

2022 FAGIL Chairman's Review

2022 was a very challenging year for the industry. With Hurricane Ian in Florida, record breaking losses in France, floods in Australia and storms in Europe, China and the Americas, 2022 marked the second consecutive year in which insured losses from natural catastrophes exceeded the US\$100B mark. This resulted in increased reinsurance costs and in some instances, less available capacity.

To compound this, investment markets took huge hits. The stock and bond market see-saw relationship broke down. Inflation, Russia's invasion of Ukraine, and the US Federal Reserve's tightening policies all led the headlines with both stocks and bonds ending the year in the red. Stocks turned in their worst performance since 2008.

Furness Anchorage General Insurance Limited (FAGIL) performed very well despite these very difficult global conditions. Gross premiums increased by over 10% to \$56.3M while our investment income reduced significantly due to the events described above, resulting in a \$10.5M deterioration in value. Our underwriting profits increased from \$18.9M to \$22.5M demonstrating our continued and proven ability to underwrite risks prudently and profitably.

All things considered; the company produced a satisfactory pre tax profit of \$2.4M for the period ended 31st December 2022. Our capital adequacy ratio stands at 208% well in excess of the 150% required by CBTT.

Outlook

Reinsurance is expected to be less available and more expensive as markets recover financially from two years of record losses. Due to our successful track record of writing a profitable book of business and our tremendous underwriting experience, our 2023 program was indeed oversubscribed.

The investment climate remains volatile and recent US and European bank failures concern us but we are cautiously optimistic that our investment portfolio is prudently managed and less likely to deteriorate further in any significant way barring any unforeseen events.

We find it noteworthy to confirm IFRS 17 has been adopted this year in accordance with the Central Bank's directive to all registered insurance companies. This requirement will provide transparent reporting about a company's financial position and risk.

In closing, I wish to thank our staff who have performed incredibly well.

My sincere appreciation also goes out to our parent company, Furness Trinidad Limited, our executive and non-executive Directors and management, Reinsurance Brokers and Reinsurers for their continued support and guidance.

To our many customers, thanks for the unswerving support, loyalty and confidence. We do know you have choices out there and we value your business.



William A Ferreira
Executive Chairman



The Directors and Shareholders
Furness Anchorage General Insurance Limited
#90 Independence Square
PORT-OF-SPAIN

Independent Auditors' report on the Abridged Consolidated Financial Statements

Opinion

The abridged consolidated financial statements which comprise the abridged consolidated statement of financial position as at December 31, 2022, and the abridged consolidated statement of comprehensive income, abridged consolidated statement of changes in shareholders' equity and abridged consolidated statement of cash flows for the year ended, and related notes are derived from the audited consolidated financial statements of Furness Anchorage General Insurance Limited for the year then ended December 31, 2022.

In our opinion, the accompanying abridged consolidated financial statements are consistent in all material respects with the audited consolidated financial statements on the basis described in Note B.

Summary Financial Statements

The abridged consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the abridged consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unqualified audit opinion on the audited consolidated financial statements in our report dated March 17, 2023.

Managements responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary consolidated financial statement on the basis prescribed in Note B.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the abridged consolidated financial statements are consistent in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810 (Revised), "Engagements to Report on Summary Financial Statements".



March 17, 2023
PORT-OF-SPAIN

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Trinidad and Tobago Dollars)

FURNESS ANCHORAGE GENERAL INSURANCE LIMITED

		December 31	
		2022	2021
ASSETS	Notes		
Furniture and equipment	\$	607,371	\$ 54,517
Investment securities		72,241,274	83,629,469
Loans and receivables		9,826,815	9,434,744
Due from related parties	F	4,088,713	5,433,724
Taxation recoverable		4,186,724	2,051,558
Reinsurance contracts		21,554,434	17,361,719
Cash in hand and at bank		3,080,993	796,966
TOTAL ASSETS	\$	<u>115,586,324</u>	<u>\$ 118,762,697</u>

EQUITY AND LIABILITIES

EQUITY

Share capital	\$	15,300,000	\$ 15,300,000
Capital and fair value reserves		8,100	8,100
Catastrophe reserve		7,990,093	4,368,169
Retained earnings		42,996,182	55,828,280
TOTAL EQUITY		<u>66,294,375</u>	<u>75,504,549</u>

LIABILITIES

Deferred income tax liability		51,573	1,376
Insurance contracts		42,283,080	36,946,749
Trade and other payables		6,899,698	6,195,476
Taxation payable		-	24,150
Bank overdraft		57,598	90,397
TOTAL LIABILITIES		<u>49,291,949</u>	<u>43,258,148</u>

TOTAL EQUITY AND LIABILITIES \$ 115,586,324 \$ 118,762,697

These financial statements were authorized for issue by the Board of Directors on March 17, 2023.

The Board of Directors is not vested with the authority to amend the financial statements after they have been issued.

