

CHAIRMAN'S REPORT

Dear Shareholders,

The year ended 31 December 2019 was another excellent one for your Group. Profits attributable to equity shareholders amounted to \$692 million, a 30% increase over the \$534 million recorded in the corresponding period last year. Earnings per share increased to \$2.98 versus \$2.30 in the prior year.

The Group made certain restatements and reclassifications to the prior period's information, which had no impact on the Group's equity or statement of comprehensive income. Details of these changes are included in Note 51 of the audited consolidated financial statements for the year ended 31 December 2019. All references, variances or analyses contained in this report relating to 2018 are based on the restated balances.

Net income from insurance underwriting activities increased to \$959 million, a 7% increase over the \$899 million reported in the corresponding period last year. The Life, Health and Pension business segment recorded a 4% increase over the prior year, driven by the English-speaking markets as the Dutch Regions were affected by certain non-recurring 2018 uplifts. This segment also achieved a notable increase to Net Written Premiums of 5%, mainly from the Trinidad and Tobago markets, but with satisfactory increases in all territories. The Property and Casualty business segment also recorded a 10% growth over the prior year, driven through acquiring new business and generating organic growth. This remarkable increase was cultivated even as your Group booked a net loss reserve of \$86 million before tax, for claims arising from Hurricane Dorian which affected the Caribbean Basin during August and September of 2019. This segment also achieved a strong increase to Net Written Premiums of 20%, led by the Trinidad and Tobago business, while your Group maintained its strict adherence to underwriting discipline.

Our investment portfolio had an outstanding year in which it generated income of \$1,370 million, a 35% increase over the corresponding period last year of \$1,013 million. This increase was driven mainly from a \$299 million increase to net fair value gain, originating from the recovery of the US stock market and the continuing excellent performance of the Jamaican stock market. I must remind shareholders of the inherent volatility of equity markets and of the fact that the appreciation in values registered during the year cannot reasonably be predicted to be recurring. Investment income increased by \$50 million arising out of an improved investment mix, as your Group continues to rebalance its portfolios to strike a cautious equilibrium between risk and reward.

Operating expenses increased to \$1,375 million from \$1,202 million, as your Group engaged in various strategies to develop the tools required to advance our competitive edge through efficiency, commitment to customer ease, product innovation and technological supremacy. Apart from these growth strategies, the Group has increased cost directly as a result of its expanded operations and continues to incur implementation cost for IFRS 17 – Insurance contracts.

Based upon this performance, your directors have proposed a final dividend of 51¢, which will bring the total dividend to 75¢, an increase of 4¢ or 6% over 2018. This dividend will be paid to shareholders on record on 19 March 2020 when the register of members will be closed for this purpose. The directors have fixed a date for the Annual Meeting of 7 May 2020 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 31 December 2019 will be communicated to shareholders in due course.



Patrick Hylton
Chairman Guardian Holdings Limited
5 March 2020

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF GUARDIAN HOLDINGS LIMITED

Our Opinion

In our opinion, the accompanying summary consolidated financial statements of Guardian Holdings Limited (the Company), are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in note 1.

The summary consolidated financial statements

The Company's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended 31 December 2019 comprise:

- the summary consolidated statement of financial position as at 31 December 2019;
- the summary consolidated statement of income for the year then ended;
- the summary consolidated statement of comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related notes to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the consolidated summary 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 6 March 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited 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 on the basis described in note 1.

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 810 (Revised), 'Engagements to Report on Summary Financial Statements'.



Port of Spain
Trinidad, West Indies
6 March 2020

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Audited 12 months Dec 2019 TT\$'000	Audited 12 months Dec 2018 TT\$'000 (Restated)
Gross written premiums	6,366,679	5,861,246
Net written premiums	4,484,742	4,164,210
Net result from insurance activities	958,579	898,925
Net income from investing activities	1,369,846	1,012,742
Fee and commission income from brokerage activities	117,052	114,378
Net income from all activities	2,445,477	2,026,045
Net impairment losses on financial assets	(87,586)	(1,329)
Operating expenses	(1,374,500)	(1,201,734)
Finance charges	(146,705)	(135,522)
Operating profit	836,686	687,460
Share of after tax profits of associated companies	18,033	17,045
Profit before taxation	854,719	704,505
Taxation	(151,006)	(164,632)
Profit after taxation	703,713	539,873
Profit attributable to participating policyholders	(8,753)	(4,693)
Profit for the year	694,960	535,180
Profit attributable to non-controlling interests	(2,652)	(1,269)
Profit attributable to equity holders of the company	692,308	533,911
Earnings per share		
- Basic	\$2.98	\$2.30
- Diluted	\$2.98	\$2.30

