2023 Q4: QUARTERLY REPORT

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Unaudited Financial Statements as at

31st December 2023

1. Report to Stockholders

The Directors take pleasure in presenting the unaudited financial statements of IronRock Insurance Company Limited ("IronRock") for the quarter ended 31 December 2023.

Adoption of New Accounting Standard

A new accounting standard - IFRS 17 'Insurance contracts' - became effective on 1 January 2023, and have been adopted by IronRock. These interim financial statements are IFRS 17 compliant.

The impact of adopting IFRS 17 is discussed in Note 3 of the interim financial statements.

Managing Director's Report

IronRock has again produced good results for the year. Gross premium written increased by 46% and now amounts to $1.6 billion, which has translated into a 41% increase in our Insurance Revenue. Claims incurred, particularly in our Motor portfolio, have been moderate and our net earned loss ratio has improved by 5 percentage points to 51%. Unfortunately our operating expenses continue to be negatively affected by the elevated inflation rate and additional costs incurred following the adoption of new accounting standards (IFRS 9 and 17).

We continue to benefit from relatively high interest rates and this is reflected in the growth in our Investment Portfolio and Investment Income.

Financial Review

For the Fourth Quarter

Despite the reduced catastrophe reinsurance capacity for the Jamaican market, we had sufficient capacity to grow our Property portfolio by 80% and we are pleased to report that all of our other portfolios grew significantly during the quarter. Thus, compared to the corresponding period in 2022, our Insurance Revenue grew to $387.7 million and our Insurance Service Result increased to $71.9 million.

We benefited from a reduction in our provision for Expected Credit Losses and this contributed positively to our Investment and Other Income which amounts to $29 million, up from $10.6 million in the corresponding quarter of 2022. Other Expense amounted to $30.8 million and thus our profit before tax was $70.1 million compared to $35.5 million in 2022.

Year-to-date

The year has been characterised by strong increases in our revenue and a reduction in the frequency and severity of claims. Consequently, our commission and profit commission earnings have increased significantly. Despite an increase of nearly 15% in our operating expenses, our Insurance Service Result has improved to $99.7 million, a 62% increase when compared to 2022.

Our Investment and Other Income grew by 53% to $99.7 million when compared to the prior year and Other Operating Expenses amounted to $118.4 million. Thus for the year ended December 31, 2023, IronRock's profit before tax was $80.9 million versus $20.5 million in the prior year.

Our Total Assets have increased to $1.54 billion and Shareholders' Equity now amounts to $697.6 million.

We thank our staff, clients, and brokers for their continued support.

R. Evan Thwaites
Managing Director

2.1 Statement of Comprehensive Income

For the Period ended 31 Dec 2023

(expressed in Jamaican dollars)

	Unaudited 3 months ended		Unaudited year ended	
	31-Dec-23	31-Dec-22	31-Dec 23	31-Dec 22
	$'000	$'000	$'000	$'000
Insurance Revenue	**387,738**	**258,570**	**1,395,361**	**991,895**
Reinsurance Contracts Expense	(137,719)	(61,818)	(746,010)	(439,102)
Insurance Service Contracts Expense	(178,066)	(145,927)	(549,639)	(491,371)
Insurance Service results	**71,953**	**50,826**	**99,712**	**61,422**
Other income				
Investment income	26,440	8,251	79,646	57,573
Other Income	2,618	982	20,055	7,535
Total other income	**29,058**	**9,233**	**99,701**	**65,108**
Other operating expenses	(30,844)	(25,917)	(118,506)	(103,604)
Net Income	**(1,786)**	**(16,684)**	**(18,805)**	**(38,496)**
Profit / (Loss) before taxation	**70,167**	**34,142**	**80,907**	**22,926**
Taxation	(13,135)	(2,375)	(13,135)	(2,375)
Net profit / (loss) for period	**57,032**	**31,767**	**67,772**	**20,551**
Profit / (Loss) per stock unit	**$ 0.27**	**$ 0.15**	**$ 0.32**	**$ 0.10**

2.2 Statement of Financial Position

As at 31 December 2023

(expressed in Jamaican dollars)

