

CHAIRMAN'S REPORT

Introduction

Before presenting my brief commentary on the half-year financial performance, I would like to remind you that your Group has implemented IFRS 9 Financial Instruments as fully discussed in my previous Chairman's Report. There are two key points that I will briefly point out. First, IFRS 9 resulted in a write down of the carrying value of investments and the corresponding value of Group Equity at January 1, 2018. This has been reviewed and adjusted in the second quarter as a result of the economic circumstance in Barbados. Second, this accounting standard allows the accounting for unrealised profits and losses of certain portfolios of bonds in the Statement of Comprehensive Income when this treatment matches the logical business rules of how the assets are actually managed.

Results for Half-Year

The insurance businesses across the Group have continued to perform satisfactorily. Within the Life, Health and Pension division both new business and persistency have contributed to the growth in gross premiums and profitability. The Property and Casualty companies' contributions to overall profits reflect our adherence to sound underwriting principles. In the North Caribbean modest premium rate increases have been achieved following the hurricanes of last year.

Net income from investing activities has fallen by more than \$100 million from that of the comparable period in 2017. Global equity valuations, positive in 2017, have continued to work against us during the current year to date. These are unrealised valuation movements, and, over time, we expect them to reverse. The actual cash income earned on all Group investment portfolios exceeded the level of 2017 by \$34 million or 8%, a most satisfactory outcome.

Shareholders will observe the effect of the implementation of IFRS 9, referred to above, on Group Total Equity as set out in the Summary Consolidated Statement of Changes in Equity. I must re-emphasize that this diminution in capital results, in the main, from compliance with the new conservative valuation and impairment policies resulting from the initial application of IFRS 9 and will not recur. Notwithstanding this reality all regulatory capital requirements have been exceeded.

Based upon the overall performance for the half-year under review your Board has approved an interim dividend of 23c (2017: 22c) to be paid to shareholders on record on August 22, 2018 when the register of members will be closed for this purpose.



Henry Peter Ganteaume
Deputy Chairman GH
August 9, 2018

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 INCOME

	Unaudited 6-Months		Unaudited 3-Months		Audited
	Jun 2018	Jun 2017	Jun 2018	Jun 2017	12-Months
	TT\$'000	TT\$'000	TT\$'000	TT\$'000	Dec 2017
					TT\$'000
Gross written premiums	3,299,962	2,904,530	1,405,911	1,284,978	5,472,644
Net written premiums	2,216,679	2,004,348	978,472	930,753	3,926,948
Net income from insurance underwriting activities	389,634	210,495	206,896	107,597	403,099
Net income from investing activities	449,921	565,000	260,729	286,269	1,190,957
Net income from brokerage activities	17,452	7,478	10,207	2,955	15,733
Net income from all activities	857,007	782,973	477,832	396,821	1,609,789
Net impairment losses on financial assets	(6,186)	-	(10,743)	-	-
Operating expenses	(493,655)	(464,241)	(252,852)	(229,003)	(979,327)
Finance charges	(68,676)	(64,373)	(34,294)	(32,212)	(128,893)
Operating profit	288,490	254,359	179,943	135,606	501,569
Share of profit after tax of associated companies	9,199	9,776	6,513	5,511	18,646
Profit before taxation	297,689	264,135	186,456	141,117	520,215
Taxation	(84,903)	(63,570)	(48,517)	(34,200)	(109,924)
Profit after taxation	212,786	200,565	137,939	106,917	410,291
Amount attributable to participating policyholders	3,005	(6,687)	5,287	(3,523)	(1,142)
Profit for the period	215,791	193,878	143,226	103,394	409,149
Profit attributable to non-controlling interests	(832)	(523)	(334)	(253)	(2,540)
Profit attributable to equity holders of the parent	214,959	193,355	142,892	103,141	406,609
Earnings per share					
- Basic	\$ 0.93	\$ 0.83			\$ 1.75

