

Chairman's Report

I am pleased to report that the third quarter was the strongest in the current calendar year for Guardian Holdings Limited ("GHL"). In this quarter, the Group earned after tax profits of \$91.4 million, contributing, as they did, an additional 39 cents of basic earnings per share. The principal contributor to these excellent results was our insurance business that had a particularly strong quarter. Top line, or gross premiums written, amounted to \$1.08 billion and grew 14% quarter over quarter due to strong life sales and new acquisitions.

After tax profits for the year to date amounted to \$197.7 million. This equates to basic earnings per share of 85 cents. The commensurate period in 2012 resulted in after-tax profits of \$301.8 million. However, any comparison must take into account the costly challenges faced in our investment activities in the current year and favourable events last year. Shareholders will recall that the prior two quarters were negatively affected by the Jamaican debt exchange in the first quarter and fair value movements in the second. These two items amounted to a loss of \$73 million. On the other hand, last year GHL had positive realised gains and fair value movements totalling \$17 million.

Our core insurance operations realised good profits that are up 8% year over year. In addition, gross premiums written year to date amounted to \$3.86 billion versus \$3.37 billion over the comparable period, an increase of 15%.

We have maintained our growth trend and the Group's assets have increased by \$492 million year to date and now stand at \$22.946 billion. Total equity attributable to shareholders amount to \$3.261 billion and all its subsidiaries continue to operate well above minimum regulatory capital levels.

Insurance Activities

We have completed the integration of Globe Insurance Company of Jamaica Limited ("Globe") and our Jamaican insurance company, West Indies Alliance Insurance Company Limited, forming Guardian General Insurance Company of Jamaica Ltd. We are also in the process of integrating Royal & Sun Alliance Antilles N.V. ("RSA") into our Dutch operations. Both Globe and RSA have already been consolidated into the Group's results.

These transactions contributed \$17 million to our after tax profits; however, after taking into account one-off acquisition expenses, integration, and direct financing costs, these transactions have to date produced an all-in loss of \$3 million. However, by year-end these acquisitions are expected to be fully accretive to earnings and will be supplemented with income, expected in the fourth quarter, from the distribution agreement with MCB bank, which formed a part of the RSA purchase.

Further, our core insurance underwriting and sales activities continue to perform very well. In our Life, Health and Pensions segment, Guardian Life of the Caribbean Limited is on track to better its all-time annual individual life sales record, and by a significant amount. This is a tribute to our life sales agency force. In Jamaica, despite the continuing difficult economic environment, we expect to hit our sales quota for the year. In the Dutch Caribbean, we have gained significant market share in Aruba due to the introduction of a mandatory pension scheme. This has helped to increase the top line. In our General Insurance Segment, despite continued soft market conditions, Guardian General Insurance Limited continues to outperform its peers as regards combined ratio and profitability while growing its top line modestly. The Dutch Caribbean's general insurance operations continue to produce underwriting profits while their expansion into the Netherlands, including their acquisition of Thoma, has helped drive top line growth.

Our discontinued UK operations are running off profitably and the amount of outstanding reserves continues to drop off dramatically. We ended 2012 with TTS\$410 million in reserves while as of the end of September 2013 reserves stand at TTS\$220 million. Much of this decrease derives from the sale of our old Jubilee motor syndicate. We anticipate entering a similar sale of our Jubilee property syndicate over the coming months. Once achieved this would extinguish our entire Jubilee at Lloyds syndicate exposure.

Investment Activities

The Group's earnings, like those of insurance companies around the world, are largely impacted by their investment results. The prevailing low interest rate environment negatively impacts insurers in many ways, from depressed investment income levels to their reserves for anticipated future claims and pension benefits. In fact GHL's investment income is down \$15 million, or 2%, on a year to date basis as bond maturities are re-invested at lower yields. As the Group anticipates interest rates to increase over the mid-term we have purposely kept an overweight in cash and short term obligations in order to take advantage of better yields. While this hurts our investment performance in the short term, over the longer horizon, it will benefit our results.

