Guardian Group
Guardian Holdings Limited

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Consolidated Financial Statements

Second Quarter Results to June 30, 2019

Expressed in Trinidad and Tobago Dollars

CHAIRMAN´S REPORT

Dear Shareholder,

I am delighted to present my first quarterly Chairman´s Report covering the half-year financial performance of your Group following my appointment as Chairman at the Group´s Annual General Meeting held on May 9, 2019. I take this opportunity to thank the former chairman, Mr. Arthur Lok Jack, for his invaluable contribution to the growth of this Group during his 15 years tenure.

On May 13, 2019, the National Commercial Bank Financial Group (NCBFG), through NCB Global Holdings, successfully completed the acquisition of an additional 74,230,750 shares in GHL moving it´s beneficial ownership from approximately 30% to approximately 62%. We look forward to an exciting future as GHL and NCBFG leverage their combined scale, expertise and market access to create significant shareholder value at an accelerated pace.

Your Group has produced commendable results for the first half of 2019, during which the Profit attributable to equity shareholders of $247 million represented a 15% increase over the corresponding period last year of $215 million. Earnings per share increased to $1.06 versus $0.93 over the same period last year.

The principal contributing factor to these results was the performance of our investment portfolio which generated income of $656 million, a 46% increase over the corresponding period last year of $450 million. This was driven primarily by a movement of $210 million on net fair value gains arising from the appreciation of the US and Jamaican stock markets. Net fair value gains moved from a loss of $52 million as at June 2018 to a gain of $158 million. I must remind shareholders of the inherent volatility of equity markets and of the fact that the appreciation in values registered in recent months cannot reasonably be predicted to be recurring. Investing in equities is critical to backing a long-term insurance portfolio, nonetheless we have judiciously sold down a small amount of our position in this asset class in order to moderate future volatility. In uncertain times we monitor constantly, and modify as we see fit, our asset allocation.

Net income from insurance underwriting activities fell to $266 million from the $390 million reported in the corresponding period last year. This decrease of 32% largely occurred within the Life, Health and Pension business segment in Trinidad and Tobago which prudently adjusted its actuarial reserving assumptions due to the falling global interest rates. It should be noted that this very decline in interest rates was responsible, in part, for the strong stock market gains described in the previous paragraph. The Property and Casualty business segment on the other hand has increased Net income from insurance underwriting activities both by acquiring new business and generating organic growth.

Operating expenses increased to $530 million from $494 million as your Group continues to focus on internal organisational restructuring and investment in technology/digitisation. These areas are critical to enhancing efficiency, customer ease and product innovation, and will, in the medium term, lower the cost base and supplement organic growth initiatives. Additionally, the Group has started incurring costs associated with the implementation of International Financial Reporting Standard (IFRS) 17 – Insurance contracts. IFRS 17 will become effective on January 1, 2022 and compliance will be a huge undertaking for all Insurance Companies reporting under IFRS, as it totally revolutionises the process for recording, tracking and reporting of Insurance Business.

Based upon the overall performance for the half-year under review, your directors have proposed an interim dividend of 24¢ (2018: 23¢) to be paid to shareholders on record on August 21, 2019 when the register of members will be closed for this purpose.

