

## CHAIRMAN'S REPORT

### Dear Shareholders,

The Group's performance for the year 2013 resulted in a net profit after tax attributable to shareholders of \$46 million, a decline of 87% when compared to \$353 million in 2012. This significant decline was mainly due to a further and very substantial write-down of \$457 million of the Pointe Simon asset, coupled with a realised loss of \$30 million due to Jamaica's National Debt Exchange and Fair Value losses of \$27 million. The decision regarding Pointe Simon was predicated on your board's careful and extremely detailed assessment of the prevailing real estate market conditions in Martinique, which was supported by valuations from two independent reputable firms, one of which was international.

### Pointe Simon

This project consists of three components. Two of which are completed and are now being commercialised, i.e. the office tower building, for which leases are currently being negotiated with government departments and private sector companies, and the condominiums, which are now being marketed. The third component, which includes a Hotel, is in the final phase of completion and will be ready for occupancy in the latter half of 2014. An agreement for sale has already been entered into with a French Hotel operator who owns and operates hotels in France and its overseas territories under the Novotel and Sofitel brands.

The substantial write-down, along with the sale of the hotel and the commercialisation of both the Tower and Condominiums would now make Pointe Simon a viable project with an acceptable rate of return. Since there is no third party debt Pointe Simon will begin to contribute cash profits to the Group.

### Insurance Operations

GHL's extremely strong distribution network coupled with the revenue from our recent acquisitions continued to fuel steady top-line growth. Gross Premiums Written increased by 13% from \$4.4 billion to \$4.9 billion. This has been driven by an unprecedented 46% increase in new business sales in Trinidad life operations from \$208 million to \$303 million. In addition, despite the difficult economic conditions in Jamaica, our Jamaican life new business sales for the first time passed the threshold of Jam\$1.0 billion. In our Property and

Casualty lines, underwriting revenue increased by 22% from \$832 million to \$1.0 billion, mainly driven by our recent acquisitions. Net Income from Insurance Underwriting Activities demonstrated continued growth increasing by 10% from \$529 million in 2012 to \$579 million in 2013.

### Investments

GHL continued to experience a challenging investment climate during 2013 as interest rates remained exceptionally low resulting in the absence of new attractive investments. In contrast to this, adverse movements in our current international bond portfolio resulted in an unrealised loss of \$27 million in 2013 as opposed to an unrealised gain of \$45 million in 2012.

Our sovereign bond portfolio in Jamaica realised a loss of \$30M under the National Debt Exchange (NDX) in February 2013. Consequently, Net Income From Investing Activities declined by 7%, falling from \$922 million in 2012 to \$858 million in 2013.

### Operating Expenses

Operating Expenses increased by \$128 million from \$789 million in 2012 to \$917 million in 2013. Of this increase, \$100 million arose from consolidating of our three recent acquisitions and also includes one-off integration and transaction expenses. We expect to derive further expense synergies from these acquisitions as we continue to integrate them into our existing operations.

Taking all three into consideration i.e. insurance operations, investment income and operating expenses, our Operating Profit Before Fair Value Adjustment on Pointe Simon was \$393 million in 2013 as compared to \$543 million in 2012.

### Summary

During 2014, as already referred to, the Pointe Simon project which has to date been only a consumer of cash, will now begin to contribute to Group profits. GHL's insurance companies which are all strongly capitalised and hold dominant positions in their respective markets are expected to continue steady and sustained growth in revenues and earnings. The Board views the future with optimism.

Based on the level of profits before the Pointe Simon non-cash impairment charge and their confidence in the future performance of the Group, the Board of Directors has decided to pay a final dividend of thirty-seven (37) cents per share which when combined with the interim dividend of fifteen (15) cents per share amounts to a total dividend of fifty-two (52) cents per share, equal to that paid in 2012.

This year has been a demanding year for the Group but the Board of Directors, the management team and their staff have all risen to the challenge and have put the Group in a position in which we could look forward to the future with confidence. My sincere thanks go out to all of them.