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6-Months		Unaudited 3-Months		Audited
	Jun 2018	Jun 2017	Jun 2018	Jun 2017	12-Months
	TT\$'000	TT\$'000	TT\$'000	TT\$'000	Dec 2017
					TT\$'000
Profit for the period	215,791	193,878	143,226	103,394	409,149
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	(87,960)	70,215	(103,884)	45,109	153,041
Net losses on debt instruments at fair value through other comprehensive income	(44,452)	-	(20,179)	-	-
Losses on property revaluation	-	-	-	-	(3,073)
Actuarial losses on post-employment benefits	-	-	-	-	(93,767)
Other reserve movements	(539)	(42)	(197)	54	(29,916)
Income tax relating to components of other comprehensive income	3,795	-	2,148	-	913
Other comprehensive (loss)/income for the period, net of tax	(129,156)	70,173	(122,112)	45,163	27,198
Total comprehensive income for the period, net of tax	86,635	264,051	21,114	148,557	436,347
Comprehensive income attributable to non-controlling interests	(937)	(328)	(486)	(250)	(2,224)
Comprehensive income attributable to equity holders of the parent	85,698	263,723	20,628	148,307	434,123

**CONSOLIDATED STATEMENT
OF FINANCIAL POSITION**

	Unaudited Jun 2018 TT\$'000	Audited Dec 2017 TT\$'000
ASSETS		
Property, plant and equipment	597,971	602,744
Investment properties	1,438,592	1,454,364
Intangible assets	517,937	528,985
Investment in associated companies	225,199	220,844
Investment securities	16,800,400	16,640,755
Investment securities of mutual fund unit holders	1,131,067	1,011,404
Loans and receivables	2,119,090	2,302,980
Properties for development and sale	100,782	103,475
Pension plan assets	84,818	82,957
Deferred tax assets	47,578	40,130
Reinsurance assets	1,815,435	2,211,824
Deferred acquisition costs	114,848	92,615
Taxation recoverable	132,385	163,179
Cash and cash equivalents	1,876,253	2,059,318
Cash and cash equivalents of mutual fund unit holders	215,532	371,062
Total assets	27,217,887	27,886,636
EQUITY AND LIABILITIES		
Share capital	1,993,604	1,993,473
Reserves	(433,791)	(395,592)
Retained earnings	1,475,414	1,701,933
Equity attributable to owners of the parent	3,035,227	3,299,814
Non-controlling interests in subsidiary	22,116	23,071
Total equity	3,057,343	3,322,885
Liabilities		
Insurance contracts	17,173,502	17,132,813
Financial liabilities	2,315,509	2,347,739
Investment contract liabilities	1,959,156	1,989,472
Third party interests in mutual funds	1,080,770	1,177,879
Pension plan liabilities	129,373	130,208
Post-retirement medical benefit obligations	108,086	105,804
Deferred tax liabilities	286,111	273,352
Provision for taxation	46,454	58,026
Reinsurance liabilities	400,578	559,314
Other liabilities	661,005	789,144
Total liabilities	24,160,544	24,563,751
Total equity and liabilities	27,217,887	27,886,636

These consolidated financial statements have been approved for issue by the Board of Directors on August 9, 2018 and signed on its behalf:



**SUMMARY CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

	Unaudited Jun 2018 TT\$'000	Unaudited Jun 2017 TT\$'000	Audited Dec 2017 TT\$'000
Balance at beginning of period	3,322,885	3,063,595	3,063,595
IFRS 9 initial application adjustments	(257,553)	-	-
Total comprehensive income	86,635	264,051	436,347
Other movements	11,025	(236)	(11,145)
Repurchased vested options	-	(8,919)	(8,919)
Dividends	(105,649)	(105,983)	(156,993)
Balance at end of period	3,057,343	3,212,508	3,322,885

