

## 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 \$14.2 million, contributing, as they did, an additional 6 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 \$168 million and grew 14% quarter over quarter due to strong life sales and new acquisitions.

After tax profits for the year to date amounted to \$30.7 million. This equates to basic earnings per share of 13 cents. The commensurate period in 2012 resulted in after-tax profits of \$46.9 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 \$11.4 million. On the other hand, last year GHL had positive realised gains and fair value movements totaling \$2.7 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 \$599.8 million versus \$523.6 million over the comparable period, an increase of 15%.

We have maintained our growth trend and the Group's assets have increased by \$76.5 million year to date and now stand at \$3.567 billion. Total equity attributable to shareholders amount to \$507 million 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 \$2.6 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 \$0.5 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 \$64 million in reserves while as of the end of September 2013 reserves stand at \$34 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 \$2.3 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 US\$'000	Unaudited 9-Months Sep 2012 US\$'000	Unaudited 3-Months Sep 2013 US\$'000	Unaudited 3-Months Sep 2012 US\$'000	Audited 12-Months Dec 2012 US\$'000
Gross premiums written	599,837	523,567	168,091	148,010	678,610
Net premiums written	407,733	357,475	124,803	110,194	488,195
Net income from insurance underwriting activities	61,191	56,556	22,389	23,600	82,238
Realised loss on NDX	(4,752)	-	64	-	-
Net fair value (losses)/gains on financial instruments	(6,602)	5,291	811	3,052	6,995
Net income from other investing activities	103,469	100,242	31,803	33,440	136,387
	153,306	162,089	55,067	60,092	225,620
Fair value adjustment on Pointe Simon investment	-	(3,176)	-	(3,176)	(23,281)
<b>Net income from all activities</b>	153,306	158,913	55,067	56,916	202,339
Operating expenses	(101,410)	(87,291)	(35,147)	(30,776)	(122,662)
Finance charges	(15,000)	(13,980)	(5,130)	(4,804)	(18,571)
<b>Operating profit</b>	36,896	57,642	14,790	21,336	61,106
Share of profit of associated companies	4,059	2,237	2,649	922	3,306
<b>Profit before taxation</b>	40,955	59,879	17,439	22,258	64,412
Taxation	(10,032)	(11,167)	(4,122)	(4,621)	(17,648)
<b>Profit after taxation</b>	30,923	48,712	13,317	17,637	46,764
Amount attributable to participating policyholders	(905)	(1,359)	(169)	(890)	(1,555)
<b>Profit from continuing operations</b>	30,018	47,353	13,148	16,747	45,209
Net gain/(loss) on discontinued operations	640	(1,828)	1,021	(1,694)	(2,789)
<b>Profit for the period</b>	30,658	45,525	14,169	15,053	42,420
Loss attributable to non-controlling interests	81	1,397	37	1,455	12,384
<b>Profit attributable to equity holders of the parent</b>	30,739	46,922	14,206	16,508	54,804
<b>Earnings per share</b>					
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.13	\$0.20			\$0.24
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.12	\$0.19			\$0.22
<b>Earnings per share for continuing operations</b>					
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.13	\$0.21			\$0.25
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.12	\$0.20			\$0.23

## Consolidated Statement of Comprehensive Income

	Unaudited 9-Months Sep 2013 US\$'000	Unaudited 9-Months Sep 2012 US\$'000	Unaudited 3-Months Sep 2013 US\$'000	Unaudited 3-Months Sep 2012 US\$'000	Audited 12-Months Dec 2012 US\$'000
<b>Profit for the period</b>	30,658	45,525	14,169	15,053	42,420
<b>Other comprehensive income/(loss)</b>					
Exchange differences on translating foreign operations	(10,390)	(10,737)	4,639	2,110	(12,151)
Gains on property revaluation	945	-	931	-	700
Actuarial losses on post employment benefits	(407)	(1,735)	(136)	(1,735)	(15,390)
Other reserve movements	42	41	(71)	16	(703)
Income tax relating to components of other comprehensive income	-	(1)	-	-	298
<b>Other comprehensive (loss)/income for the period, net of tax</b>	(9,810)	(12,432)	5,363	391	(27,246)
<b>Total comprehensive income for the period, net of tax</b>	20,848	33,093	19,532	15,444	15,174
Comprehensive loss attributable to non-controlling interests	607	1,444	479	1,389	12,405
<b>Comprehensive income attributable to equity holders of the parent</b>	21,455	34,537	20,011	16,833	27,579

