

CHAIRMAN'S REPORT

Dear Shareholder,

Your Group has produced a strong performance in its second quarter which is extremely positive as we have reversed the loss from the first quarter, and we have exceeded the second quarter performance of 2019. Year to date, your Group's performance is behind that of last year, recording a profit attributable to equity shareholders of \$165 million, an \$82 million or 33% reduction on the \$247 million recorded in the similar period last year. Correspondingly, earnings per share decreased to \$0.71 versus \$1.06 over the same period last year.

As discussed in the first quarter Chairman's Report, the losses during that period arose from our investment portfolios. It is encouraging that, internationally, the equity markets have recovered much of their losses, but regional markets have experienced a further decline. This equity and bond market performance significantly affected the Group's Net income from investing activities which generated income of \$316 million, a 53% reduction on the \$671 million recorded in the same period last year. Net fair value losses were a major contributing factor to this decline, amounting to \$309 million compared to a gain of \$224 million in the prior period, an adverse movement of \$533 million which is shared with third party investors. Positively, Investment income increased by \$26 million arising out of an improved investment mix and an increased investment portfolio.

Net income from insurance underwriting activities produced stellar results, generating income of \$551 million, a \$268 million or 94% increase over the \$283 million reported in the corresponding period last year. This was largely owing to improvements in the Life, Health and Pension business segment which increased income by \$203 million over the prior year. The Property and Casualty business segment increased income by \$53 million over the prior year driven by growth in the Dutch markets. Amidst the challenging economic conditions, the onset of the COVID-19 pandemic has also created significant obstacles for the collection of premiums. To overcome this, your Group launched various online portals to support customer interactions. While this proved to be generally effective, some of our customers maintained a preference for the traditional methods of over the counter collection. This impacted Gross Written Premiums which showed a modest increase of 1%. The Property and Casualty business segment increased premiums by 5%, largely from the Dutch and Jamaican markets while the Life, Health and Pension business reduced premiums by 2%, mainly from the Trinidad business.

Our Brokerage activities continue to grow primarily through inorganic means, achieving an income of \$73 million which represents a 21% increase over the \$60 million recorded in the prior year. This segment remains an integral part of your Group's portfolio as it represents a relatively low-risk business.

Operating expenses amounted to \$618 million, a 1% increase over the \$610 million reported in the corresponding period last year. This increase is as a result of acquired businesses, primarily within the Brokerage segment. Core expenses reduced over the prior year, as the Group has been successful in funding its strategy to implement the mechanisms and technologies required to advance our competitive edge through cost savings within other areas.

As we move forward in this time of ongoing uncertainty, your directors continue to actively monitor the global developments surrounding the COVID-19 pandemic and adjust our strategy, as necessary. To this end, and out of an abundance of caution, your directors have decided not to recommend an interim dividend for 2020. However, your Group continues to vigorously implement its strategic plan to improve our return on capital and looks forward with careful optimism to a stronger second half performance.



Patrick Hylton
Chairman Guardian Holdings Limited
30 July 2020

SUMMARY CONSOLIDATED STATEMENT OF INCOME

	Unaudited 6-Months Jun 2020 TT\$'000	Unaudited 6-Months Jun 2019 TT\$'000 (Restated)	Unaudited 3-Months Jun 2020 TT\$'000	Unaudited 3-Months Jun 2019 TT\$'000 (Restated)	Audited 12-Months Dec 2019 TT\$'000
Gross written premiums	3,520,838	3,474,605	1,542,412	1,516,217	6,366,679
Net written premiums	2,221,063	2,306,314	982,924	1,026,398	4,484,742
Net result from insurance activities	550,953	283,373	370,208	129,295	958,579
Net income from investing activities	315,627	670,949	288,881	369,185	1,369,846
Fee and commission income from brokerage activities	72,741	59,936	32,961	29,505	117,052
Net income from all activities	939,321	1,014,258	692,050	527,985	2,445,477
Net impairment (losses)/gains on financial assets	(24,167)	2,672	(36,862)	(2,993)	(87,586)
Operating expenses	(618,473)	(609,535)	(309,357)	(310,219)	(1,374,500)
Finance charges	(73,245)	(72,970)	(36,529)	(36,986)	(146,705)
Operating profit	223,436	334,425	309,302	177,787	836,686
Share of after tax profits of associated companies	10,730	10,585	5,942	4,155	18,033
Profit before taxation	234,166	345,010	315,244	181,942	854,719
Taxation	(80,608)	(91,396)	(120,783)	(44,899)	(151,006)
Profit after taxation	153,558	253,614	194,461	137,043	703,713
Loss/(profit) attributable to participating policyholders	13,853	(5,871)	7,699	(2,750)	(8,753)
Profit for the period	167,411	247,743	202,160	134,293	694,960
Profit attributable to non-controlling interests	(2,816)	(1,114)	(1,107)	(525)	(2,652)
Profit attributable to equity holders of the company	164,595	246,629	201,053	133,768	692,308
Earnings per share					
- Basic	\$ 0.71	\$ 1.06			\$ 2.98

