



Guardian Group

Guardian Holdings Limited

Guardian Holdings Limited

Consolidated Financial Statements

Third Quarter Results to September 30, 2017

Expressed in Trinidad and Tobago Dollars

CHAIRMAN'S REPORT

Dear Shareholders,

Group Profit attributable to equity shareholders for the nine months ended September 30, 2017 amounted to \$254 million, a decline of \$6 million or 2% when compared to the corresponding period last year (\$260 million). The sole cause of the somewhat disappointing financial performance was the net loss reserve booked as a result of the two catastrophic hurricanes, Irma and Maria, that affected the Caribbean during September. The Group has fully provided for the claims expected to arise from both events in the amount of \$100.3 million before tax.

As has been comprehensively reported, these almost unprecedentedly severe hurricanes devastated the islands that lay in their path, with horrific loss to property, contents, and automobiles, not to mention, sadly, life. Your Board is proud of the outstanding service rendered by Guardian's indefatigable staff to our insureds who faced significant personal trauma and loss. One positive conclusion to be drawn from the catastrophic impact of the hurricanes is that our reinsurance programme has again stood the sternest of tests and our scientific quantitative approach has protected the interests of policyowners and shareholders alike. Additionally, all industry intelligence signals a hardening of rates in 2018, particularly in those countries most vulnerable to windstorm and flood.

I draw readers' attention to the net income from insurance underwriting activities of \$197 million which was \$179 million lower than that of 2016. Two factors accounted for this significant decline.

Firstly, there were the losses incurred as a result of the hurricanes described in the preceding paragraph. In addition, during 2016 net favourable adjustments were booked by our Life, Health and Pension division following our adoption of the Caribbean Policy Premium Method of determining policyowner reserves; therefore, the results of the two periods are not strictly comparable. These circumstances notwithstanding, I am happy to report that our core business maintained its healthy growth trend with Group Net Written Premiums 10% greater than prior period.

Significantly our Group's results reflect continued strong performance from our investments which generated income of \$889 million compared to \$731 million last year, an increase of \$158 million.

Overall, your Board is satisfied with the Group's nine-month performance, despite the impact of the catastrophes visited on our region, and looks forward to our traditionally strong last quarter's performance.

Henry Peter Ganteaume
Deputy Chairman, GH
November 14, 2017

SUMMARY CONSOLIDATED STATEMENT OF INCOME

| | Unaudited 9-Months Sep 2017 TT\$'000 | Unaudited 9-Months Sep 2016 TT\$'000 | Unaudited 3-Months Sep 2017 TT\$'000 | Unaudited 3-Months Sep 2016 TT\$'000 | Audited 12-Months Dec 2016 TT\$'000 |
|--|---|---|---|---|--|
| Gross written premiums | 4,148,816 | 3,862,090 | 1,244,286 | 1,126,709 | 5,475,136 |
| Net written premiums | 2,989,912 | 2,709,861 | 985,564 | 827,652 | 4,011,462 |
| Net income/(loss) from insurance underwriting activities | 196,743 | 375,204 | (13,752) | 115,926 | 612,654 |
| Net income from investing activities | 889,212 | 730,894 | 324,212 | 260,423 | 1,027,706 |
| Net income/(loss) from brokerage activities | 11,590 | 1,314 | 4,112 | (8,558) | 4,050 |
| Net income from all activities | 1,097,545 | 1,107,412 | 314,572 | 367,791 | 1,644,410 |
| Operating expenses | (689,228) | (672,152) | (224,987) | (218,180) | (997,503) |
| Finance charges | (96,416) | (97,603) | (32,043) | (32,271) | (129,605) |
| Operating profit | 311,901 | 337,657 | 57,542 | 117,340 | 517,302 |
| Share of profit of associated companies | 17,046 | 9,676 | 7,270 | 3,982 | 3,285 |
| Profit before taxation | 328,947 | 347,333 | 64,812 | 121,322 | 520,587 |
| Taxation | (67,868) | (91,492) | (4,298) | (24,202) | (130,149) |
| Profit after taxation | 261,079 | 255,841 | 60,514 | 97,120 | 390,438 |
| Amount attributable to participating policyholders | (6,155) | (206) | 532 | (3,799) | (15,552) |
| Profit from continuing operations | 254,924 | 255,635 | 61,046 | 93,321 | 374,886 |
| Net gain from discontinued operations | - | 4,933 | - | 4,875 | 22,771 |
| Profit for the period | 254,924 | 260,568 | 61,046 | 98,196 | 397,657 |
| Profit attributable to non-controlling interests | (1,183) | (828) | (660) | (451) | (1,857) |
| Profit attributable to equity holders of the parent | 253,741 | 259,740 | 60,386 | 97,745 | 395,800 |
| Earnings per share | | | | | |
| - Basic | \$1.10 | \$1.12 | | | \$1.71 |
| - Basic - for continuing operations | \$1.10 | \$1.10 | | | \$1.61 |