Patrick Hylton

Chairman, Guardian Holdings Limited
August 8, 2019

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 6-Months Jun 2019 TT$´000	Unaudited 6-Months Jun 2018 TT$´000	Unaudited 3-Months Jun 2019 TT$´000	Unaudited 3-Months Jun 2018 TT$´000	Audited 12-Months Dec 2018 TT$´000
Gross written premiums	3,474,605	3,299,962	1,516,217	1,405,911	5,861,246
Net written premiums	2,306,314	2,216,679	1,026,398	978,472	4,164,210
Net income from insurance underwriting activities	265,546	389,634	120,809	206,896	863,300
Net income from investing activities	655,894	449,921	361,656	260,729	981,568
Net income from brokerage activities	16,764	17,452	6,907	10,207	25,038
Net income from all activities	938,204	857,007	489,372	477,832	1,869,906
Net impairment gains/(losses) on financial assets	2,672	(6,186)	(2,993)	(10,743)	(1,329)
Operating expenses	(530,027)	(493,655)	(268,152)	(252,852)	(1,045,595)
Finance charges	(72,970)	(68,676)	(36,986)	(34,294)	(135,522)
Operating profit	337,879	288,490	181,241	179,943	687,460
Share of after tax profits of associated companies	10,585	9,199	4,155	6,513	17,045
Profit before taxation	348,464	297,689	185,396	186,456	704,505
Taxation	(94,850)	(84,903)	(48,353)	(48,517)	(164,632)
Profit after taxation	253,614	212,786	137,043	137,939	539,873
(Profit)/loss attributable to participating policyholders	(5,871)	3,005	(2,750)	5,287	(4,693)
Profit for the period	247,743	215,791	134,293	143,226	535,180
Profit attributable to non-controlling interests	(1,114)	(832)	(525)	(334)	(1,269)
Profit attributable to equity holders of the parent	246,629	214,959	133,768	142,892	533,911
Earnings per share					
- Basic	$1.06	$0.93			$2.30

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6-Months Jun 2019 TT$´000	Unaudited 6-Months Jun 2018 TT$´000	Unaudited 3-Months Jun 2019 TT$´000	Unaudited 3-Months Jun 2018 TT$´000	Audited 12-Months Dec 2018 TT$´000
Profit for the period	247,743	215,791	134,293	143,226	535,180
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	(50,218)	(87,960)	(62,367)	(103,884)	(67,289)
Net gains/(losses) on debt instruments at fair value through other comprehensive income	93,209	(44,452)	45,610	(20,179)	(70,048)
Gains/(losses) on property revaluation	55	-	55	-	(3,057)
Actuarial (losses)/gains on post-employment benefits	(31,641)	-	1	-	35,119
Other reserve movements	(704)	(539)	(330)	(197)	(1,540)
Income tax relating to components of other comprehensive income	(12,804)	3,795	(7,327)	2,148	(817)
Other comprehensive loss for the period, net of tax	(2,103)	(129,156)	(24,358)	(122,112)	(107,632)
Total comprehensive income for the period, net of tax	245,640	86,635	109,935	21,114	427,548
Comprehensive income attributable to non-controlling interests	(1,301)	(937)	(1,589)	(486)	(1,395)
Comprehensive income attributable to equity holders of the parent	244,339	85,698	108,346	20,628	426,153

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited Jun 2019 TT$'000	Audited Dec 2018 TT$'000
ASSETS		
Property, plant and equipment	609,275	620,384
Right-of-use assets	93,659	–
Investment properties	1,507,495	1,477,465
Intangible assets	511,705	512,490
Investment in associated companies	241,622	232,041
Investment securities	18,170,051	17,107,289
Investment securities of mutual fund unit holders	1,136,966	1,079,888
Loans and receivables	2,242,363	2,121,715
Properties for development and sale	103,166	104,115
Pension plan assets	69,215	67,655
Deferred tax assets	50,286	61,311
Reinsurance assets	1,497,122	1,396,965
Deferred acquisition costs	130,435	98,061
Taxation recoverable	133,638	129,592
Cash and cash equivalents	2,169,983	2,084,426
Cash and cash equivalents of mutual fund unit holders	190,996	213,810
Total assets	28,857,977	27,307,207
EQUITY AND LIABILITIES		
Share capital	1,986,067	1,992,656
Reserves	(410,104)	(439,603)
Retained earnings	1,957,561	1,845,006
Equity attributable to owners of the parent	3,533,524	3,398,059
Non-controlling interests in subsidiary	22,310	22,573
Total equity	3,555,834	3,420,632
Liabilities		
Insurance contracts	17,708,764	16,928,454
Financial liabilities	2,490,716	2,327,404
Lease liabilities	95,378	–
Investment contract liabilities	2,019,302	1,989,373
Third party interests in mutual funds	1,110,148	1,021,592
Pension plan liabilities	101,473	69,994
Post-retirement medical benefit obligations	126,774	121,245
Deferred tax liabilities	334,060	314,730
Provision for taxation	51,609	68,032
Reinsurance liabilities	523,036	229,179
Other liabilities	740,883	816,572
Total liabilities	25,302,143	23,886,575
Total equity and liabilities	28,857,977	27,307,207

