



**Guardian Group**

Guardian Holdings Limited

## Guardian Holdings Limited

# Consolidated Financial Statements

Third Quarter Results to September 30, 2016

Expressed in Trinidad and Tobago Dollars

### CHAIRMAN'S REPORT

Dear Shareholders,

I am pleased to report that Group Profit attributable to equity shareholders for the nine months ended September 30, 2016 amounted to \$260 million, an increase of \$49 million or 23% over the corresponding period last year.

Net Income from Investing Activities for the period increased by \$242 million, from \$489 million in 2015, to \$731 million, including favourable fair value movements of \$139 million. As interest rates declined over the past few years, we deliberately built up a considerable cash portfolio so as to avoid committing to low-yielding instruments into the long term. It is therefore noteworthy that we experienced increases in income from all major investment classes, as we are beginning to derive the benefits of redeploying this stock of low yielding cash resources into stable, higher-yielding long-term instruments.

As mentioned in last year's Chairman's Statement for the third quarter of 2015, there was a favourable non-recurring reserve release arising from a change in the taxation of insurance companies in Jamaica. Consequently, Net Income from Insurance Underwriting Activities of \$375 million decreased by \$125 million from the 2015 figure (\$500 million). Our strong investment performance as described in the previous paragraph has more than compensated for the non-recurrence of this item in 2016. Excluding the impact of this non-recurring reserve release, Net Income from Insurance Underwriting Activities increased year-over-year, particularly in our Life, Health and Pension segment (LHP).

Net written premiums grew 1% overall with both LHP and Property & Casualty (P&C) segments reporting small increases over the corresponding period last year. Our P&C segment continued to be affected by persistent "soft" market rates in the motor and property classes of business, while within our life assurance sub-segment we executed a change in sales mix that we believe will improve overall profit margins over the medium term.

Shareholders will be aware of the path taken by Hurricane Matthew during the months of September and October. Countries materially unaffected by the associated wind and flooding included those of the Eastern Caribbean and Jamaica. In certain islands of the Bahamas archipelago, however, we have been notified of claims. We are unable, at present, to quantify our Group's exposure, which will be accounted for in the fourth quarter of this year.

Overall, your Board is satisfied with the Group's nine-month performance, despite adverse economic headwinds, and looks forward to maintaining the current momentum to year end.

**Henry Peter Ganteaume**  
Deputy Chairman GH  
October 27, 2016

### SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 9-Months Sep 2016 TT\$'000	Unaudited 9-Months Sep 2015 TT\$'000 (Restated)	Unaudited 3-Months Sep 2016 TT\$'000	Unaudited 3-Months Sep 2015 TT\$'000 (Restated)	Audited 12-Months Dec 2015 TT\$'000
Gross written premiums	3,862,090	3,967,234	1,126,709	1,062,240	5,151,553
Net written premiums	2,709,861	2,675,221	827,652	775,650	3,551,716
Net income from insurance underwriting activities	375,204	500,348	115,926	203,086	662,220
Net income from investing activities	730,894	489,381	260,423	134,557	788,322
Net income/(loss) from brokerage activities	1,314	4,278	(8,558)	1,648	7,839
<b>Net income from all activities</b>	<b>1,107,412</b>	<b>994,007</b>	<b>367,791</b>	<b>339,291</b>	<b>1,458,381</b>
Operating expenses	(672,152)	(637,504)	(218,180)	(206,384)	(885,977)
Finance charges	(97,603)	(104,390)	(32,271)	(34,821)	(141,094)
<b>Operating profit</b>	<b>337,657</b>	<b>252,113</b>	<b>117,340</b>	<b>98,086</b>	<b>431,310</b>
Share of profit of associated companies	9,676	15,718	3,982	8,581	17,381
<b>Profit before taxation</b>	<b>347,333</b>	<b>267,831</b>	<b>121,322</b>	<b>106,667</b>	<b>448,691</b>
Taxation	(91,492)	(66,839)	(24,202)	(25,194)	(101,899)
<b>Profit after taxation</b>	<b>255,841</b>	<b>200,992</b>	<b>97,120</b>	<b>81,473</b>	<b>346,792</b>
Amount attributable to participating policyholders	(206)	369	(3,799)	1,318	(12,938)
<b>Profit from continuing operations</b>	<b>255,635</b>	<b>201,361</b>	<b>93,321</b>	<b>82,791</b>	<b>333,854</b>
Net gain from discontinued operations	4,933	9,890	4,875	2,102	2,468
<b>Profit for the period</b>	<b>260,568</b>	<b>211,251</b>	<b>98,196</b>	<b>84,893</b>	<b>336,322</b>
Profit attributable to non-controlling interests	(828)	(811)	(451)	(445)	(1,559)
<b>Profit attributable to equity holders of the parent</b>	<b>259,740</b>	<b>210,440</b>	<b>97,745</b>	<b>84,448</b>	<b>334,763</b>
<b>Earnings per share</b>					
- Basic	\$1.12	\$0.91			\$1.44
- Basic - for continuing operations	\$1.10	\$0.86			\$1.43

### SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 9-Months Sep 2016 TT\$'000	Unaudited 9-Months Sep 2015 TT\$'000 (Restated)	Unaudited 3-Months Sep 2016 TT\$'000	Unaudited 3-Months Sep 2015 TT\$'000 (Restated)	Audited 12-Months Dec 2015 TT\$'000
<b>Profit for the period</b>	<b>260,568</b>	<b>211,251</b>	<b>98,196</b>	<b>84,893</b>	<b>336,322</b>
<b>Other comprehensive income/(loss)</b>					
Exchange differences on translating foreign operations	92,759	(94,698)	29,750	(24,276)	(74,172)
Gains on property revaluation	-	-	-	-	1,578
Actuarial gains on post employment benefits	-	-	-	-	19,646
Other reserve movements	(218)	(2,628)	(280)	(2,682)	(290)
Income tax relating to components of other comprehensive income	-	-	-	-	(1,931)
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<b>92,541</b>	<b>(97,326)</b>	<b>29,470</b>	<b>(26,958)</b>	<b>(55,169)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>353,109</b>	<b>113,925</b>	<b>127,666</b>	<b>57,935</b>	<b>281,153</b>
Comprehensive income attributable to non-controlling interests	(1,832)	(791)	(1,338)	(375)	(2,230)
<b>Comprehensive income attributable to equity holders of the parent</b>	<b>351,277</b>	<b>113,134</b>	<b>126,328</b>	<b>57,560</b>	<b>278,923</b>

#### 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.

**CONSOLIDATED STATEMENT  
OF FINANCIAL POSITION**

	Unaudited Sep 2016 TT\$'000	Audited Dec 2015 TT\$'000
<b>ASSETS</b>		
Property, plant and equipment	570,064	563,927
Investment properties	1,186,691	949,917
Intangible assets	522,775	505,097
Investment in associated companies	217,646	212,125
Financial assets	14,572,072	13,757,214
Financial assets of mutual fund unit holders	1,002,664	1,046,642
Loans and receivables	2,029,690	1,821,478
Properties for development and sale	205,801	188,973
Pension plan assets	110,708	102,732
Deferred tax assets	20,828	17,313
Reinsurance assets	886,098	702,548
Deferred acquisition costs	98,023	88,240
Taxation recoverable	157,510	152,352
Cash and cash equivalents	1,762,430	1,847,901
Cash and cash equivalents of mutual fund unit holders	218,735	203,157
Assets held for sale	266	24,302
<b>Total assets</b>	<b>23,562,001</b>	<b>22,183,918</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2,032,281	2,038,280
Reserves	(506,018)	(597,775)
Retained earnings	1,409,238	1,289,905
<b>Equity attributable to owners of the parent</b>	<b>2,935,501</b>	<b>2,730,410</b>
Non-controlling interests in subsidiary	21,200	23,599
<b>Total equity</b>	<b>2,956,701</b>	<b>2,754,009</b>
<b>Liabilities</b>		
Insurance contracts	14,235,297	13,231,768
Financial liabilities	2,068,474	2,154,435
Investment contract liabilities	1,784,906	1,697,594
Third party interests in mutual funds	1,116,482	1,045,130
Pension plan liabilities	90,248	85,825
Post retirement medical benefit obligations	83,516	78,636
Deferred tax liabilities	259,247	231,052
Provision for taxation	34,421	33,644
Other liabilities	932,443	853,376
Liabilities related to assets held for sale	266	18,449
<b>Total liabilities</b>	<b>20,605,300</b>	<b>19,429,909</b>
<b>Total equity and liabilities</b>	<b>23,562,001</b>	<b>22,183,918</b>

These financial statements have been approved for issue by the Board of Directors on October 27, 2016 and signed on its behalf:



**SUMMARY CONSOLIDATED STATEMENT  
OF CHANGES IN EQUITY**

	Unaudited Sep 2016 TT\$'000	Unaudited Sep 2015 TT\$'000 (Restated)	Audited Dec 2015 TT\$'000
<b>Balance at beginning of the period</b>	2,754,009	2,611,471	2,611,471
Total comprehensive income	353,109	113,925	281,153
Movement in unallocated shares	(4)	-	-
Acquisition of non-controlling interest	(2,874)	-	-
Dividends	(147,539)	(138,565)	(138,615)
<b>Balance at the end of period</b>	<b>2,956,701</b>	<b>2,586,831</b>	<b>2,754,009</b>

**SUMMARY CONSOLIDATED STATEMENT  
OF CASH FLOWS**

	Unaudited Sep 2016 TT\$'000	Unaudited Sep 2015 TT\$'000 (Restated)	Audited Dec 2015 TT\$'000
Profit before taxation from continuing operations	347,333	267,831	448,691
Profit before taxation from discontinued operations	4,933	9,890	2,468
	352,266	277,721	451,159
Adjustment for specific items included on the accruals basis:			
- Finance charges	97,603	104,390	141,094
- Investment income	(595,264)	(548,993)	(771,504)
Interest and dividends received	579,540	512,409	749,295
Adjustments for non-cash items	(160,329)	173,370	119,256
Operating profit before changes in operating assets / liabilities	273,816	518,897	689,300
Net increase in insurance liabilities	1,002,094	467,827	442,332
Net purchases of financial assets	(517,451)	(584,230)	(942,768)
Net purchases of/additions to investment properties	(220,315)	(22,241)	(33,943)
Net movement in other operating assets and liabilities	(281,292)	(317,267)	32,705
Cash provided by operating activities	256,852	62,986	187,626
Interest paid	(124,978)	(125,636)	(161,488)
Net taxation paid	(82,208)	(71,880)	(94,446)
Net cash provided by/(used in) operating activities	49,666	(134,530)	(68,308)
Net cash used in investing activities	(52,373)	(92,056)	(181,900)
Net cash used in financing activities	(125,292)	(157,963)	(61,636)
Net decrease in cash and cash equivalents	(127,999)	(384,549)	(311,844)

**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
<b>Nine months ended 30 September 2016</b>					
Gross written premiums	2,260,706	1,601,384	-	-	3,862,090
Net written premiums	2,140,246	569,615	-	-	2,709,861
Underwriting revenue	2,126,109	721,109	-	-	2,847,218
Underwriting expenses	(2,047,819)	(428,428)	-	4,233	(2,472,014)
Net income/(loss) from investing activities	683,673	75,007	61,923	(89,709)	730,894
Net income from brokerage activities	-	1,314	-	-	1,314
<b>Net income/(loss) from all activities</b>	<b>761,963</b>	<b>369,002</b>	<b>61,923</b>	<b>(85,476)</b>	<b>1,107,412</b>
Operating expenses	(377,493)	(209,697)	(27,414)	(57,548)	(672,152)
Finance charges	(3,243)	(16,215)	(277)	(77,868)	(97,603)
<b>Operating profit/(loss)</b>	<b>381,227</b>	<b>143,090</b>	<b>34,232</b>	<b>(220,892)</b>	<b>337,657</b>
<b>Nine months ended 30 September 2015</b>					
Gross written premiums	2,257,998	1,709,236	-	-	3,967,234
Net written premiums	2,120,538	554,683	-	-	2,675,221
Underwriting revenue	2,127,318	698,664	-	-	2,825,982
Underwriting expenses	(1,929,274)	(396,360)	-	-	(2,325,634)
Net income/(loss) from investing activities	444,542	46,468	43,843	(45,472)	489,381
Net income from brokerage activities	-	4,278	-	-	4,278
<b>Net income/(loss) from all activities</b>	<b>642,586</b>	<b>353,050</b>	<b>43,843</b>	<b>(45,472)</b>	<b>994,007</b>
Operating expenses	(380,247)	(194,296)	(29,206)	(33,755)	(637,504)
Finance charges	(2,173)	(19,831)	(155)	(82,231)	(104,390)
<b>Operating profit/(loss)</b>	<b>260,166</b>	<b>138,923</b>	<b>14,482</b>	<b>(161,458)</b>	<b>252,113</b>
<b>Total Assets</b>					
30 September 2016	18,003,664	4,411,727	1,601,141	(454,531)	23,562,001
31 December 2015	16,960,884	4,072,071	1,607,514	(456,551)	22,183,918

**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 2015 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 2015 audited financial statements, have also remained unchanged.