Within our Strategic Investment area, Pointe Simon continues progressing on many fronts. Construction-wise the project is approximately 85% complete, with the fit-out of the 21 storey office tower being the major part of the unfinished works. On the commercialisation front we have secured French government subsidies for the hotel complex that will facilitate the closing of the sale of the hotel. The condominiums were finished during the quarter with the outfitting of kitchens and we anticipate them to be fully occupied within the next six months. These transactions will begin returning cash to the Group. The aforementioned office tower is the biggest variable at this time as we will be bringing 15,000 square meters of office space into the market. Consistent with our accounting treatment for these types of investments, we currently are making preparations for our annual year-end valuation exercise. The estimates of absorption rate and lease income will determine year-end carry values. Should these estimates vary from last year's figures, we will need to make non-cash accounting adjustments.

In summary, we had a very solid quarter driven by our insurance underwriting and sales activities. We expect our three recent acquisitions to be fully integrated into the Group and make a positive contribution to the bottom line. We anticipate enhanced results from our insurance activities as the investment climate improves. The effects of the disposal of our legacy business are quickly diminishing. We are now in a better position to concentrate our efforts on the future growth and profitability of all sectors of our business and to continue to add shareholder value.

I wish to thank our shareholders who continue to stand by us and to pay tribute to our Board, management and supporting staff for their dedicated service, with a special word of thanks to our life insurance sales agency force.



Arthur Lok Jack
Chairman GHL

Consolidated Statement of Income

	Unaudited 9-Months Sep 2013 TT\$'000	Unaudited 9-Months Sep 2012 TT\$'000	Unaudited 3-Months Sep 2013 TT\$'000	Unaudited 3-Months Sep 2012 TT\$'000	Audited 12-Months Dec 2012 TT\$'000
Gross premiums written	3,858,419	3,367,819	1,081,238	952,068	4,365,126
Net premiums written	2,622,721	2,299,442	802,788	708,816	3,140,292
Net income from insurance underwriting activities	393,607	363,794	144,016	151,807	528,993
Realised loss on NDX	(30,566)	-	414	-	-
Net fair value (losses)/gains on financial instruments	(42,467)	34,034	5,214	19,633	44,994
Net income from other investing activities	665,562	644,795	204,570	215,099	877,307
	986,136	1,042,623	354,214	386,539	1,451,294
Fair value adjustment on Pointe Simon investment	-	(20,432)	-	(20,432)	(149,752)
Net income from all activities	986,136	1,022,191	354,214	366,107	1,301,542
Operating expenses	(652,312)	(561,494)	(226,082)	(197,964)	(789,016)
Finance charges	(96,488)	(89,925)	(33,001)	(30,899)	(119,460)
Operating profit	237,336	370,772	95,131	137,244	393,066
Share of profit of associated companies	26,109	14,391	17,041	5,928	21,268
Profit before taxation	263,445	385,163	112,172	143,172	414,334
Taxation	(64,533)	(71,832)	(26,516)	(29,727)	(113,518)
Profit after taxation	198,912	313,331	85,656	113,445	300,816
Amount attributable to participating policyholders	(5,823)	(8,739)	(1,085)	(5,724)	(10,004)
Profit from continuing operations	193,089	304,592	84,571	107,721	290,812
Net gain/(loss) on discontinued operations	4,116	(11,757)	6,566	(10,898)	(17,942)
Profit for the period	197,205	292,835	91,137	96,823	272,870
Loss attributable to non-controlling interests	519	8,984	239	9,356	79,662
Profit attributable to equity holders of the parent	197,724	301,819	91,376	106,179	352,532
Earnings per share					
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.85	\$1.30			\$1.52
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.79	\$1.24			\$1.42
Earnings per share for continuing operations					
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.83	\$1.35			\$1.60
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.77	\$1.29			\$1.49

