Guardian Group
Guardian Holdings Limited

Guardian Holdings Limited
Consolidated Financial Statements
Year ended 31st December, 2018

Expressed in Trinidad and Tobago Dollars

CHAIRMAN´S REPORT

Dear Shareholders,

Your Group has produced excellent results for the year ended 31st December, 2018. Profits attributable to shareholders amounted to $534 million, an increase of 31% over those of 2017, $407 million. Earnings per share were $2.30 versus $1.75 in the prior year. Shareholders' equity was reduced by a one-time charge of $182 million resulting from the adoption of IFRS 9, Financial Instruments, the new Accounting Standard governing the classification and measurement of financial instruments. This notwithstanding, equity grew to $3.4 billion at 31st December, 2018 from $3.3 billion at close of the prior year. As briefly described below, and as is inescapable in your Group's business, there were positive and negative influencing factors on the consolidated results, but shareholders should view with satisfaction the performance of their group during the last year.

Insurance underwriting activities drove the performance led by the Life, Health and Pension business segment which had a stellar result achieved primarily from improved persistency, expense management and improved product mix. Despite difficult economic circumstances in the financial markets, this segment successfully increased Net Written Premiums by 7%. The Property and Casualty business segment returned a satisfactory performance as it was spared major catastrophic events during the year. However, the persistent soft market conditions led to a marginal increase only to Net Written Premiums. Also, of note were the not-insignificant profits made by our Asset Management and Brokerage businesses. These two ´segments´ hold promise to become important and non-risk exposed elements of our overall Group earnings profile over the relatively short term.

Net income from investing activities fell from $1,191 million to $982 million, driven primarily by volatility in Global equity markets which resulted in a Net fair value loss of $12 million in 2018 compared to an exceptional gain of $246 million in 2017. In the face of the low interest rate environment, with attendant challenge to redeploy funds profitably, your Group was successful in improving actual cash returns from investments and achieved a moderate level of realised gains.

Operating expenses have increased by 7% as your Group is undertaking a number of initiatives targeted to increase revenue growth or reduce future operating cost. Key among these initiatives is the focus on technology advancements. Apart from the above, our technical expense ratios were strictly managed and continue to improve.

Based upon the performance, your directors have proposed a final dividend of 48¢, which will bring the total dividend to 71¢, an increase of 4¢ or 6% over 2017. This dividend will be paid to shareholders on record on 18th March, 2019 when the register of members will be closed for this purpose. The directors have fixed a date for the Annual Meeting of 9th May, 2019 at 4:30 p.m. at The Guardian Corporate Centre, 1 Guardian Drive, Westmoorings. The formal Notice of Annual Meeting with the Directors' Report and audited consolidated financial statements for the financial year ended 31st December, 2018 will be communicated to shareholders in due course.

I conclude this statement with a brief comment upon the NCB acquisition. Shareholders will doubtlessly be disappointed that the revised offer made on 31st December, 2018, acceptance of which your directors recommended in its Directors' Circular dated 14th January, 2019, was again the subject of a delay. The closing date of the offer has been extended to 30th April, 2019. It is the duty of Regulators to exercise oversight of the financial systems under their watch. I am confident that they do so prudently and diligently. It is the duty of your directors and management to foster throughout the Group an environment that ensures excellence of customer service, competitively priced and innovatively delivered products and a restless quest for constant operational improvement. I assure shareholders that there is unwavering commitment to performing our collective duty and thereby to generating a suitable return on your investments.