These consolidated financial statements have been approved for issue by the Board of Directors on August 8, 2019 and signed on its behalf :

Director ______ Director ______

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Jun 2019 TT$'000	Unaudited Jun 2018 TT$'000	Audited Dec 2018 TT$'000
Balance at beginning of period	3,420,632	3,322,885	3,322,885
IFRS 9 initial application adjustments	–	(257,553)	(181,900)
Total comprehensive income	245,640	86,635	427,548
Other movements	–	11,025	11,078
Issue of shares	2,497	–	–
Dividends	(112,935)	(105,649)	(158,979)
Balance at end of period	3,555,834	3,057,343	3,420,632

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Jun 2019 TT$'000	Unaudited Jun 2018 TT$'000	Audited Dec 2018 TT$'000
Profit before taxation	348,464	297,689	704,505
Adjustment for specific items included on the accruals basis:			
- Finance charges	72,970	68,676	135,522
- Investment income	(462,922)	(466,877)	(918,327)
Interest and dividends received	409,874	469,666	919,468
Adjustments for non-cash items	(28,039)	185,230	79,204
Operating profit before changes in operating assets/liabilities	340,347	554,384	920,372
Net increase/(decrease) in insurance liabilities	619,088	(92,749)	(446,546)
Net purchases of investment securities	(755,872)	(329,554)	(269,416)
Net purchases of/additions to investment properties	(50,520)	(23,811)	(56,901)
Net movement in other operating assets and liabilities	(20,518)	(93,828)	317,100
Cash provided by operating activities	132,525	14,442	464,609
Interest paid	(79,189)	(72,821)	(150,644)
Net taxation paid	(95,825)	(51,086)	(93,888)
Net cash (used in)/provided by operating activities	(42,489)	(109,465)	220,077
Net cash used in investing activities	(32,594)	(25,669)	(78,208)
Net cash provided by/(used in) financing activities	145,618	(200,447)	(287,439)
Net increase/(decrease) in cash and cash equivalents	70,535	(335,581)	(145,570)

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
Six months ended 30 June 2019					
Gross written premiums	1,890,894	1,583,711	–	–	3,474,605
Net written premiums	1,792,356	513,958	–	–	2,306,314
Underwriting revenue	1,773,501	628,457	–	–	2,401,958
Underwriting expenses	(1,774,429)	(363,102)	–	1,119	(2,136,412)
Net income/(loss) from investing activities	650,990	54,787	48,533	(98,416)	655,894
Net income from brokerage activities	–	16,764	–	–	16,764
Net income/(loss) from all activities	650,062	336,906	48,533	(97,297)	938,204
Net impairment gains/(losses) on financial assets	3,283	(1,730)	1,554	(435)	2,672
Operating expenses	(291,946)	(165,532)	(25,489)	(47,060)	(530,027)
Finance charges	(3,559)	(4,195)	(674)	(64,542)	(72,970)
Operating profit/(loss)	357,840	165,449	23,924	(209,334)	337,879
Six months ended 30 June 2018					
Gross written premiums	1,890,525	1,409,437	–	–	3,299,962
Net written premiums	1,793,143	423,536	–	–	2,216,679
Underwriting revenue	1,775,018	519,498	–	–	2,294,516
Underwriting expenses	(1,614,611)	(291,712)	–	1,441	(1,904,882)
Net income/(loss) from investing activities	391,081	34,346	45,396	(20,902)	449,921
Net income from brokerage activities	–	17,452	–	–	17,452
Net income/(loss) from all activities	551,488	279,584	45,396	(19,461)	857,007
Net impairment gains/(losses) on financial assets	(12,684)	7,345	(528)	(319)	(6,186)
Operating expenses	(277,589)	(152,645)	(24,863)	(38,558)	(493,655)
Finance charges	(409)	(4,032)	(624)	(63,611)	(68,676)
Operating profit/(loss)	260,806	130,252	19,381	(121,949)	288,490
Total Assets					
30 June 2019	22,304,096	4,926,030	1,777,237	(149,386)	28,857,977
31 December 2018	21,384,339	4,384,973	1,723,813	(185,918)	27,307,207

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, 2018 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 January 1, 2019.

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

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.