Director

Director

ABRIDGED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Trinidad and Tobago Dollars)

FURNESS ANCHORAGE GENERAL INSURANCE LIMITED

	Year ended December 31	
	2022	2021
Gross premium revenue	\$ 56,368,061	\$ 46,513,789
Premiums to reinsurers	(25,424,321)	(20,585,556)
Change in unearned premium provision	(2,351,725)	1,767,960
Net insurance premium revenue	<u>28,592,015</u>	<u>27,696,193</u>
Commissions received	<u>4,448,583</u>	<u>4,664,698</u>
Other income	<u>362,339</u>	<u>586,038</u>
Investment income/(loss)	<u>(10,355,102)</u>	<u>8,440,103</u>
NET INCOME	<u>23,047,835</u>	<u>41,387,032</u>
Insurance claims and loss adjustment expenses	<u>(3,364,847)</u>	<u>(8,101,206)</u>
Insurance claims and loss adjustment expenses recovered from reinsurers	<u>1,748,925</u>	<u>2,066,898</u>
Underwriting and policy acquisition cost	<u>(8,865,285)</u>	<u>(7,826,808)</u>
Management expenses	<u>(10,153,026)</u>	<u>(9,156,071)</u>
Expenses	<u>(20,634,233)</u>	<u>(23,017,187)</u>
Operating profit	<u>2,413,602</u>	<u>18,369,845</u>
Finance cost	<u>(5,154)</u>	<u>(4,714)</u>
NET PROFIT BEFORE TAXATION	<u>2,408,448</u>	<u>18,365,131</u>
Taxation	<u>(618,622)</u>	<u>(3,867,974)</u>
NET PROFIT FOR THE YEAR	<u>\$ 1,789,826</u>	<u>\$ 14,497,157</u>

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

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Trinidad and Tobago Dollars)

FURNESS ANCHORAGE GENERAL INSURANCE LIMITED

	Share Capital	Statutory Reserve	Catastrophe Reserve	Capital and Fair Value Reserve	Retained Earnings	Total
Year ended December 31, 2022						
Balance at 1 January 2022	\$ 15,300,000	\$ -	\$ 4,368,169	\$ 8,100	\$ 55,828,280	\$ 75,504,549
Total comprehensive income for year						
Profit for the year	-	-	-	-	1,789,826	1,789,826
Dividends	-	-	-	-	(11,000,000)	(11,000,000)
Catastrophe reserve transfer	-	-	3,621,924	-	(3,621,924)	-
Balance at end of year	<u>\$ 15,300,000</u>	<u>\$ -</u>	<u>\$ 7,990,093</u>	<u>\$ 8,100</u>	<u>\$ 42,996,182</u>	<u>\$ 66,294,375</u>
Year ended December 31, 2021						
Balance at 1 January 2021	\$ 15,300,000	\$ 26,964,943	\$ -	\$ 8,100	\$ 28,734,349	\$ 71,007,392
Total comprehensive income for year						
Profit for the year	-	-	-	-	14,497,157	14,497,157
Dividends	-	-	-	-	(10,000,000)	(10,000,000)
Catastrophe reserve transfer	-	-	4,368,169	-	(4,368,169)	-
Transfer from statutory reserve	-	(26,964,943)	-	-	26,964,943	-
Balance at end of year	<u>\$ 15,300,000</u>	<u>\$ -</u>	<u>\$ 4,368,169</u>	<u>\$ 8,100</u>	<u>\$ 55,828,280</u>	<u>\$ 75,504,549</u>

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

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Trinidad and Tobago Dollars)

FURNESS ANCHORAGE GENERAL INSURANCE LIMITED

	Year ended December 31	
	2022	2021
OPERATING ACTIVITIES		
Net profit before taxation	\$ 2,408,448	\$ 18,365,131
Adjustment to reconcile loss to net cash from operating activities:		
Depreciation	50,441	27,111
Changes to operating assets and liabilities		
Increase/(decrease) in insurance contracts	5,336,331	(2,437,929)
Increase/(decrease) in reinsurance contracts	(4,192,715)	3,276,071
Decrease in trade and other payables	704,223	1,695,680
Decrease in related parties	1,345,011	1,346,926
Decrease in trade receivables and other receivables	(392,072)	(2,753,613)
Taxation paid	(2,727,742)	(4,864,326)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,531,925</u>	<u>14,655,051</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(603,295)	(13,259)
Proceeds on maturities of investment securities	986,417	3,406,981
Net interest (valuation loss) on FVTPL of financial assets	10,401,778	(8,246,397)
NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES	<u>10,784,925</u>	<u>(4,852,675)</u>
FINANCING ACTIVITIES		
Dividend paid to Furness Trinidad Limited	(11,000,000)	(10,000,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(11,000,000)</u>	<u>(10,000,000)</u>
INCREASE/(DECREASE) IN CASH	<u>2,316,825</u>	<u>(197,624)</u>
Cash and cash equivalent at beginning of year	706,570	904,194
CASH AND CASH EQUIVALENT AT END OF YEAR	<u>\$ 3,023,395</u>	<u>\$ 706,570</u>
Represented by		
Cash in hand and at bank	\$ 3,080,993	\$ 796,967
Bank overdraft	(57,598)	(90,397)
	<u>\$ 3,023,395</u>	<u>\$ 706,570</u>

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

NOTE A – INCORPORATION AND PRINCIPAL ACTIVITY

Furness Anchorage General Insurance Limited (FAGIL) was incorporated in the Republic of Trinidad and Tobago on April 24th, 1979, and is licensed under the Insurance Act 1980. It is a subsidiary of Furness Trinidad Limited, a Group also incorporated in Trinidad and Tobago. The address of its registered office and principal place of business is #90 Independence Square, Port-of-Spain.