**Arthur Lok Jack**  
Chairman GHL

### 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**

	Audited 12 Months Dec 2013 TT\$'000	Audited 12 Months Dec 2012 TT\$'000
Gross premiums written	4,910,841	4,365,126
Net premiums written	<u>3,434,087</u>	<u>3,140,292</u>
Net income from insurance underwriting activities	579,380	528,993
Realised loss on Jamaica National Debt Exchange (NDX)	(30,268)	-
Net fair value (losses)/gains on financial instruments	(26,591)	44,994
Net income from other investing activities	<u>914,749</u>	<u>877,307</u>
<b>Net income from all activities before fair value adjustment on Pointe Simon</b>	1,437,270	1,451,294
Operating expenses	(916,657)	(789,016)
Finance charges	<u>(127,448)</u>	<u>(119,460)</u>
<b>Operating profit before fair value adjustment on Pointe Simon</b>	393,165	542,818
Fair value adjustment on Pointe Simon	(457,092)	(149,752)
Share of profit of associated companies	<u>28,631</u>	<u>21,268</u>
<b>(Loss) / profit before taxation</b>	(35,296)	414,334
Taxation	<u>(101,642)</u>	<u>(113,518)</u>
<b>(Loss) / profit after taxation</b>	(136,938)	300,816
Amount attributable to participating policyholders	<u>(17,118)</u>	<u>(10,004)</u>
<b>(Loss) / profit from continuing operations</b>	(154,056)	290,812
Net gain / (loss) on discontinued operations	<u>24,304</u>	<u>(17,942)</u>
<b>(Loss) / profit for the year</b>	(129,752)	272,870
Loss attributable to non-controlling interests	<u>175,321</u>	<u>79,662</u>
<b>Profit attributable to equity holders of the parent</b>	<u>45,569</u>	<u>352,532</u>
<b>Earnings per share</b>		
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.20	\$1.52
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.18	\$1.42
<b>Earnings per share for continuing operations</b>		
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.09	\$1.60
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.08	\$1.49

**SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Audited 12 Months Dec 2013 TT\$'000	Audited 12 Months Dec 2012 TT\$'000
<b>(Loss) / profit for the year</b>	<u>(129,752)</u>	<u>272,870</u>
<b>Other comprehensive income / (loss)</b>		
Exchange differences on translating foreign operations	(95,249)	(78,160)
Gains on property revaluation	35,232	4,501
Actuarial losses on post employment benefits	(4,845)	(98,995)
Other reserve movements	2,972	(4,520)
Income tax relating to components of other comprehensive income	<u>5,995</u>	<u>1,915</u>
<b>Other comprehensive loss for the year, net of tax</b>	<u>(55,895)</u>	<u>(175,259)</u>
<b>Total comprehensive (loss) / income for the year, net of tax</b>	(185,647)	97,611
Comprehensive loss attributable to non-controlling interests	<u>186,398</u>	<u>79,792</u>
<b>Comprehensive income attributable to equity holders of the parent</b>	<u>751</u>	<u>177,403</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Audited Dec 2013 TT\$'000	Audited Dec 2012 TT\$'000 (Restated)
<b>ASSETS</b>		
Property, plant and equipment	520,232	489,886
Investment properties	803,495	1,056,466
Intangible assets	396,233	367,001
Investment in associated companies	222,601	206,235
Financial assets	12,389,949	12,067,365
Financial assets of mutual fund unit holders	1,110,918	1,175,694
Loans and receivables	1,746,592	1,568,015
Properties for development and sale	360,321	448,728
Pension plan assets	91,267	80,918
Value of inforce life insurance business	924,743	879,080
Deferred tax assets	21,909	18,218
Reinsurance assets	710,674	711,236
Deferred acquisition costs	90,728	79,354
Taxation recoverable	157,815	118,820
Cash and cash equivalents	2,031,559	1,901,435
Cash and cash equivalents of mutual fund unit holders	157,972	124,326
Assets held for sale	<u>320,396</u>	<u>694,516</u>
<b>Total assets</b>	<u>22,057,404</u>	<u>21,987,293</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	2,041,882	2,036,381
Reserves	(396,473)	(344,604)
Retained earnings	<u>1,451,103</u>	<u>1,547,684</u>
<b>Equity attributable to owners of the parent</b>	3,096,512	3,239,461
Non-controlling interests in subsidiaries	<u>(200,184)</u>	<u>(41,204)</u>
<b>Total equity</b>	<u>2,896,328</u>	<u>3,198,257</u>
<b>Liabilities</b>		
Insurance contracts	13,081,517	12,525,872
Financial liabilities	1,915,926	1,762,481
Investment contract liabilities	1,579,528	1,609,081
Third party interests in mutual funds	1,010,021	1,051,040
Pension plan liabilities	161,517	110,749
Post retirement medical benefit obligations	74,518	98,869
Deferred tax liabilities	229,783	193,752
Provision for taxation	72,232	63,061
Other liabilities	731,514	688,320
Liabilities related to assets held for sale	<u>304,520</u>	<u>685,811</u>
<b>Total liabilities</b>	<u>19,161,076</u>	<u>18,789,036</u>
<b>Total equity and liabilities</b>	<u>22,057,404</u>	<u>21,987,293</u>

