



Guardian Group

Guardian Holdings Limited

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Consolidated Financial Statements

Second Quarter Results to June 30, 2016

Expressed in Trinidad and Tobago Dollars

CHAIRMAN'S REPORT

Dear Fellow Shareholders,

I am pleased to report that Group Profit before Taxation for the half year ended June 30, 2016 amounted to \$226 million, an increase of \$65 million or 40% over the corresponding period last year. This strong performance resulted from improved investment returns in quarter two, which more than compensated for a reduced result in our insurance activities.

Our investment portfolio has generated a more than satisfactory return with Net Income from Investing Activities increasing by \$115 million to \$470 million from \$355 million for the half-year to June 2015. Of note, this includes a significant swing in income from securities as we have commenced redeploying our stock of low yielding short-term instruments to higher-yielding long-term instruments. We will continue this shift in the composition of our investment portfolio to the benefit of our shareholders and policyholders as we continue to actively seek attractive but stable long-term income streams.

The Net Income from Insurance Activities of \$259 million (2015 - \$297 million) was adversely affected by an unusually high incidence of fire and large motor claims during the last quarter. Net earned premiums for the period have remained flat when compared to the corresponding period last year. This is as a result of persistent "soft" market rates in the motor and property classes of business which depressed net premium income. With respect to our long-term business segment, we have re-directed our sales effort to "protection" products and away from lower-margin "savings" products. At the same time we elected not to renew one large international health re-insurance treaty. These measures, aimed at improving overall profit margins, should bear fruit over the medium-term but contributed to the reduction in total net premium income.

Our brokerage activities in the Netherlands and Dutch Caribbean continue to produce good growth in profits and provide a stream of revenue without exposure from insurance risks. Net Income from Brokerage Activities increased from \$3 million in 2015 to \$10 million in 2016. This continues to provide a good return on investment.

Overall, your Board is satisfied with the Group's half-year performance and despite adverse economic headwinds, looks forward to improved operating margins and increased investment returns. Your Directors have therefore recommended an interim dividend of \$0.21 per common share (2015: \$0.19).

Arthur Lok Jack
Chairman GH
August 4, 2016

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 6-Months Jun 2016 TT\$'000	Unaudited 6-Months Jun 2015 TT\$'000 (Restated)	Unaudited 3-Months Jun 2016 TT\$'000	Unaudited 3-Months Jun 2015 TT\$'000 (Restated)	Audited 12-Months Dec 2015 TT\$'000
Gross written premiums	2,735,381	2,904,994	1,142,264	1,162,224	5,151,553
Net written premiums	1,882,209	1,899,571	808,381	827,057	3,551,716
Net income from insurance underwriting activities	259,278	297,262	154,613	176,259	662,220
Net income from investing activities	470,471	354,824	238,304	171,859	788,322
Net income from brokerage activities	9,872	2,630	5,665	2,383	7,839
Net income from all activities	739,621	654,716	398,582	350,501	1,458,381
Operating expenses	(453,972)	(431,120)	(237,515)	(224,567)	(885,977)
Finance charges	(65,332)	(69,569)	(32,558)	(34,716)	(141,094)
Operating profit	220,317	154,027	128,509	91,218	431,310
Share of profit of associated companies	5,694	7,137	4,070	3,978	17,381
Profit before taxation	226,011	161,164	132,579	95,196	448,691
Taxation	(67,290)	(41,645)	(35,831)	(21,025)	(101,899)
Profit after taxation	158,721	119,519	96,748	74,171	346,792
Amount attributable to participating policyholders	3,593	(949)	2,811	(443)	(12,938)
Profit from continuing operations	162,314	118,570	99,559	73,728	333,854
Net gain/(loss) from discontinued operations	58	7,788	190	(1,609)	2,468
Profit for the period	162,372	126,358	99,749	72,119	336,322
Profit attributable to non-controlling interests	(377)	(366)	(178)	(189)	(1,559)
Profit attributable to equity holders of the parent	161,995	125,992	99,571	71,930	334,763
Earnings per share					
- Basic	\$0.70	\$0.54			\$1.44
- Basic - for continuing operations	\$0.70	\$0.51			\$1.43

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6-Months Jun 2016 TT\$'000	Unaudited 6-Months Jun 2015 TT\$'000 (Restated)	Unaudited 3-Months Jun 2016 TT\$'000	Unaudited 3-Months Jun 2015 TT\$'000 (Restated)	Audited 12-Months Dec 2015 TT\$'000
Profit for the period	162,372	126,358	99,749	72,119	336,322
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	63,009	(70,422)	(18,349)	(12,133)	(74,172)
Gains on property revaluation	-	-	-	-	1,578
Actuarial gains on post employment benefits	-	-	-	-	19,646
Other reserve movements	62	54	(7)	(54)	(290)
Income tax relating to components of other comprehensive income	-	-	-	-	(1,931)
Other comprehensive income/(loss) for the period, net of tax	63,071	(70,368)	(18,356)	(12,187)	(55,169)
Total comprehensive income for the period, net of tax	225,443	55,990	81,393	59,932	281,153
Comprehensive (income)/loss attributable to non-controlling interests	(494)	(416)	352	(121)	(2,230)
Comprehensive income attributable to equity holders of the parent	224,949	55,574	81,745	59,811	278,923

