

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

Guardian Group's profit attributable to equity shareholders for the half year ended June 30, 2015 totalled \$168 million (\$0.72/share) versus \$183 million (\$0.79/share) in the same period last year.

Our Business Units continue to produce solid operating results as Net Income from Insurance Activities grew by \$80 million or 30% from \$267 million to \$347 million. It is to be noted, however, that this substantial increase included a favourable reserve release of \$60 million from our Jamaican Life subsidiary which arose from a change in the basis of taxation of all life insurance companies in Jamaica. Our insurance companies, in all markets, have achieved excellent results as evidenced by the fact that without this reserve release Net Income from Insurance Activities would have increased by 7.5%. We expect an additional release later in the year when the final calculations are performed by our actuaries. We are continuing in our drive to reduce costs and realise synergies across our business units.

Our investment performance was negatively impacted by three items which totalled \$69 million. These are:

- A reduction of \$15 million in investment income given the continuing low interest rate regime that is still existing,
- A reduction of \$12 million in foreign exchange gains,
- A reduction of \$38 million in our investment returns mainly due to changes in the fair value of our bond portfolio.

We are presently engaged in adjusting our investment portfolio to try to achieve better investment returns without compromising our current risk profile.

Overall, your Board is satisfied with the Group's half-year performance and remains positive about the outlook for the rest of the financial year. Your Directors have therefore recommended an interim dividend of \$0.19 per common share (2014:\$0.17).



Arthur Lok Jack
Chairman GHJ
July 29, 2015

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 6-Months Jun 2015 TT\$'000	Unaudited 6-Months Jun 2014 TT\$'000	Unaudited 3-Months Jun 2015 TT\$'000	Unaudited 3-Months Jun 2014 TT\$'000	Audited 12-Months Dec 2014 TT\$'000
Gross premiums written	2,904,994	3,131,413	1,162,224	1,137,494	5,011,115
Net premiums written	1,899,571	1,988,325	827,057	818,419	3,482,700
Net income from insurance underwriting activities	347,062	267,253	202,166	149,302	545,978
Net fair value (losses)/gains on financial instruments	(8,739)	28,841	(16,464)	15,321	63,268
Net income from other investing activities	387,645	419,187	201,366	202,358	860,073
Net income from all activities	725,968	715,281	387,068	366,981	1,469,319
Operating expenses	(452,572)	(463,094)	(235,227)	(238,183)	(905,114)
Finance charges	(69,569)	(64,409)	(34,716)	(32,219)	(130,441)
Operating profit	203,827	187,778	117,125	96,579	433,764
Share of profit of associated companies	7,137	11,302	3,978	5,806	21,736
Profit before taxation	210,964	199,080	121,103	102,385	455,500
Taxation	(41,645)	(38,870)	(21,025)	(25,030)	(90,815)
Profit after taxation	169,319	160,210	100,078	77,355	364,685
Amount attributable to participating policyholders	(949)	1,846	(443)	2,766	(2,093)
Profit from continuing operations	168,370	162,056	99,635	80,121	362,592
Net gain/(loss) on discontinued operations	91	12,152	(1,580)	12,441	25,653
Profit for the year	168,461	174,208	98,055	92,562	388,245
(Profit)/loss attributable to non-controlling interests	(366)	8,769	(189)	3,879	12,271
Profit attributable to equity holders of the parent	168,095	182,977	97,866	96,441	400,516
Earnings per share					
- Basic	\$0.72	\$0.79			\$1.73
- Basic - for continuing operations	\$0.72	\$0.74			\$1.62

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6-Months Jun 2015 TT\$'000	Unaudited 6-Months Jun 2014 TT\$'000	Unaudited 3-Months Jun 2015 TT\$'000	Unaudited 3-Months Jun 2014 TT\$'000	Audited 12-Months Dec 2014 TT\$'000
Profit for the year	168,461	174,208	98,055	92,562	388,245
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	(76,582)	(94,209)	(18,155)	(59,564)	(215,264)
Gains on property revaluation	-	-	-	-	9,321
Actuarial gains on post employment benefits	-	-	-	-	53,577
Other reserve movements	54	226	(54)	114	(12,714)
Income tax relating to components of other comprehensive income	-	-	-	-	(3,943)
Other comprehensive loss for the year, net of tax	(76,528)	(93,983)	(18,209)	(59,450)	(169,023)
Total comprehensive income for the year, net of tax	91,933	80,225	79,846	33,112	219,222
Comprehensive (income)/loss attributable to non-controlling interests	(416)	4,864	(121)	(749)	(17,147)
Comprehensive income attributable to equity holders of the parent	91,517	85,089	79,725	32,363	202,075

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.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Jun 2015 TT\$'000	Unaudited Jun 2014 TT\$'000	Audited Dec 2014 TT\$'000
Balance at beginning of the period	2,956,218	2,896,328	2,896,328
Total comprehensive income	91,933	80,225	219,222
Movement in unallocated shares	-	61	61
Acquisition of non-controlling interests	-	(23,758)	(34,184)
Share option scheme - value of services provided	-	936	936
Dividends	(94,509)	(86,738)	(126,145)
Balance at the end of period	2,953,642	2,867,054	2,956,218