These financial statements have been approved for issue by the Board of Directors on March 21, 2014 and signed on its behalf:

Director:  Director: 

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Audited Dec 2013 TT\$'000	Audited Dec 2012 TT\$'000
<b>Balance at beginning of the period</b>	3,198,257	3,194,271
Total comprehensive (loss) / income	(185,647)	97,611
Movement in unallocated shares	-	15,006
Share option scheme - value of services provided	5,501	13,037
Dividends	<u>(121,783)</u>	<u>(121,668)</u>
<b>Balance at the end of period</b>	<u>2,896,328</u>	<u>3,198,257</u>

**SUMMARY CONSOLIDATED STATEMENT  
OF CASH FLOWS**

	<b>Audited Dec 2013 TT\$'000</b>	<b>Audited Dec 2012 TT\$'000</b>
(Loss) / profit before taxation from continuing operations	(35,296)	414,334
Profit / (loss) before taxation from discontinued operations	<u>24,304</u>	<u>(17,942)</u>
	(10,992)	396,392
Adjustment for specific items included on the accruals basis:		
- Interest expense	127,448	119,460
- Investment income	(807,361)	(838,542)
Interest and dividends received	849,814	805,994
Adjustments for non-cash items	<u>739,274</u>	<u>81,256</u>
Operating profit before changes in operating assets / liabilities	898,183	564,560
Net increase in insurance liabilities	448,019	712,637
Net purchases of financial assets	(701,707)	(492,334)
Net purchases of / additions to investment properties	(58,990)	(83,112)
Net movement in other operating assets and liabilities	<u>(150,357)</u>	<u>(194,676)</u>
Cash provided by operating activities	435,148	507,075
Interest paid	(144,720)	(141,559)
Net taxation paid	<u>(111,001)</u>	<u>(86,054)</u>
Net cash provided by operating activities	179,427	279,462
Net cash used in investing activities	(121,922)	(353,457)
Net cash provided by financing activities	<u>80,189</u>	<u>185,725</u>
Net increase in cash and cash equivalents	<u>137,694</u>	<u>111,730</u>

**REPORT OF THE INDEPENDENT AUDITORS ON THE  
SUMMARY CONSOLIDATED FINANCIAL STATEMENTS**

**To the Shareholders of Guardian Holdings Limited**

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2013, and the summary consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, are derived from the audited financial statements of Guardian Holdings Limited and its subsidiaries (the "Group") for the year ended 31 December 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 21 March 2014.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of the Group.

**Management's Responsibility for the Summary Financial Statements**

Management is responsible for the preparation of a summary of the audited consolidated financial statements on the basis of their established criteria as described in Note 1.

**Auditors' Responsibility**

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, "Engagements to Report on Summary Financial Statements."