	Unaudited 31-Dec-23	Restated 31-Dec-22
	$'000	**$'000**
ASSETS		
Property plant and equipment	15,648	**18,717**
Intangible assets	2,972	**2,548**
Deferred taxation	-	**6,318**
Investments	498,245	**735,848**
Asset for Remaining Coverage	400,346	**276,449**
Short Term Investment	81,470	-
Receivables	57,081	**13,953**
Taxation recoverable	44,509	**39,903**
Due from related party	746	**2,984**
Cash and cash equivalents	446,728	**142,405**
	1,542,745	**1,239,125**
LIABILITIES AND SHAREHOLDER EQUITY		
Other Accounts Payables	37,372	**35,243**
Liability for Remaining Coverage	807,325	**567,068**
Deferred Tax Liability	417	-
Total Liabilities	845,114	**602,311**
Shareholders' equity	697,631	**636,814**
	1,542,745	**1,239,125**

R. Evan Thwaites
Managing Director

Wayne Hardie
Finance Director

2.3 Statement of Changes in Shareholder' Equity

For the Period ended 31 December 2023
(expressed in Jamaican dollars)

	Ordinary share capital	Capital reserve	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balances as at 31 December 2021	**465,540**	**139,340**	**14,765**	**619,645**
Net profit / (loss) for the period	-	-	17,169	17,169
Other comprehensive income:				
Fair value gain / (loss) on investments	-	-	-	
Balances as at 31 December 2022	**465,540**	**139,340**	**31,934**	**608,428**
Balances as at 31 December 2022	**465,540**	**139,340**	31,934	636,814
Net Profit / Loss for the period	-	-	67,772	67,772
Dividend	-	-	(6,955)	(6,955)
Other comprehensive income:				
Fair value gain / (loss) on investments	-	-	-	
Balances as at 30 December 2023	465,540	139,340	92,751	697,632

2.4 Statement of Cash Flows

For the Period ended 31 December 2023
(expressed in Jamaican dollars)

	Unaudited 31- Dec 2023	Restated 31-Dec 2022
	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (Loss) after taxation	67,772	20,551
Depreciation	5,507	5,232
Deferred taxation	6,318	1,674
Expected credit Loss	(4,502)	7,258
Fair Value Thru Profit and Loss	2,220	2,810
Loss / (Gain) on sale of investment	(6,361)	(10,367)
Loss / (Gain) on sale of Fixed Asset	(122)	-
Taxation	6,400	1,674
Interest income	(70,962)	(53,886)
	6,270	**(25,054)**
Decrease / (Increase) in current assets:		
Receivables	(38,128)	(3,449)
Asset for remaining coverage	(123,897)	(122,574)
Due from Parent Company	2,238	
Taxation paid	(11,006)	(8,611)
	(170,793)	(134,634)
Increase / (Decrease) in current liabilities:		
Deferred Tax Liability	417	-
Other payables	2,129	9,472
Liability for Remaining Coverage	240,257	180,201
	242,803	189,673
Net cash provided by / (used in) operating activities	78,280	29,985
CASH FLOW FROM INVESTING ACTIVITIES		
Decrease / (Increase) in:		
Investments, net	246,246	(44,098)
Disposal / (Acquisition) of fixed assets	122	(2,822)
Intangibles	(1,200)	-
Short Term Investment	(81,470)	-
Acquisition of fixed assets	(1,662)	-
Proceeds on sale of investments	-	35,817
Interest received	70,962	53,886
Net cash provided by / (used in) investing activities	**232,998**	**42,783**
CASH FLOW FROM FINANCING ACTIVITIES		
Increase / (Decrease) in:		
Dividend Payment	(6,955)	-
Net cash provided by / (used in) financing activities	**(6,955)**	-
Net increase / (decrease) in cash and cash equivalents	**304,323**	72,768
Opening cash and cash equivalents	142,405	69,637
Closing cash and cash equivalents	**446,728**	**142,405**

3. Notes to the Unaudited Financial Statements

For the period ended 31 December 2023

1. Identification

IronRock Insurance Company Limited (the Company) was incorporated June 9,2015 and is domiciled in Jamaica, with its registered office at 1b Braemar Avenue, Kingston 10. The principal activity of the Company is the underwriting of general insurance business. The Company is a subsidiary of Granite Group Limited, a company incorporated and domiciled in St. Lucia.

The Company's shares were listed on the Junior Market of the Jamaica Stock Exchange in March 2016.

2. Insurance licence

The company is registered under the Insurance Act 2001 (Act).

3. Basis of preparation

The financial statements are prepared on the historical cost basis. The unaudited financial results for the current period have been prepared in accordance with International Accounting Standard 34 – Interim Financial Statements.

IFRS 17 - Insurance Contracts

Accounting estimates:

In applying IFRS 17 measurement requirements, the following inputs and methods were used that included significant estimates.