Consolidated Statement of Comprehensive Income

	Unaudited 9-Months Sep 2013 TT\$'000	Unaudited 9-Months Sep 2012 TT\$'000	Unaudited 3-Months Sep 2013 TT\$'000	Unaudited 3-Months Sep 2012 TT\$'000	Audited 12-Months Dec 2012 TT\$'000
Profit for the period	197,205	292,835	91,137	96,823	272,870
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	(66,836)	(69,064)	29,842	13,574	(78,161)
Gains on property revaluation	6,081	-	5,987	-	4,501
Actuarial losses on post employment benefits	(2,616)	(11,160)	(874)	(11,160)	(98,995)
Other reserve movements	271	262	(456)	101	(4,519)
Income tax relating to components of other comprehensive income	-	(8)	-	(3)	1,915
Other comprehensive (loss)/income for the period, net of tax	(63,100)	(79,970)	34,499	2,512	(175,259)
Total comprehensive income for the period, net of tax	134,105	212,865	125,636	99,335	97,611
Comprehensive loss attributable to non-controlling interests	3,902	9,291	3,084	8,934	79,792
Comprehensive income attributable to equity holders of the parent	138,007	222,156	128,720	108,269	177,403

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 2013 TT\$'000	Audited Dec 2012 TT\$'000
ASSETS		
Property, plant and equipment	498,823	489,886
Investment properties	1,079,410	1,056,466
Intangible assets	390,143	367,001
Investment in associated companies	220,613	206,235
Financial assets	12,046,090	12,067,365
Financial assets of mutual fund unit holders	1,106,304	1,175,694
Loans and receivables	1,944,931	1,568,015
Properties for development and sale	480,371	448,728
Pension plan assets	76,155	80,918
Value of inforce life insurance business	910,948	879,080
Deferred tax assets	13,581	18,218
Reinsurance assets	914,911	711,236
Segregated fund assets of life insurance policyholders	421,109	466,424
Deferred acquisition costs	98,954	79,354
Taxation recoverable	141,036	118,820
Cash and cash equivalents	2,015,486	1,901,435
Cash and cash equivalents of mutual fund unit holders	145,167	124,326
Assets held for sale	441,826	694,516
Total assets	22,945,858	22,453,717
EQUITY AND LIABILITIES		
Share capital	2,040,946	2,036,381
Reserves	(404,648)	(344,604)
Retained earnings	1,625,145	1,547,684
Equity attributable to owners of the parent	3,261,443	3,239,461
Non-controlling interests in subsidiaries	(46,309)	(41,204)
Total equity	3,215,134	3,198,257
Liabilities		
Insurance contracts	13,259,479	12,525,872
Financial liabilities	1,778,403	1,762,481
Investment contract liabilities	1,581,661	1,609,081
Third party interests in mutual funds	998,456	1,051,040
Pension plan liabilities	107,700	110,749
Segregated fund liabilities of life insurance policyholders	421,109	466,424
Post retirement medical benefit obligations	115,630	98,869
Deferred tax liabilities	189,721	193,752
Provision for taxation	79,365	63,061
Other liabilities	766,699	688,320
Liabilities related to assets held for sale	432,501	685,811
Total liabilities	19,730,724	19,255,460
Total equity and liabilities	22,945,858	22,453,717

These financial statements have been approved for issue by the Board of Directors on October 30, 2013 and signed on its behalf:

Director: 

Director: 

Consolidated Statement of Changes in Equity

	Unaudited Sep 2013 TT\$'000	Unaudited Sep 2012 TT\$'000	Audited Dec 2012 TT\$'000
Balance at beginning of the period	3,198,257	3,194,271	3,194,271
Total comprehensive income	134,105	212,865	97,611
Movement in unallocated shares	-	15,012	15,006
Share option scheme - value of services provided	4,565	11,442	13,037
Dividends	(121,793)	(121,679)	(121,668)
Balance at the end of period	3,215,134	3,311,911	3,198,257