**Opinion**

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2013 are consistent, in all material respects, with those financial statements, on the basis of management's established criteria as described in Note 1.

*Ernst + Young*

Port of Spain,  
TRINIDAD:  
21 March 2014

**SEGMENT INFORMATION**

	<b>Life, health and pension business TT\$'000</b>	<b>Property and casualty business TT\$'000</b>	<b>Asset management TT\$'000</b>	<b>Other including consolidation adjustments TT\$'000</b>	<b>Group TT\$'000</b>
<b>Twelve months ended 31 December 2013</b>					
Gross premiums written	<u>2,794,180</u>	<u>2,116,661</u>	-	-	<u>4,910,841</u>
Net premiums written	<u>2,611,854</u>	<u>822,233</u>	-	-	<u>3,434,087</u>
Underwriting revenue	2,733,015	1,014,824	-	-	3,747,839
Underwriting expenses	(2,555,244)	(613,215)	-	-	(3,168,459)
Realised loss on NDX	(25,291)	(4,977)	-	-	(30,268)
Net fair value (losses) / gains on financial instruments	(22,169)	10,111	(17,768)	3,235	(26,591)
Net income / (loss) from other investing activities	<u>764,402</u>	<u>137,722</u>	<u>95,248</u>	<u>(82,623)</u>	<u>914,749</u>
<b>Net income / (loss) from all activities before fair value adjustment on Pointe Simon</b>	<u>894,713</u>	<u>544,465</u>	<u>77,480</u>	<u>(79,388)</u>	<u>1,437,270</u>
Operating expenses	(501,089)	(332,317)	(36,924)	(46,327)	(916,657)
Finance charges	(1,630)	(26,934)	(99)	(98,785)	(127,448)
<b>Operating profit/(loss) before fair value adjustment on Pointe Simon</b>	<u>391,994</u>	<u>185,214</u>	<u>40,457</u>	<u>(224,500)</u>	<u>393,165</u>
<b>Twelve months ended 31 December 2012</b>					
Gross premiums written	<u>2,528,504</u>	<u>1,836,622</u>	-	-	<u>4,365,126</u>
Net premiums written	<u>2,438,203</u>	<u>702,089</u>	-	-	<u>3,140,292</u>
Underwriting revenue	2,611,756	832,082	-	-	3,443,838
Underwriting expenses	(2,424,514)	(490,331)	-	-	(2,914,845)
Net fair value (losses) / gains on financial instruments	67,052	9,151	(13,356)	(17,853)	44,994
Net income / (loss) from other investing activities	<u>718,588</u>	<u>103,264</u>	<u>105,022</u>	<u>(49,567)</u>	<u>877,307</u>
<b>Net income / (loss) from all activities before fair value adjustment on Pointe Simon</b>	<u>972,882</u>	<u>454,166</u>	<u>91,666</u>	<u>(67,420)</u>	<u>1,451,294</u>
Operating expenses	(462,367)	(223,797)	(32,167)	(70,685)	(789,016)
Finance charges	(4,315)	(20,061)	(1,001)	(94,083)	(119,460)
<b>Operating profit/(loss) before fair value adjustment on Pointe Simon</b>	<u>506,200</u>	<u>210,308</u>	<u>58,498</u>	<u>(232,188)</u>	<u>542,818</u>
<b>Total assets</b>					
31 December 2013	16,606,295	4,279,243	1,610,807	(438,941)	22,057,404
31 December 2012 (Restated)	15,963,433	4,720,281	1,600,578	(296,999)	21,987,293

**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. 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 2013.

These summary consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the 31 December 2013 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 2013 audited financial statements, have also remained unchanged.

**NOTE 2: RESTATEMENT**

The Group adopted IFRS 10 - Consolidated Financial Statements, which became effective in 2013. This was applied retrospectively as at 31 December 2012 and resulted in the deconsolidation of the segregated fund assets and liabilities of life insurance policyholders from the Group's subsidiary, Guardian Life Limited. Total assets and liabilities were each reduced by \$466 million and there was no impact on equity or the statement of comprehensive income.