Henry Peter Ganteaume
Deputy Chairman, GHL
28th February, 2019

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

Opinion

The summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2018, the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended and related notes, are derived from the complete audited consolidated financial statements of Guardian Holdings Limited and its subsidiaries ("the Group") for the year ended 31 December 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note 1.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRSs"). Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 28 February 2019. That report also includes the communication of Key Audit Matters. Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

Management's Responsibility for the Summary Consolidated Financial Statements

Management is responsible for the preparation of the summary consolidated financial statements in accordance with IFRSs.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Ernst & Young

Port of Spain,
TRINIDAD:
28 February 2019

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Audited 12 months Dec 2018 TT$´000	Audited 12 months Dec 2017 TT$´000
Gross written premiums	5,861,246	5,472,644
Net written premiums	4,164,210	3,926,948
Net income from insurance underwriting activities	863,300	403,099
Net income from investing activities	981,568	1,190,957
Net income from brokerage activities	25,038	16,912
Net income from all activities	1,869,906	1,610,968
Net impairment losses on financial assets	(1,329)	(5,750)
Operating expenses	(1,045,595)	(974,756)
Finance charges	(135,522)	(128,893)
Operating profit	687,460	501,569
Share of after tax profits of associated companies	17,045	18,646
Profit before taxation	704,505	520,215
Taxation	(164,632)	(109,924)
Profit after taxation	539,873	410,291
Profit attributable to participating policyholders	(4,693)	(1,142)
Profit for the year	535,180	409,149
Profit attributable to non-controlling interests	(1,269)	(2,540)
Profit attributable to equity holders of the parent	533,911	406,609
Earnings per share		
- Basic	$2.30	$1.75
- Diluted	$2.30	$1.75

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months Dec 2018 TT$´000	Audited 12 months Dec 2017 TT$´000
Profit for the year	535,180	409,149
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	(67,289)	153,041
Net losses on debt instruments at fair value through other comprehensive income	(70,048)	-
Losses on property revaluation	(3,057)	(3,073)
Actuarial gains/(losses) on post-employment benefits	35,119	(93,767)
Other reserve movements	(1,540)	(29,916)
Income tax relating to components of other comprehensive income	(817)	913
Other comprehensive (loss)/income for the period, net of tax	(107,632)	27,198
Total comprehensive income for the year, net of tax	427,548	436,347
Comprehensive income attributable to non-controlling interests	(1,395)	(2,224)
Comprehensive income attributable to equity holders of the parent	426,153	434,123

Forward Looking Statements

Guardian Group
Guardian Holdings Limited

Guardian Holdings Limited
Consolidated Financial Statements
Year ended 31st December, 2018

Expressed in Trinidad and Tobago Dollars

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited Dec 2018 TT$'000	Audited Dec 2017 TT$'000
ASSETS		
Property, plant and equipment	620,384	602,744
Investment properties	1,477,465	1,454,364
Intangible assets	512,490	528,985
Investment in associated companies	232,041	220,844
Investment securities	17,107,289	16,640,755
Investment securities of mutual fund unit holders	1,079,888	1,011,404
Loans and receivables	2,121,715	2,302,980
Properties for development and sale	104,115	103,475
Pension plan assets	67,655	82,957
Deferred tax assets	61,311	40,130
Reinsurance assets	1,396,965	2,211,824
Deferred acquisition costs	98,061	92,615
Taxation recoverable	129,592	163,179
Cash and cash equivalents	2,084,426	2,059,318
Cash and cash equivalents of mutual fund unit holders	213,810	371,062
Total assets	27,307,207	27,886,636
EQUITY AND LIABILITIES		
Share capital	1,992,656	1,993,473
Reserves	(439,603)	(395,592)
Retained earnings	1,845,006	1,701,933
Equity attributable to owners of the parent	3,398,059	3,299,814
Non-controlling interests in subsidiary	22,573	23,071
Total equity	3,420,632	3,322,885
Liabilities		
Insurance contracts	16,928,454	17,132,813
Financial liabilities	2,327,404	2,347,739
Investment contract liabilities	1,989,373	1,989,472
Third party interests in mutual funds	1,021,592	1,177,879
Pension plan liabilities	69,994	130,208
Post-retirement medical benefit obligations	121,245	105,804
Deferred tax liabilities	314,730	273,352
Provision for taxation	68,032	58,026
Reinsurance liabilities	229,179	559,314
Other liabilities	816,572	789,144
Total liabilities	23,886,575	24,563,751
Total equity and liabilities	27,307,207	27,886,636