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited 9-Months Sep 2017 TT\$'000 | Unaudited 9-Months Sep 2016 TT\$'000 | Unaudited 3-Months Sep 2017 TT\$'000 | Unaudited 3-Months Sep 2016 TT\$'000 | Audited 12-Months Dec 2016 TT\$'000 |
|--|---|---|---|---|--|
| Profit for the period | 254,924 | 260,568 | 61,046 | 98,196 | 397,657 |
| Other comprehensive income/(loss) | | | | | |
| Exchange differences on translating foreign operations | 80,324 | 92,759 | 10,109 | 29,750 | 41,093 |
| Gains on property revaluation | - | - | - | - | 30,657 |
| Actuarial losses on post employment benefits | - | - | - | - | 8,609 |
| Other reserve movements | (942) | (218) | (900) | (280) | (352) |
| Income tax relating to components of other comprehensive income | - | - | - | - | (3,948) |
| Other comprehensive income for the period, net of tax | 79,382 | 92,541 | 9,209 | 29,470 | 76,059 |
| Total comprehensive income for the period, net of tax | 334,306 | 353,109 | 70,255 | 127,666 | 473,716 |
| Comprehensive income attributable to non-controlling interests | (1,014) | (1,832) | (686) | (1,338) | (3,143) |
| Comprehensive income attributable to equity holders of the parent | 333,292 | 351,277 | 69,569 | 126,328 | 470,573 |

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 2017 TT\$'000 | Audited Dec 2016 TT\$'000 |
|---|-----------------------------------|---------------------------------|
| ASSETS | | |
| Property, plant and equipment | 602,905 | 593,434 |
| Investment properties | 1,321,400 | 1,256,946 |
| Intangible assets | 514,117 | 515,163 |
| Investment in associated companies | 219,099 | 211,566 |
| Financial assets | 15,974,076 | 15,391,785 |
| Financial assets of mutual fund unit holders | 981,956 | 976,307 |
| Loans and receivables | 2,353,903 | 2,045,742 |
| Properties for development and sale | 181,197 | 168,972 |
| Pension plan assets | 109,596 | 106,140 |
| Deferred tax assets | 49,676 | 24,346 |
| Reinsurance assets | 2,825,718 | 790,796 |
| Deferred acquisition costs | 100,369 | 88,498 |
| Taxation recoverable | 167,241 | 177,151 |
| Cash and cash equivalents | 2,805,465 | 1,744,053 |
| Cash and cash equivalents of mutual fund unit holders | 196,123 | 161,142 |
| Assets held for sale | - | 251 |
| Total assets | 28,402,841 | 24,252,292 |
| EQUITY AND LIABILITIES | | |
| Share capital | 1,996,758 | 2,032,282 |
| Reserves | (465,392) | (547,186) |
| Retained earnings | 1,670,882 | 1,556,032 |
| Equity attributable to owners of the parent | 3,202,248 | 3,041,128 |
| Non-controlling interests in subsidiary | 21,851 | 22,467 |
| Total equity | 3,224,099 | 3,063,595 |
| Liabilities | | |
| Insurance contracts | 17,554,698 | 14,663,168 |
| Financial liabilities | 2,145,921 | 2,170,647 |
| Investment contract liabilities | 1,931,401 | 1,811,761 |
| Third party interests in mutual funds | 1,165,155 | 1,082,711 |
| Pension plan liabilities | 72,330 | 68,253 |
| Post retirement medical benefit obligations | 91,843 | 89,646 |
| Deferred tax liabilities | 266,668 | 246,783 |
| Provision for taxation | 53,009 | 76,841 |
| Reinsurance liabilities | 1,206,826 | 316,697 |
| Other liabilities | 690,891 | 661,939 |
| Liabilities related to assets held for sale | - | 251 |
| Total liabilities | 25,178,742 | 21,188,697 |
| Total equity and liabilities | 28,402,841 | 24,252,292 |

These consolidated financial statements have been approved for issue by the Board of Directors on November 14, 2017 and signed on its behalf:

Director:  Director: 