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Jun 2015 TT\$'000	Unaudited Jun 2014 TT\$'000	Audited Dec 2014 TT\$'000
Profit before taxation from continuing operations	210,964	199,080	455,500
Profit before taxation from discontinued operations	91	12,152	25,653
	211,055	211,232	481,153
Adjustment for specific items included on the accruals basis:			
- Finance charges	69,569	64,409	130,441
- Investment income	(368,827)	(384,315)	(771,331)
Interest and dividends received	340,571	351,306	767,709
Adjustments for non-cash items	(11,013)	178,368	81,518
Operating profit before changes in operating assets/liabilities	241,355	421,000	689,490
Net increase in insurance liabilities	676,653	877,209	452,050
Net purchases of financial assets	(227,233)	(428,720)	(677,238)
Net purchases of/additions to investment properties	(14,118)	(45,628)	(62,341)
Net movement in other operating assets and liabilities	(371,895)	(712,536)	(12,345)
Cash provided by operating activities	304,762	111,325	389,616
Interest paid	(75,266)	(70,373)	(139,888)
Net taxation paid	(50,910)	(79,080)	(133,665)
Net cash provided by/(used in) operating activities	178,586	(38,128)	116,063
Net cash used in investing activities	(49,404)	(79,811)	(107,060)
Net cash (used in)/provided by financing activities	(84,463)	(61,125)	152,869
Net increase/(decrease) in cash and cash equivalents	44,719	(179,064)	161,872

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

	Unaudited Jun 2015 TT\$'000	Audited Dec 2014 TT\$'000
ASSETS		
Property, plant and equipment	553,115	536,670
Investment properties	885,809	904,257
Intangible assets	395,145	399,292
Investment in associated companies	202,114	194,925
Financial assets	13,052,789	12,853,201
Financial assets of mutual fund unit holders	1,056,782	1,080,154
Loans and receivables	1,952,524	1,799,373
Properties for development and sale	158,590	170,887
Pension plan assets	94,220	87,750
Value of inforce life insurance business	1,121,042	1,046,314
Deferred tax assets	21,311	23,633
Reinsurance assets	973,138	695,642
Deferred acquisition costs	98,955	87,491
Taxation recoverable	151,901	152,874
Cash and cash equivalents	2,222,007	2,233,973
Cash and cash equivalents of mutual fund unit holders	165,776	105,714
Assets held for sale	147,346	204,776
Total assets	<u>23,252,564</u>	<u>22,576,926</u>
EQUITY AND LIABILITIES		
Share capital	2,038,936	2,038,936
Reserves	(656,532)	(582,155)
Retained earnings	1,549,410	1,476,274
Equity attributable to owners of the parent	2,931,814	2,933,055
Non-controlling interest in subsidiary	21,828	23,163
Total equity	<u>2,953,642</u>	<u>2,956,218</u>
Liabilities		
Insurance contracts	14,185,280	13,510,217
Financial liabilities	2,142,746	2,159,942
Investment contract liabilities	1,612,957	1,622,521
Third party interests in mutual funds	1,016,811	992,350
Pension plan liabilities	103,814	99,711
Post retirement medical benefit obligations	74,963	73,200
Deferred tax liabilities	217,410	215,308
Provision for taxation	35,979	48,900
Other liabilities	772,875	716,393
Liabilities related to assets held for sale	136,087	182,166
Total liabilities	<u>20,298,922</u>	<u>19,620,708</u>
Total equity and liabilities	<u>23,252,564</u>	<u>22,576,926</u>

These financial statements have been approved for issue by the Board of Directors on July 29, 2015 and signed on its behalf:

Director:  Director: 

SEGMENT INFORMATION

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other including consolidation adjustments TT\$'000	Group TT\$'000
Six months ended 30 June 2015					
Gross premiums written	1,619,814	1,285,180	-	-	2,904,994
Net premiums written	1,520,403	379,168	-	-	1,899,571
Underwriting revenue	1,567,202	464,733	-	-	2,031,935
Underwriting expenses	(1,427,615)	(257,258)	-	-	(1,684,873)
Net fair value (losses)/gains on financial instruments	(3,153)	(584)	(9,381)	4,379	(8,739)
Net income/(loss) from other investing activities	320,971	59,875	41,819	(35,020)	387,645
Net income/(loss) from all activities	457,405	266,766	32,438	(30,641)	725,968
Operating expenses	(253,908)	(154,948)	(19,694)	(24,022)	(452,572)
Finance charges	(1,342)	(13,470)	(88)	(54,669)	(69,569)
Operating profit/(loss)	<u>202,155</u>	<u>98,348</u>	<u>12,656</u>	<u>(109,332)</u>	<u>203,827</u>
Six months ended 30 June 2014					
Gross premiums written	1,667,503	1,463,910	-	-	3,131,413
Net premiums written	1,528,434	459,891	-	-	1,988,325
Underwriting revenue	1,494,150	506,233	-	-	2,000,383
Underwriting expenses	(1,461,584)	(271,546)	-	-	(1,733,130)
Net fair value gains / (losses) on financial instruments	35,634	(1,134)	(5,418)	(241)	28,841
Net income/(loss) from other investing activities	350,860	67,763	38,532	(37,968)	419,187
Net income/(loss) from all activities	419,060	301,316	33,114	(38,209)	715,281
Operating expenses	(245,571)	(162,338)	(16,815)	(38,370)	(463,094)
Finance charges	(139)	(12,969)	(57)	(51,244)	(64,409)
Operating profit/(loss)	<u>173,350</u>	<u>126,009</u>	<u>16,242</u>	<u>(127,823)</u>	<u>187,778</u>
Total Assets					
30 June 2015	17,624,848	4,461,154	1,590,034	(423,472)	23,252,564
31 December 2014	17,222,054	3,981,361	1,536,757	(163,246)	22,576,926

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 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.

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2014 audited financial statements consistently applied from period to period. Any new Accounting Standards or interpretations which became effective in this financial year have had no material impact on the Group. The areas of critical accounting estimate and judgement as disclosed in "Note 3" of the 31 December 2014 audited financial statements, have also remained unchanged.