360,837)	(213,393)
Net proceeds from sale of/(additions to) investment properties	21,692	(11,045)
Net movement in other operating assets and liabilities	(278,614)	21,316
Cash (used in)/provided by operating activities	(164,368)	181,427
Interest paid	(19,414)	(44,947)
Net taxation paid	(93,538)	(61,062)
Net cash (used in)/provided by operating activities	(277,320)	75,418
Net cash used in investing activities	(9,518)	(39,496)
Net cash used in financing activities	(71,544)	(157,821)
Net decrease in cash and cash equivalents	(358,382)	(121,899)
Cash and cash equivalents at beginning of period	3,609,093	3,806,464
Net impairment gain/(loss)	2,564	(1,558)
Exchange rate adjustments	2,350	(1,510)
Cash and cash equivalents at end of period	<u>3,255,625</u>	<u>3,681,497</u>
Comprising:		
Cash at bank and in hand	2,551,447	2,776,757
Short-term deposits (90 days or less)	538,142	681,934
Cash and cash equivalents	3,089,589	3,458,691
Cash and cash equivalents in mutual funds	179,326	240,062
Loss allowance	(13,290)	(17,256)
	<u>3,255,625</u>	<u>3,681,497</u>

SEGMENT INFORMATION

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Insurance brokerage business TT\$'000	Asset Management TT\$'000	Other including consolidation adjustments TT\$'000	Total TT\$'000
Three months ended 31 March 2023						
Insurance revenue	667,674	605,079	-	-	-	1,272,753
Insurance service expenses	(578,082)	(259,659)	-	-	10,783	(826,958)
Net expenses from reinsurance contracts held	(2,840)	(250,662)	-	-	37	(253,465)
Insurance service result	86,752	94,758	-	-	10,820	192,330
Net income/(loss) from investing activities	261,744	11,050	660	32,541	(6,349)	299,646
Net insurance finance expenses	(195,988)	(4,193)	-	-	-	(200,181)
Net insurance and investment result	152,508	101,615	660	32,541	4,471	291,795
Fee and commission income from brokerage activities	-	-	67,598	-	(17,483)	50,115
Net income/(loss) from all activities	152,508	101,615	68,258	32,541	(13,012)	341,910
Other operating expenses	(69,784)	(36,354)	(42,987)	(15,754)	(33,838)	(198,717)
Other finance charges	(1,010)	(912)	(234)	(1,082)	(41,322)	(44,560)
Operating profit/(loss)	81,714	64,349	25,037	15,705	(88,172)	98,633
Three months ended 31 March 2022						
Insurance revenue	564,756	593,823	-	-	-	1,158,579
Insurance service expenses	(517,342)	(339,790)	-	-	16,406	(840,726)
Net income/(expenses) from reinsurance contracts held	7,971	(178,037)	-	-	4	(170,062)
Insurance service result	55,385	75,996	-	-	16,410	147,791
Net income/(loss) from investing activities	181,705	10,361	(842)	30,622	7,203	229,049
Net insurance finance expenses	(58,507)	(4,928)	-	-	-	(63,435)
Net insurance and investment result	178,583	81,429	(842)	30,622	23,613	313,405
Fee and commission income from brokerage activities	-	-	55,707	-	(17,125)	38,582
Net income from all activities	178,583	81,429	54,865	30,622	6,488	351,987
Other operating expenses	(56,281)	(28,363)	(48,691)	(15,215)	(24,211)	(172,761)
Other finance charges	(976)	(1,248)	(245)	(1,295)	(48,229)	(51,993)
Operating profit/(loss)	121,326	51,818	5,929	14,112	(65,952)	127,233
Total Assets						
31 March 2023	29,570,878	3,854,455	775,079	2,469,678	(124,904)	36,545,186
31 March 2022	28,231,805	3,361,352	713,462	2,706,978	(351,036)	34,662,561

Note 1: Basis of Preparation

The summary consolidated financial statements are prepared in accordance with criteria developed by management. Under management's established criteria, management discloses the summary consolidated statement of financial position, summary consolidated statement of income, summary consolidated statement of comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2022 audited financial statements consistently applied from period to period, except for the adoption of IFRS 17 Insurance Contracts that became effective for the Group from 1 January 2023. Details on the Group's adoption of IFRS 17 Insurance Contracts are provided in Note 2 below.

Note 2: IFRS 17 Insurance Contracts

Effective 1 January 2023, IFRS 17 replaced IFRS 4 Insurance Contracts, materially changing the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Group's financial statements.

(a) Change in Accounting Policies

Refer to Note 2.1(d) of the Group's audited consolidated financial statements for the year ended 31 December 2022 for details of the Group's accounting policies under IFRS 17.

(b) Transition Approach

In accordance with the transition requirements of IFRS 17, the Group has restated its financial statements, and is therefore presenting:

- Within the summarised consolidated statement of financial position, an opening balance sheet as at 1 January 2022, the date of transition to IFRS 17. Differences between the carrying value of assets, liabilities and equity previously recorded and those under IFRS 17 were recorded in retained earnings.
- Summarised consolidated statement of financial position as at 31 December 2022, now restated under the IFRS 17 regime.
- Summarised consolidated statements of financial position, income, comprehensive income, cash flows, and changes in equity as at and for the periods ended 31 March 2023 and 31 March 2022, in compliance with IFRS 17.