**SUMMARY CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY**

| | Unaudited Sep 2017 TT\$'000 | Unaudited Sep 2016 TT\$'000 | Audited Dec 2016 TT\$'000 |
|---------------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Balance at beginning of period | 3,063,595 | 2,754,009 | 2,754,009 |
| Total comprehensive income | 334,306 | 353,109 | 473,716 |
| Other movements | (7,875) | (2,878) | (2,878) |
| Repurchase of vested options | (8,919) | - | - |
| Disposal of asset held for sale | - | - | (13,698) |
| Dividends | (157,008) | (147,539) | (147,554) |
| Balance at end of period | 3,224,099 | 2,956,701 | 3,063,595 |

**SUMMARY CONSOLIDATED STATEMENT
OF CASH FLOWS**

| | Unaudited Sep 2017 TT\$'000 | Unaudited Sep 2016 TT\$'000 | Audited Dec 2016 TT\$'000 |
|---|-----------------------------------|-----------------------------------|---------------------------------|
| Profit before taxation from continuing operations | 328,947 | 347,333 | 520,587 |
| Profit before taxation from discontinued operations | - | 4,933 | 22,771 |
| | 328,947 | 352,266 | 543,358 |
| Adjustment for specific items included on the accruals basis: | | | |
| - Finance charges | 96,416 | 97,603 | 129,605 |
| - Investment income | (643,421) | (595,264) | (820,293) |
| Interest and dividends received | 636,391 | 579,540 | 817,738 |
| Adjustments for non-cash items | (80,993) | (160,329) | (239,057) |
| Operating profit before changes in operating assets/liabilities | 337,340 | 273,816 | 431,351 |
| Net increase in insurance liabilities | 2,889,630 | 1,002,094 | 1,419,659 |
| Net purchases of financial assets | (379,230) | (517,451) | (1,301,456) |
| Net purchases of/additions to investment properties | (30,714) | (220,315) | (224,259) |
| Net movement in other operating assets and liabilities | (1,370,534) | (281,292) | (155,239) |
| Cash provided by operating activities | 1,446,492 | 256,852 | 170,056 |
| Interest paid | (110,482) | (124,978) | (160,762) |
| Net taxation paid | (90,260) | (82,208) | (119,164) |
| Net cash provided by/(used in) operating activities | 1,245,750 | 49,666 | (109,870) |
| Net cash used in investing activities | (33,744) | (52,373) | (66,220) |
| Net cash used in financing activities | (111,014) | (125,292) | (33,913) |
| Net increase/(decrease) in cash and cash equivalents | 1,100,992 | (127,999) | (210,003) |

**SEGMENT
INFORMATION**

Nine months ended September 30, 2017

| | 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 |
|--|---|--|---------------------------------|---|-------------------|
| Gross written premiums | 2,513,204 | 1,635,612 | - | - | 4,148,816 |
| Net written premiums | 2,361,109 | 628,803 | - | - | 2,989,912 |
| Underwriting revenue | 2,363,203 | 774,601 | - | - | 3,137,804 |
| Underwriting expenses | (2,379,733) | (564,326) | - | 2,998 | (2,941,061) |
| Net income/(loss) from investing activities | 811,999 | 76,449 | 71,069 | (70,305) | 889,212 |
| Net income from brokerage activities | - | 11,590 | - | - | 11,590 |
| Net income/(loss) from all activities | 795,469 | 298,314 | 71,069 | (67,307) | 1,097,545 |
| Operating expenses | (406,399) | (225,275) | (32,890) | (24,664) | (689,228) |
| Finance charges | (3,288) | (13,680) | (869) | (78,579) | (96,416) |
| Operating profit/(loss) | 385,782 | 59,359 | 37,310 | (170,550) | 311,901 |

Nine months ended September 30, 2016

| | 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 |
|--|---|--|---------------------------------|---|-------------------|
| 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 |
| Net income/(loss) from all activities | 761,963 | 369,002 | 61,923 | (85,476) | 1,107,412 |
| Operating expenses | (377,493) | (209,697) | (27,414) | (57,548) | (672,152) |
| Finance charges | (3,243) | (16,215) | (277) | (77,868) | (97,603) |
| Operating profit/(loss) | 381,227 | 143,090 | 34,232 | (220,892) | 337,657 |

Total Assets

| | | | | | |
|--------------------|------------|-----------|-----------|-----------|------------|
| September 30, 2017 | 20,065,240 | 7,026,063 | 1,704,207 | (392,669) | 28,402,841 |
| December 31, 2016 | 18,910,161 | 4,076,232 | 1,562,415 | (296,516) | 24,252,292 |

**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 December 31, 2016 audited consolidated 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 December 31, 2016 audited consolidated financial statements, have also remained unchanged.