These consolidated financial statements have been approved for issue by the Board of Directors on 28th February, 2019 and signed on its behalf:

Director: Director:

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited Dec 2018 TT$'000	Audited Dec 2017 TT$'000
Balance at beginning of year	3,322,885	3,063,595
IFRS 9 initial application adjustments	(181,900)	-
Total comprehensive income	427,548	436,347
Other movements	11,078	(11,145)
Repurchased vested options	-	(8,919)
Dividends	(158,979)	(156,993)
Balance at end of year	3,420,632	3,322,885

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Dec 2018 TT$'000	Audited Dec 2017 TT$'000
Profit before taxation	704,505	520,215
Adjustment for specific items included on the accruals basis:		
- Finance charges	135,522	128,893
- Investment income	(918,327)	(890,823)
Interest and dividends received	919,468	921,334
Adjustments for non-cash items	79,204	(259,300)
Operating profit before changes in operating assets/liabilities	920,372	420,319
Net (decrease)/increase in insurance liabilities	(446,546)	2,475,337
Net purchases of investment securities	(269,416)	(898,017)
Net purchases of/additions to investment properties	(56,901)	(49,886)
Net movement in other operating assets and liabilities	317,100	(1,191,084)
Cash provided by operating activities	464,609	756,669
Interest paid	(150,644)	(138,757)
Net taxation paid	(93,888)	(108,775)
Net cash provided by operating activities	220,077	509,137
Net cash used in investing activities	(78,208)	(72,297)
Net cash (used in)/provided by financing activities	(287,439)	75,321
Net (decrease)/increase in cash and cash equivalents	(145,570)	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
Year ended 31st December, 2018					
Gross written premiums	3,563,676	2,297,570	-	-	5,861,246
Net written premiums	3,376,846	787,364	-	-	4,164,210
Underwriting revenue	3,406,383	1,052,353	-	-	4,458,736
Underwriting expenses	(2,963,935)	(635,137)	-	3,636	(3,595,436)
Net income/(loss) from investing activities	909,465	75,775	95,747	(99,419)	981,568
Net income from brokerage activities	-	25,038	-	-	25,038
Net income/(loss) from all activities	1,351,913	518,029	95,747	(95,783)	1,869,906
Net impairment gains/(losses) on financial assets	2,544	9,928	756	(14,557)	(1,329)
Operating expenses	(583,618)	(322,240)	(50,709)	(89,028)	(1,045,595)
Finance charges	(2,809)	(7,549)	(1,169)	(123,995)	(135,522)
Operating profit/(loss)	768,030	198,168	44,625	(323,363)	687,460
Year ended 31st December, 2017					
Gross written premiums	3,340,808	2,131,836	-	-	5,472,644
Net written premiums	3,143,597	783,351	-	-	3,926,948
Underwriting revenue	3,187,935	1,004,421	-	-	4,192,356
Underwriting expenses	(3,107,850)	(685,223)	-	3,816	(3,789,257)
Net income/(loss) from investing activities	1,060,740	100,284	101,482	(71,549)	1,190,957
Net income from brokerage activities	-	16,912	-	-	16,912
Net income/(loss) from all activities	1,140,825	436,394	101,482	(67,733)	1,610,968
Net impairment gains/(losses) on financial assets	(353)	(1,996)	-	(3,401)	(5,750)
Operating expenses	(566,363)	(310,091)	(49,120)	(49,182)	(974,756)
Finance charges	(4,583)	(16,904)	(1,268)	(106,138)	(128,893)
Operating profit/(loss)	569,526	107,403	51,094	(226,454)	501,569
Total assets					
31st December, 2018	21,384,339	4,384,973	1,723,813	(185,918)	27,307,207
31st December, 2017	20,491,615	5,681,356	1,777,624	(63,959)	27,886,636

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.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2018 audited consolidated 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 1st January, 2018.