Discount rates

The company used a bottom-up approach to determine discount rates, where applicable. Risk-free discount rates were determined using observed rates for Government of Jamaica bonds. The Company's claims settlement period is not expected to exceed the period over which observable market prices are available.

Risk adjustment for non-financial risk

Risk adjustments for non-financial risk was determined to reflect the compensation that the company would require for bearing non-financial risk and its degree of risk aversion. The risk adjustments for non-financial risk was determined for the liabilities for incurred claims of all contracts using a confidence level technique. They were allocated to groups of contracts based on an analysis of the risk profiles of the groups. To determine the risk adjustments for non-financial risk for reinsurance contracts, the company applied these techniques both gross and net of reinsurance and derived the amount of risk being transferred to the reinsurer as the difference between the two results.

IFRS 9 - Financial Instruments

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. However, the company has met the relevant criteria and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the company will apply IFRS 9 for the first time on 1 January 2023.

Financial assets — Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets — measured at amortised cost, FVOCI and FVTPL — and eliminates the previous IAS 39 categories of loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Impact assessment

IFRS 9 will affect the classification and measurement of financial assets held at 1 January 2023 as follows.

- Most underlying items of Participating contracts and certain other financial investments are designated as at FVTPL under IAS 39. They will also be measured at FVTPL under IFRS 9.
- Debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the circumstances.
- Equity investments that are classified as available-for-sale under IAS 39 will be measured at FVTPL under IFRS 9. However, some of these equity investments are held for long term strategic purposes and will be designated as at FVOCI on 1 January 2023; consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss, and no gains or losses will be reclassified to profit or loss on disposal of these investments.

Financial assets — Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the company's financial assets measured at amortised cost, debt investments at FVOCI.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The company will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the company expects to receive).

The key inputs into the measurement of ECL are the term structures of the PD, LGD and EAD. ECL for financial assets for which credit risk has not significantly increased are calculated by multiplying the 12-month PD by the respective LGD and EAD. Lifetime ECL are calculated by multiplying the lifetime PD by the respective LGD and EAD.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the company will use to derive the default rates of its portfolios. This includes the PDs provided in the default study and the LGDs provided in the recovery studies.

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below.

The comparative period will be restated in accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023; however, the company will elect to apply the classification overlay in IFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.

4. Accounting Policies

The same accounting policies and methods of computations are followed in the interim financial statements as compared with the most recent annual audited financial statements and the recent adoption of IFRS 9 and 17. The reconciliation of the changes to the retained earnings as at December 2022 are as follows:

		‘000
Dec 31, 2022	Audited Retained Earnings	39,534
	Discounted cost - Net	11,170
	Risk Adjustment - Net	(12,083)
	Investment Revaluation Reversal	572
	Expected Credit Loss	(7,258)
	Adjusted Retained Earnings	31,934

5. Earnings per share

Earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue over that period.