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 Jun 2016 TT\$'000	Audited Dec 2015 TT\$'000
ASSETS		
Property, plant and equipment	568,556	563,927
Investment properties	971,668	949,917
Intangible assets	518,717	505,097
Investment in associated companies	220,189	212,125
Financial assets	14,216,072	13,757,214
Financial assets of mutual fund unit holders	1,018,018	1,046,642
Loans and receivables	2,058,769	1,821,478
Properties for development and sale	189,797	188,973
Pension plan assets	108,693	102,732
Deferred tax assets	19,281	17,313
Reinsurance assets	942,419	702,548
Deferred acquisition costs	99,790	88,240
Taxation recoverable	160,566	152,352
Cash and cash equivalents	1,985,131	1,847,901
Cash and cash equivalents of mutual fund unit holders	289,022	203,157
Assets held for sale	7,105	24,302
Total assets	23,373,793	22,183,918
EQUITY AND LIABILITIES		
Share capital	2,032,282	2,038,280
Reserves	(534,883)	(597,775)
Retained earnings	1,360,558	1,289,905
Equity attributable to owners of the parent	2,857,957	2,730,410
Non-controlling interests in subsidiary	22,702	23,599
Total equity	2,880,659	2,754,009
Liabilities		
Insurance contracts	14,117,700	13,231,768
Financial liabilities	2,101,022	2,154,435
Investment contract liabilities	1,759,344	1,697,594
Third party interests in mutual funds	1,110,701	1,045,130
Pension plan liabilities	88,975	85,825
Post retirement medical benefit obligations	82,191	78,636
Deferred tax liabilities	246,689	231,052
Provision for taxation	30,161	33,644
Other liabilities	956,080	853,376
Liabilities related to assets held for sale	271	18,449
Total liabilities	20,493,134	19,429,909
Total equity and liabilities	23,373,793	22,183,918

These financial statements have been approved for issue by the Board of Directors on August 4, 2016 and signed on its behalf:



**SUMMARY CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

	Unaudited Jun 2016 TT\$'000	Unaudited Jun 2015 TT\$'000 (Restated)	Audited Dec 2015 TT\$'000
Balance at beginning of the period	2,754,009	2,611,471	2,611,471
Total comprehensive income	225,443	55,990	281,153
Movement in unallocated shares	(4)	-	-
Dividends	(98,789)	(94,509)	(138,615)
Balance at the end of period	2,880,659	2,572,952	2,754,009

**SUMMARY CONSOLIDATED STATEMENT
OF CASH FLOWS**

	Unaudited Jun 2016 TT\$'000	Unaudited Jun 2015 TT\$'000 (Restated)	Audited Dec 2015 TT\$'000
Profit before taxation from continuing operations	226,011	161,164	448,691
Profit before taxation from discontinued operations	58	7,788	2,468
	226,069	168,952	451,159
Adjustment for specific items included on the accruals basis:			
- Finance charges	65,332	69,569	141,094
- Investment income	(393,960)	(368,827)	(771,504)
Interest and dividends received	389,696	340,571	749,295
Adjustments for non-cash items	(125,862)	62,002	119,256
Operating profit before changes in operating assets/liabilities	161,275	272,267	689,300
Net increase in insurance liabilities	885,448	641,941	442,332
Net purchases of financial assets	(254,238)	(227,233)	(942,768)
Net purchases of/additions to investment properties	(14,909)	(14,118)	(33,943)
Net movement in other operating assets and liabilities	(349,329)	(368,095)	32,705
Cash provided by operating activities	428,247	304,762	187,626
Interest paid	(74,034)	(75,266)	(161,488)
Net taxation paid	(66,268)	(50,910)	(94,446)
Net cash provided by/(used in) operating activities	287,945	178,586	(68,308)
Net cash used in investing activities	(34,850)	(49,404)	(181,900)
Net cash used in financing activities	(76,475)	(84,463)	(61,636)
Net increase/(decrease) in cash and cash equivalents	176,620	44,719	(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
Six months ended 30 June 2016					
Gross written premiums	1,574,209	1,161,172	-	-	2,735,381
Net written premiums	1,495,451	386,758	-	-	1,882,209
Underwriting revenue	1,456,546	477,240	-	-	1,933,786
Underwriting expenses	(1,388,954)	(288,374)	-	2,820	(1,674,508)
Net income/(loss) from investing activities	450,369	47,615	40,785	(68,298)	470,471
Net income from brokerage activities	-	9,872	-	-	9,872
Net income/(loss) from all activities	517,961	246,353	40,785	(65,478)	739,621
Operating expenses	(249,361)	(139,422)	(17,632)	(47,557)	(453,972)
Finance charges	(2,111)	(11,142)	(167)	(51,912)	(65,332)
Operating profit/(loss)	266,489	95,789	22,986	(164,947)	220,317
Six months ended 30 June 2015					
Gross written premiums	1,619,814	1,285,180	-	-	2,904,994
Net written premiums	1,520,403	379,168	-	-	1,899,571
Underwriting revenue	1,486,490	464,733	-	-	1,951,223
Underwriting expenses	(1,396,703)	(257,258)	-	-	(1,653,961)
Net income/(loss) from investing activities	317,818	35,209	32,438	(30,641)	354,824
Net income from brokerage activities	-	2,630	-	-	2,630
Net income/(loss) from all activities	407,605	245,314	32,438	(30,641)	654,716
Operating expenses	(253,908)	(133,496)	(19,694)	(24,022)	(431,120)
Finance charges	(1,342)	(13,470)	(88)	(54,669)	(69,569)
Operating profit/(loss)	152,355	98,348	12,656	(109,332)	154,027
Total Assets					
30 June 2016	17,747,761	4,447,999	1,667,521	(489,488)	23,373,793
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.