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months Dec 2019 TT\$'000	Audited 12 months Dec 2018 TT\$'000
Profit for the year	694,960	535,180
Other comprehensive income/(loss)		
Exchange differences on translating foreign operations	(77,116)	(67,289)
Net gains/(losses) on debt instruments measured at fair value through other comprehensive income	137,691	(70,048)
Gains/(losses) on property revaluation	44,342	(3,057)
Actuarial (losses)/gains on post-employment benefits	(59,109)	35,119
Other reserve movements	(566)	(1,540)
Income tax relating to components of other comprehensive income	(31,255)	(817)
Other comprehensive income/(loss) for the period, net of tax	13,987	(107,632)
Total comprehensive income for the period, net of tax	708,947	427,548
Comprehensive income attributable to non-controlling interests	(2,569)	(1,395)
Comprehensive income attributable to equity holders of the company	706,378	426,153

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 FINANCIAL POSITION

	Audited Dec 2019 TT\$'000	Audited Dec 2018 TT\$'000 (Restated)
ASSETS		
Property, plant and equipment	723,680	620,384
Right-of-use assets	113,445	-
Investment properties	1,569,380	1,480,807
Intangible assets	575,875	512,490
Investment in associated companies	244,247	232,041
Investment securities	19,413,392	17,775,494
Investment securities of mutual fund unit holders	1,296,192	1,079,888
Loans and receivables	1,824,219	2,111,874
Properties for development and sale	103,246	104,115
Pension plan assets	41,026	67,655
Deferred tax assets	64,992	61,311
Reinsurance assets	1,284,155	1,396,965
Deferred acquisition costs	115,942	98,061
Taxation recoverable	181,123	145,670
Cash and cash equivalents	2,350,577	2,124,161
Cash and cash equivalents of mutual fund unit holders	166,596	213,810
Total assets	<u>30,068,087</u>	<u>28,024,726</u>
EQUITY AND LIABILITIES		
Share capital	1,986,066	1,992,656
Reserves	(365,034)	(439,603)
Retained earnings	2,318,847	1,845,006
Equity attributable to owners of the company	<u>3,939,879</u>	<u>3,398,059</u>
Non-controlling interests in subsidiaries	24,341	22,573
Total equity	<u>3,964,220</u>	<u>3,420,632</u>
Liabilities		
Insurance contracts	17,458,851	16,929,291
Financial liabilities	2,531,023	2,327,404
Lease liabilities	116,857	-
Investment contract liabilities	2,788,681	2,717,699
Third party interests in mutual funds	1,237,709	1,021,592
Pension plan liabilities	89,154	69,994
Post-retirement medical benefit obligations	134,605	121,245
Deferred tax liabilities	366,895	314,730
Provision for taxation	50,753	68,032
Reinsurance liabilities	351,617	229,179
Other liabilities	977,722	804,928
Total liabilities	<u>26,103,867</u>	<u>24,604,094</u>
Total equity and liabilities	<u>30,068,087</u>	<u>28,024,726</u>

These consolidated financial statements have been approved for issue by the Board of Directors on 5 March 2020 and signed on its behalf:

Director: 

Director: 

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited Dec 2019 TT\$'000	Audited Dec 2018 TT\$'000
Balance at beginning of year	3,420,632	3,322,885
IFRS 9 initial application adjustments	-	(181,900)
Acquisition of subsidiary	746	-
Total comprehensive income	708,947	427,548
Other movements	-	11,078
Issue of shares	2,497	-
Dividends	(168,602)	(158,979)
Balance at end of year	<u>3,964,220</u>	<u>3,420,632</u>