4. Disclosure of Shareholdings

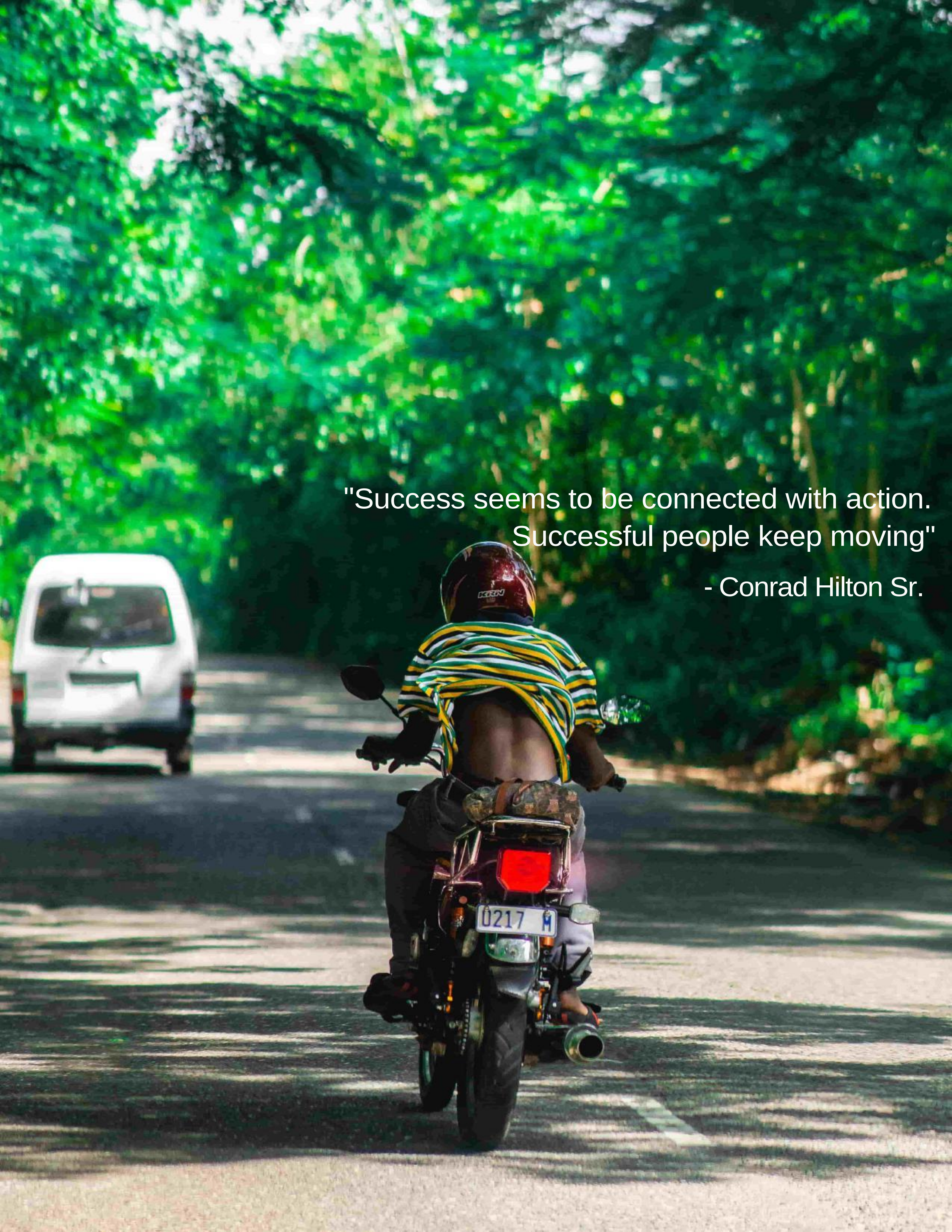
As at 31 December 2023

Top Ten Shareholders

		Connected Parties	Shares Held	Combined Holdings	% of Issued Shares
1.	Granite Group Limited		109,000,000	109,000,000	**50.93%**
2.	Mayberry Jamaican Equities Limited		41,776,754	41,776,754	**19.52%**
3.	Catherine Adella Peart		7,000,000	7,000,000	**3.27%**
4.	Mayberry Managed Client Accounts		5,765,573	5,765,573	**2.69%**
5.	Sigma Global Venture		4,000,000	4,000,000	**1.87%**
6.	Sharon Harvey-Wilson		1,563,360	3,768,339	**1.76%**
	Jeremy Wilson	*2,204,979*			
7.	PWL Bamboo Holdings Limited		2,924,094	2,924,094	**1.37%**
8.	W. David McConnell		2,420,000	2,420,000	**1.13%**
9.	R. Evan Thwaites		2,050,000	2,050,000	**0.96%**
10.	Michelle Mayne		2,000,000	2,000,000	**0.93%**
	Total			**180,704,760**	**84.44%**
	Total Issued Shares			**214,000,000**	**100.00%**

Directors & Senior Officers

	Connected Parties	Shares Held	Combined Holdings	% of Issued Shares
Directors				
W. David McConnell		2,420,000	112,231,000	**52.44%**
Granite Group Limited	*109,000,000*			
St. Elizabeth Holdings Limited	*811,000*			
R. Evan Thwaites		2,050,000	111,050,000	**51.89%**
Granite Group Limited	*109,000,000*			
Gary Peart		-	48,776,754	**22.79%**
Mayberry Jamaican Equities Limited	41,776,754			
Catherine Peart	*7,000,000*			
Wayne N. Hardie		1,025,727	1,025,727	**0.48%**
Christian Tavares-Finson		666,000	666,000	**0.31%**
Anthony Bell		-	-	**0.14%**
Senior Officers				
Yvonne Daley		250,000	250,000	**0.12%**
Maurice Bolt		200,000	200,000	**0.09%**


"Success seems to be connected with action.
Successful people keep moving"
- Conrad Hilton Sr.