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6-Months Jun 2020 TT\$'000	Unaudited 6-Months Jun 2019 TT\$'000	Unaudited 3-Months Jun 2020 TT\$'000	Unaudited 3-Months Jun 2019 TT\$'000	Audited 12-Months Dec 2019 TT\$'000
Profit for the period	167,411	247,743	202,160	134,293	694,960
Other comprehensive (loss)/income					
Exchange differences on translating foreign operations	(112,919)	(50,218)	(54,460)	(62,367)	(77,116)
Net (losses)/gains on debt instruments at fair value through other comprehensive income	(8,543)	93,209	216,731	45,610	137,691
Gains on property revaluation	-	55	-	55	44,342
Actuarial (losses)/gains on post-employment benefits	-	(31,641)	-	1	(59,109)
Other reserve movements	65	(704)	43	(330)	(566)
Income tax relating to components of other comprehensive income	(636)	(12,804)	(15,463)	(7,327)	(31,255)
Other comprehensive (loss)/income for the period, net of tax	(122,033)	(2,103)	146,851	(24,358)	13,987
Total comprehensive income for the period, net of tax	45,378	245,640	349,011	109,935	708,947
Comprehensive income attributable to non-controlling interests	(2,850)	(1,301)	(1,156)	(1,589)	(2,569)
Comprehensive income attributable to equity holders of the company	42,528	244,339	347,855	108,346	706,378

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.

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 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 31 December 2019 audited consolidated financial statements, have also remained unchanged.

Potential Transfer of Insurance and Annuities Business of NCB Insurance Company Limited to Guardian Life Limited

Guardian Holdings Limited is part of the NCB Financial Group Limited ("NCBFG"). The process of streamlining the insurance business currently offered by competing subsidiaries - Guardian Life Limited ("GLL"), and NCB Insurance Company Limited ("NCBIC"), both Jamaican based entities, is being considered. NCBIC has submitted applications to the Financial Services Commission in Jamaica seeking approval for the following:

A - The transfer of 100% of its portfolio of insurance and annuities business to Guardian Life Limited;

B - To be licensed as a dealer under the Securities Act; and

C - Registration of NCBIC as an insurance agent under the Insurance Act.

The applications are contingent upon one another.

If approved, these applications will allow NCBIC to discontinue its business as an insurance underwriter, retain and continue to operate its business as a Pension Fund Administrator and Investment Manager, while selling insurance products as an exclusive agent of Guardian Life Limited under a new company name. Insurance policies for existing policyholders will not be impacted, as GLL will honour the contracts being transferred on its current terms. NCBIC's carrying value of liabilities under annuity and insurance contracts totaled approximately TT\$1.4 Billion as at 30th June 2020.


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

	Unaudited Jun 2020 TT\$'000	Audited Dec 2019 TT\$'000
ASSETS		
Property, plant and equipment	707,966	723,680
Right-of-use assets	103,841	113,445
Investment properties	1,592,444	1,569,380
Intangible assets	570,689	575,875
Investment in associated companies	253,809	244,247
Investment securities	18,772,424	19,413,392
Investment securities of mutual fund unit holders	1,271,846	1,296,192
Loans and receivables	2,219,068	1,824,219
Properties for development and sale	105,956	103,246
Pension plan assets	41,800	41,026
Deferred tax assets	71,584	64,992
Reinsurance assets	1,341,959	1,284,155
Deferred acquisition costs	144,884	115,942
Taxation recoverable	147,361	181,123
Cash and cash equivalents	2,577,062	2,350,577
Cash and cash equivalents of mutual fund unit holders	185,270	166,596
Total assets	30,107,963	30,068,087
EQUITY AND LIABILITIES		
Share capital	1,970,043	1,986,066
Reserves	(487,166)	(365,034)
Retained earnings	2,381,196	2,318,847
Equity attributable to owners of the company	3,864,073	3,939,879
Non-controlling interests in subsidiaries	27,192	24,341
Total equity	3,891,265	3,964,220
Liabilities		
Insurance contracts	17,490,880	17,458,851
Financial liabilities	2,515,749	2,531,023
Lease liabilities	111,141	116,857
Investment contract liabilities	2,667,744	2,788,681
Third party interests in mutual funds	1,217,184	1,237,709
Pension plan liabilities	89,669	89,154
Post-retirement medical benefit obligations	136,319	134,605
Deferred tax liabilities	328,236	366,895
Provision for taxation	101,308	50,753
Reinsurance liabilities	660,183	351,617
Other liabilities	898,285	977,722
Total liabilities	26,216,698	26,103,867
Total equity and liabilities	30,107,963	30,068,087