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited Dec 2019 TT\$'000	Audited Dec 2018 TT\$'000 (Restated)
Profit before taxation	854,719	704,505
Adjustment for specific items included on the accruals basis:		
- Finance charges	146,705	135,522
- Investment income	(981,693)	(933,644)
Interest and dividends received	953,207	934,487
Adjustments for non-cash items	(193,369)	2,421
Operating profit before changes in operating assets / liabilities	779,569	843,291
Net increase/(decrease) in insurance liabilities	380,028	(446,761)
Net purchases of investment securities	(1,201,666)	(297,970)
Net purchases of/additions to investment properties	(132,304)	(56,912)
Net movement in other operating assets and liabilities	692,348	422,178
Cash provided by operating activities	517,975	463,826
Interest paid	(162,166)	(150,644)
Net taxation paid	(183,621)	(94,781)
Net cash provided by operating activities	172,188	218,401
Net cash used in investing activities	(217,910)	(78,208)
Net cash provided by/(used in) financing activities	241,428	(287,439)
Net increase/(decrease) in cash and cash equivalents	<u>195,706</u>	<u>(147,246)</u>

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
Twelve months ended 31 December 2019					
Gross written premiums	3,733,662	2,633,017	-	-	6,366,679
Net written premiums	3,541,242	943,500	-	-	4,484,742
Underwriting revenue	3,575,037	1,247,099	-	-	4,822,136
Underwriting expenses	(3,114,732)	(751,584)	-	2,759	(3,863,557)
Net income/(loss) from investing activities	1,242,272	102,513	116,778	(91,717)	1,369,846
Fee and commission income from brokerage activities	-	119,056	-	(2,004)	117,052
Net income/(loss) from all activities	<u>1,702,577</u>	<u>717,084</u>	<u>116,778</u>	<u>(90,962)</u>	<u>2,445,477</u>
Net impairment gains/(losses) on financial assets	(64,642)	2,833	(123)	(25,654)	(87,586)
Operating expenses	(720,531)	(480,947)	(53,537)	(119,485)	(1,374,500)
Finance charges	(5,607)	(8,525)	(1,473)	(131,100)	(146,705)
Operating profit/(loss)	<u>911,797</u>	<u>230,445</u>	<u>61,645</u>	<u>(367,201)</u>	<u>836,686</u>
Twelve months ended 31 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	(2,962,522)	(600,925)	-	3,636	(3,559,811)
Net income/(loss) from investing activities	925,814	78,842	98,173	(90,087)	1,012,742
Fee and commission income from brokerage activities	-	115,791	-	(1,413)	114,378
Net income/(loss) from all activities	<u>1,369,675</u>	<u>646,061</u>	<u>98,173</u>	<u>(87,864)</u>	<u>2,026,045</u>
Net impairment gains/(losses) on financial assets	2,544	9,928	756	(14,557)	(1,329)
Operating expenses	(599,967)	(450,272)	(53,135)	(98,360)	(1,201,734)
Finance charges	(2,809)	(7,549)	(1,169)	(123,995)	(135,522)
Operating profit/(loss)	<u>769,443</u>	<u>198,168</u>	<u>44,625</u>	<u>(324,776)</u>	<u>687,460</u>
Total Assets					
31 December 2019	23,697,630	4,595,622	1,966,421	(191,586)	30,068,087
31 December 2018 - restated	22,121,712	4,384,973	1,723,813	(205,772)	28,024,726

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 summary 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 financial statements are derived from the audited consolidated financial statements of Guardian Holdings Limited and its subsidiaries for the year ended 31 December 2019.

The summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2019 audited financial statements consistently applied from period to period, except for the adoption of IFRS 16 Leases, a new standard that became effective for the Group from 1 January 2019.

IFRS 16 did not have any material impact on the Group's financial reporting and did not require retrospective adjustments.

Note 2: Restatements and Reclassifications

Certain restatements and reclassifications have been made to prior period information, which had no impact on the Group's equity or statement of comprehensive income. Details of these changes are included in Note 51 of the audited consolidated financial statements for the year ended 31 December 2019.