While retrospective application is required, if full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The Group therefore applied the fair value approach to all long-term portfolios within the Life, Health, and Pensions businesses that were in issue as at 1 January 2022 and prior, and the full retrospective approach thereafter. For all other portfolios, the full retrospective approach was used for all relevant periods.

(c) Redesignation of Financial Assets

The Group, having previously applied IFRS 9 Financial Instruments, was permitted under IFRS 17 to change its classification and designation of financial assets. Accordingly, some redesignations were performed based on facts and circumstances existing at the date of initial application of IFRS 17 (i.e., 1 January 2023) and were applied on that date.

Note 2: IFRS 17 Insurance Contracts (continued)

(d) Impact of Initial Application of IFRS 17

The initial application of IFRS 17 resulted in a reduction of total equity of \$746 million as at 1 January 2022. The opening IFRS 17 statement of financial position and related adjustments are presented below:

	Audited 31-Dec-21 TT\$'000	Unaudited IFRS 17 Initial Application Adjustments 1-Jan-22 TT\$'000	Unaudited 1-Jan-22 TT\$'000
ASSETS			
Intangible assets	808,844	(144,238)	664,606
Reinsurance contract assets	1,100,732	(466,074)	634,658
Insurance contract assets	-	176,240	176,240
Deferred acquisition costs	130,988	(130,988)	-
Other assets	32,537,117	590,613	33,127,730
Total assets	34,577,681	25,553	34,603,234
EQUITY AND LIABILITIES			
Share capital	1,970,043	-	1,970,043
Reserves	(799,010)	-	(799,010)
Retained earnings	3,803,348	(745,891)	3,057,457
Equity attributable to owners of the company	4,974,381	(745,891)	4,228,490
Non-controlling interest in subsidiary	8,997	-	8,997
Total equity	4,983,378	(745,891)	4,237,487
Insurance contract liabilities	19,503,373	1,507,306	21,010,679
Reinsurance contract liabilities	427,191	127,324	554,515
Investment contract liabilities	2,645,659	(653,606)	1,992,053
Other liabilities	7,018,080	(209,580)	6,808,500
Total liabilities	29,594,303	771,444	30,365,747
Total equity and liabilities	34,577,681	25,553	34,603,234

The initial application adjustments arise principally from:

- *The introduction of the Contractual Service Margin (CSM)*
This is a new liability that represents future unearned profits on long-term insurance contracts written.
- *The measurement of the Risk Adjustment*
This is a concept in IFRS 17 that is similar to the Margins for Adverse Deviation that was previously estimated under IFRS 4. IFRS 17 does however introduce some specific considerations in the calculation and application of this item.
- *The determination of Discount Rates*
IFRS 17 introduced some changes in how discount rates are determined, primarily removing from consideration the characteristics of the assets which support the related insurance liabilities.
- *Other measurement changes*
This includes changes to the level at which contracts are aggregated for measurement purposes and how contract boundaries are defined.
- *Presentation changes*
Several assets and liabilities experienced no change to their measurement but have been moved to other areas of the financial statements, including:
 - o Premiums receivable and Policy loans – These amounts were previously reported in loans and receivables and have now been reclassified to insurance contract liabilities/assets as they are insurance contract related.
 - o Deposits with/balances due from reinsurers – These amounts were previously reported in loans and receivables and have now been reclassified to reinsurance contract assets/liabilities as they are related to reinsurance contracts.
 - o Deposits and premiums received in advance – These amounts were previously reported in other liabilities and have now been reclassified to insurance contract liabilities/assets as they are insurance contract related.
 - o Amounts due to reinsurers – These amounts were previously reported in Other liabilities and have now been reclassified to reinsurance contract assets/liabilities as they are related to reinsurance contracts.
 - o Deferred acquisition costs – These were previously reported as a separate line within the assets section of the financial statements and have been reclassified to insurance contract liabilities/assets as they are insurance contract related.

Note 3: Cash and cash equivalents

On 12 June 2023, the Jamaica Stock Exchange ('JSE') requested the Group to disclose the following cash and cash equivalents information in the summary consolidated statement of cash flows:

- (a) Components of cash and cash equivalents; and
- (b) A reconciliation of the cash and cash equivalents amounts in the summary consolidated statement of cash flows with the equivalent items recorded in the summary consolidated statement of financial position.

The Group has amended its previously published summary consolidated financial statements for the quarter ended 31 March 2023, to include the information requested by the JSE. There were no other amendments to the summary consolidated financial statements.

Forward-looking statements

This statement may contain certain forward-looking statements, including but not limited to, statements as to future operating results and plans that involve risks and uncertainties. We use words such as "expects", "anticipates", "believes", or "estimates", the negative of these terms and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason.



Making the right moves today, will make your next moves, even more rewarding.

Is it possible to enjoy today while securing tomorrow? It definitely is.

Let's show you how.

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