**SUMMARY CONSOLIDATED STATEMENT
OF CASH FLOWS**

	Unaudited Jun 2018 TT\$'000	Unaudited Jun 2017 TT\$'000	Audited Dec 2017 TT\$'000
Profit before taxation	297,689	264,135	520,215
Adjustment for specific items included on the accruals basis:			
- Finance charges	68,676	64,373	128,893
- Investment income	(466,877)	(428,941)	(890,823)
Interest and dividends received	469,666	426,507	921,334
Adjustments for non-cash items	185,230	(60,086)	(259,320)
Operating profit before changes in operating assets/liabilities	554,384	265,988	420,299
Net (decrease)/increase in insurance liabilities	(92,749)	677,807	2,475,337
Net purchases of financial assets	(329,554)	(291,694)	(898,017)
Net purchases of/additions to investment properties	(23,811)	(22,911)	(49,886)
Net movement in other operating assets and liabilities	(93,828)	(231,783)	(1,186,056)
Cash provided by operating activities	14,442	397,407	761,677
Interest paid	(72,821)	(60,815)	(138,757)
Net taxation paid	(51,086)	(66,638)	(108,775)
Net cash (used in)/provided by operating activities	(109,465)	269,954	514,145
Net cash used in investing activities	(25,669)	(25,224)	(77,305)
Net cash (used in)/provided by financing activities	(200,447)	(130,197)	75,321
Net (decrease)/increase in cash and cash equivalents	(335,581)	114,533	512,161

**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 2018					
Gross written premiums	1,890,525	1,409,437	-	-	3,299,962
Net written premiums	1,793,143	423,536	-	-	2,216,679
Underwriting revenue	1,775,018	519,498	-	-	2,294,516
Underwriting expenses	(1,614,611)	(291,712)	-	1,441	(1,904,882)
Net income/(loss) from investing activities	391,081	34,346	45,396	(20,902)	449,921
Net income from brokerage activities	-	17,452	-	-	17,452
Net income/(loss) from all activities	551,488	279,584	45,396	(19,461)	857,007
Net impairment gains/(losses) on financial assets	(12,684)	7,345	(528)	(319)	(6,186)
Operating expenses	(277,589)	(152,645)	(24,863)	(38,558)	(493,655)
Finance charges	(409)	(4,032)	(624)	(63,611)	(68,676)
Operating profit/(loss)	260,806	130,252	19,381	(121,949)	288,490
Six months ended 30 June 2017					
Gross written premiums	1,702,778	1,201,752	-	-	2,904,530
Net written premiums	1,597,463	406,885	-	-	2,004,348
Underwriting revenue	1,571,035	490,593	-	-	2,061,628
Underwriting expenses	(1,563,877)	(289,305)	-	2,049	(1,851,133)
Net income/(loss) from investing activities	517,543	46,785	42,747	(42,075)	565,000
Net income from brokerage activities	-	7,478	-	-	7,478
Net income/(loss) from all activities	524,701	255,551	42,747	(40,026)	782,973
Operating expenses	(272,397)	(151,264)	(21,800)	(18,780)	(464,241)
Finance charges	(1,706)	(9,358)	(417)	(52,892)	(64,373)
Operating profit/(loss)	250,598	94,929	20,530	(111,698)	254,359
Total assets					
30 June 2018	20,697,415	5,119,441	1,692,452	(291,421)	27,217,887
31 December 2017	20,491,615	5,681,356	1,777,624	(63,959)	27,886,636

**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.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2017 audited financial statements consistently applied from period to period, except for the adoption of new standards that became effective for the Group from 1 January 2018: IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

IFRS 15 did not have any material impact on the Group's financial reporting and did not require retrospective adjustments. In contrast, IFRS 9 replaced the provisions of IAS 39 Financial Instruments: Recognition and Measurement that related to the recognition, classification, and measurement of financial assets and liabilities, derecognition of financial instruments, and introduced an expected credit loss model for the impairment of financial assets. The adoption of IFRS 9 resulted in changes to the Group's accounting policies, and in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The cumulative retrospective impact of applying the new requirements has been reflected in the Group's opening statement of financial position as at 1 January 2018, as disclosed in the Group's published first quarter results to 31 March 2018. The initial application adjustments were further refined for the six month period ended 30 June 2018.