These consolidated financial statements have been approved for issue by the Board of Directors on 30 July 2020 and signed on its behalf:

Director: 

Director: 

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Jun 2020 TT\$'000	Unaudited Jun 2019 TT\$'000	Audited Dec 2019 TT\$'000
Balance at beginning of period	3,964,220	3,420,632	3,420,632
Acquisition of subsidiary	-	-	746
Total comprehensive income	45,378	245,640	708,947
Issue of shares	-	2,497	2,497
Dividends	(118,333)	(112,935)	(168,602)
Balance at end of period	3,891,265	3,555,834	3,964,220

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Jun 2020 TT\$'000	Unaudited Jun 2019 TT\$'000 (Restated)	Audited Dec 2019 TT\$'000
Profit before taxation	234,166	345,010	854,719
Adjustment for specific items included on the accruals basis:			
- Finance charges	73,245	72,970	146,705
- Investment income	(491,031)	(466,873)	(981,693)
Interest and dividends received	478,897	418,760	953,207
Adjustments for non-cash items	352,208	(86,762)	(193,369)
Operating profit before changes in operating assets/liabilities	647,485	283,105	779,569
Net increase in insurance liabilities	305,860	619,226	380,028
Net purchases of investment securities	(68,489)	(757,302)	(1,201,666)
Net purchases of/additions to investment properties	(43,143)	(50,520)	(132,304)
Net movement in other operating assets and liabilities	(303,479)	52,658	692,348
Cash provided by operating activities	538,234	147,167	517,975
Interest paid	(83,883)	(79,189)	(162,166)
Net taxation paid	(41,459)	(94,559)	(183,621)
Net cash provided by/(used in) operating activities	412,892	(26,581)	172,188
Net cash used in investing activities	(27,413)	(32,594)	(217,910)
Net cash (used in)/provided by financing activities	(121,116)	145,618	241,428
Net increase in cash and cash equivalents	264,363	86,443	195,706

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 2020					
Gross written premiums	1,850,784	1,670,054	-	-	3,520,838
Net written premiums	1,738,132	482,931	-	-	2,221,063
Underwriting revenue	1,725,983	629,528	-	-	2,355,511
Underwriting expenses	(1,523,969)	(294,311)	-	13,722	(1,804,558)
Net income/(loss) from investing activities	275,374	4,440	60,302	(24,489)	315,627
Fee and commission income from brokerage activities	-	84,707	-	(11,966)	72,741
Net income/(loss) from all activities	477,388	424,364	60,302	(22,733)	939,321
Net impairment gains/(losses) on financial assets	(16,997)	(6,009)	1,320	(2,481)	(24,167)
Operating expenses	(292,664)	(245,124)	(29,358)	(51,327)	(618,473)
Finance charges	(3,349)	(2,712)	(995)	(66,189)	(73,245)
Operating profit/(loss)	164,378	170,519	31,269	(142,730)	223,436
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)	(346,402)	-	2,246	(2,118,585)
Net income/(loss) from investing activities	658,843	56,113	49,745	(93,752)	670,949
Fee and commission income from brokerage activities	-	61,063	-	(1,127)	59,936
Net income/(loss) from all activities	657,915	399,231	49,745	(92,633)	1,014,258
Net impairment gains/(losses) on financial assets	3,283	(1,730)	1,554	(435)	2,672
Operating expenses	(301,385)	(228,994)	(26,854)	(52,302)	(609,535)
Finance charges	(3,559)	(4,195)	(674)	(64,542)	(72,970)
Operating profit/(loss)	356,254	164,312	23,771	(209,912)	334,425
Total Assets					
30 June 2020	23,360,454	5,039,010	1,960,390	(251,891)	30,107,963
31 December 2019	23,697,630	4,595,622	1,966,421	(191,586)	30,068,087