Consolidated Statement of Cash Flows

	Unaudited Sep 2013 TT\$'000	Unaudited Sep 2012 TT\$'000	Audited Dec 2012 TT\$'000
Profit before taxation from continuing operations	263,445	385,163	414,334
Profit / (loss) before taxation from discontinued operations	4,116	(11,757)	(17,942)
	267,561	373,406	396,392
Adjustment for specific items included on the accruals basis:			
- Interest expense	96,488	89,925	119,460
- Investment income	(608,461)	(622,998)	(838,542)
Interest and dividends received	603,259	629,628	805,994
Adjustments for non-cash items	298,461	(74,854)	81,256
Operating profit before changes in operating assets/liabilities	657,308	395,107	564,560
Net increase in insurance liabilities	630,089	758,630	712,637
Net purchases of financial assets	(285,573)	(411,597)	(492,334)
Net purchases of / additions to investment properties	(36,118)	(55,903)	(83,112)
Net movement in other operating assets and liabilities	(416,738)	(409,500)	(194,676)
Cash provided by operating activities	548,968	276,737	507,075
Interest paid	(130,012)	(120,578)	(141,559)
Net taxation paid	(82,140)	(61,115)	(86,054)
Net cash provided by operating activities	336,816	95,044	279,462
Net cash used in investing activities	(107,719)	(22,128)	(353,457)
Net cash (used in)/provided by financing activities	(121,331)	141,982	185,725
Net increase in cash and cash equivalents	107,766	214,898	111,730

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
Nine months ended 30 September 2013					
Gross premiums written	2,120,848	1,737,571	-	-	3,858,419
Net premiums written	1,981,044	641,677	-	-	2,622,721
Underwriting revenue	2,026,673	749,812	-	-	2,776,485
Underwriting expenses	(1,931,767)	(451,111)	-	-	(2,382,878)
Realised loss on NDX	(25,517)	(5,049)	-	-	(30,566)
Net fair value (losses) / gains on financial instruments	(40,143)	11,508	(19,428)	5,596	(42,467)
Net income / (loss) from other investing activities	537,841	97,125	77,430	(46,834)	665,562
Net income / (loss) from all activities	567,087	402,285	58,002	(41,238)	986,136
Operating expenses	(351,923)	(238,102)	(29,123)	(33,164)	(652,312)
Finance charges	(1,551)	(20,358)	(80)	(74,499)	(96,488)
Operating profit/(loss)	213,613	143,825	28,799	(148,901)	237,336
Nine months ended 30 September 2012					
Gross premiums written	1,839,270	1,528,549	-	-	3,367,819
Net premiums written	1,750,863	548,579	-	-	2,299,442
Underwriting revenue	1,808,880	601,774	-	-	2,410,654
Underwriting expenses	(1,722,296)	(324,564)	-	-	(2,046,860)
Net fair value (losses) / gains on financial instruments	51,020	(640)	(12,581)	(3,765)	34,034
Net income / (loss) from other investing activities	526,039	75,269	79,458	(35,971)	644,795
Fair value adjustment on Pointe Simon investment	-	-	-	(20,432)	(20,432)
Net income / (loss) from all activities	663,643	351,839	66,877	(60,168)	1,022,191
Operating expenses	(339,199)	(156,227)	(23,789)	(42,279)	(561,494)
Finance charges	(3,110)	(13,266)	(906)	(72,643)	(89,925)
Operating profit/(loss)	321,334	182,346	42,182	(175,090)	370,772
Total Assets					
30 September 2013	16,390,284	4,151,418	1,483,411	920,745	22,945,858
31 December 2012	15,930,958	4,102,444	1,548,038	872,277	22,453,717

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 consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2012 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 2012 audited financial statements, have also remained unchanged.