In July 2008, Furness Re was incorporated in St. Lucia and is wholly owned subsidiary of Furness Anchorage General Insurance Limited. Its principal activity is the provision of consultancy services to the parent company.

The principal activities of the Group are underwriting of property, motor liability, accident, and other general insurance business.

NOTE B – BASIS OF PREPARATIONS

The abridged financial statements are prepared in accordance with the Guidelines on the Publication of Abridged Financial Statements issued by the Central Bank of Trinidad and Tobago. The abridged financial statements are extracted directly from the Company's audited financial statements which are prepared in conformity with International Financial Reporting Standards (IFRS) which 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 financial statements are disclosed in Note E.

The abridged financial statements have been prepared in accordance with the accounting policies set out in the respective notes of the audited financial statements consistently applied from period to period. All new and amended accounting standards and interpretations that are mandatory for the periods disclosed and which are relevant to the Company, have been adopted.

The abridged financial statements have been prepared on a going concern basis. The full financial statements can be accessed at each of the Company's offices during normal business hours.

NOTE C – FUNCTIONAL AND PRESENTATION CURRENCY

The abridged financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency.

NOTE D – BASIS OF CONSOLIDATION

Subsidiaries are all entities (including special purpose entities) over which FAGIL has the

power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect and potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

FAGIL uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identifiable assets acquired, 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 minority interest. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of comprehensive income.

Intra-group transactions, balances and gains and losses on consolidation are eliminated. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the FAGIL.

NOTE E – CRITICAL ACCOUNTING ESTIMATES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below:

- (i) The Ultimate Liability arising from Claims made under Insurance Contracts.
- (ii) Impairment of Financial Instruments.
- (iii) Measurement of Expected Credit Loss Allowance.

NOTES TO ABRIDGED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Expressed in Trinidad and Tobago Dollars)

FURNESS ANCHORAGE GENERAL INSURANCE LIMITED

December 31, 2022

NOTE F – RELATED PARTIES

The Group is controlled by Furness Trinidad Limited, which owns 100% of its shares.

(i) Transactions with Related Parties

	<u>2022</u>	<u>2021</u>
Gross premiums received		
Furness Trinidad Limited (Parent)	\$ 215,854	\$ 190,874
Furness Rentals Limited	2,622,483	3,121,163
Furness Chemicals Limited	3,516	2,326
	<u>\$ 2,841,853</u>	<u>\$ 3,314,363</u>
Interest received		
Furness Trinidad Limited (Parent)	\$ 28,987	\$ 173,640
	<u>\$ 28,987</u>	<u>\$ 173,640</u>
Rent paid		
Furness Trinidad Limited (Parent)	\$ 495,000	\$ 320,000
	<u>\$ 495,000</u>	<u>\$ 320,000</u>
Motor vehicle rent paid		
Furness Rentals Limited	\$ 702,000	\$ 605,500
	<u>\$ 702,000</u>	<u>\$ 605,500</u>
Management fees paid		
Furness Trinidad Limited (Parent)	\$ 720,000	\$ 720,000
	<u>\$ 720,000</u>	<u>\$ 720,000</u>
Service fees paid		
Furness Personnel Services Limited	\$ 24,000	\$ 24,000
	<u>\$ 24,000</u>	<u>\$ 24,000</u>
Local purchases		
Furness Chemicals Limited	\$ 594	\$ 1,603
	<u>\$ 594</u>	<u>\$ 1,603</u>

Transactions between related parties were made at prices approved by management.

(ii) Balances with Related Parties

	<u>2022</u>	<u>2021</u>
Due from related parties		
Furness Trinidad Limited	\$ 4,088,713	\$ 5,433,724
	<u>\$ 4,088,713</u>	<u>\$ 5,433,724</u>

All balances are unsecured and bear no fixed terms of repayment. The balance with Furness Trinidad Limited incurs interest at a rate of 4.75% per month. All other balances are interest free.

NOTE G – COMMITMENTS AND CONTINGENCIES

The Group has contingent liabilities in respect of legal claims arising in the ordinary course of business. It has not anticipated that any material liabilities will arise from the contingent liabilities.

NOTE H – SUBSEQUENT EVENTS

Management determined that there were no subsequent events or transactions that require additional disclosure.