## 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 US\$'000	Audited Dec 2012 US\$'000
<b>ASSETS</b>		
Property, plant and equipment	77,548	76,159
Investment properties	167,807	164,240
Intangible assets	60,652	57,055
Investment in associated companies	34,297	32,062
Financial assets	1,872,706	1,876,014
Financial assets of mutual fund unit holders	171,988	182,775
Loans and receivables	302,362	243,766
Properties for development and sale	74,679	69,760
Pension plan assets	11,839	12,580
Value of inforce life insurance business	141,618	136,663
Deferred tax assets	2,111	2,832
Reinsurance assets	142,234	110,570
Segregated fund assets of life insurance policyholders	65,466	72,511
Deferred acquisition costs	15,384	12,337
Taxation recoverable	21,926	18,472
Cash and cash equivalents	313,331	295,600
Cash and cash equivalents of mutual fund unit holders	22,568	19,328
Assets held for sale	68,687	107,971
<b>Total assets</b>	<b>3,567,203</b>	<b>3,490,695</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	317,289	316,579
Reserves	(62,908)	(53,573)
Retained earnings	252,648	240,606
<b>Equity attributable to owners of the parent</b>	<b>507,029</b>	<b>503,612</b>
Non-controlling interests in subsidiaries	(7,199)	(6,406)
<b>Total equity</b>	<b>499,830</b>	<b>497,206</b>
<b>Liabilities</b>		
Insurance contracts	2,061,342	1,947,294
Financial liabilities	276,474	273,998
Investment contract liabilities	245,888	250,151
Third party interests in mutual funds	155,222	163,397
Pension plan liabilities	16,743	17,217
Segregated fund liabilities of life insurance policyholders	65,466	72,511
Post retirement medical benefit obligations	17,976	15,370
Deferred tax liabilities	29,494	30,121
Provision for taxation	12,338	9,804
Other liabilities	119,193	107,009
Liabilities related to assets held for sale	67,237	106,617
<b>Total liabilities</b>	<b>3,067,373</b>	<b>2,993,489</b>
<b>Total equity and liabilities</b>	<b>3,567,203</b>	<b>3,490,695</b>

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 US\$'000	Unaudited Sep 2012 US\$'000	Audited Dec 2012 US\$'000
<b>Balance at beginning of the period</b>	497,206	496,587	496,587
Total comprehensive income	20,848	33,093	15,174
Movement in unallocated shares	-	2,334	2,333
Share option scheme - value of services provided	710	1,779	2,027
Dividends	(18,934)	(18,916)	(18,915)
<b>Balance at the end of period</b>	<b>499,830</b>	<b>514,877</b>	<b>497,206</b>

## Consolidated Statement of Cash Flows

	Unaudited Sep 2013 US\$'000	Unaudited Sep 2012 US\$'000	Audited Dec 2012 US\$'000
Profit before taxation from continuing operations	40,955	59,879	64,412
Profit / (loss) before taxation from discontinued operations	640	(1,828)	(2,789)
	41,595	58,051	61,623
Adjustment for specific items included on the accruals basis:			
- Interest expense	15,000	13,980	18,571
- Investment income	(94,592)	(96,852)	(130,361)
Interest and dividends received	93,784	97,883	125,301
Adjustments for non-cash items	46,399	(11,637)	12,632
Operating profit before changes in operating assets / liabilities	102,186	61,425	87,766
Net increase in insurance liabilities	97,955	117,938	110,788
Net purchases of financial assets	(44,396)	(63,988)	(76,539)
Net purchases of / additions to investment properties	(5,615)	(8,691)	(12,921)
Net movement in other operating assets and liabilities	(64,787)	(63,662)	(30,265)
Cash provided by operating activities	85,343	43,022	78,829
Interest paid	(20,212)	(18,745)	(22,007)
Net taxation paid	(12,770)	(9,501)	(13,378)
Net cash provided by operating activities	52,361	14,776	43,444
Net cash used in investing activities	(16,746)	(3,440)	(54,949)
Net cash (used in)/provided by financing activities	(18,862)	22,073	28,873
Net increase in cash and cash equivalents	16,753	33,409	17,368

## Segment Information

	Life, health and pension business US\$'000	Property and casualty business US\$'000	Asset Management US\$'000	Other including consolidation adjustments US\$'000	Group US\$'000
<b>Nine months ended 30 September 2013</b>					
Gross premiums written	329,711	270,126	-	-	599,837
Net premiums written	307,977	99,756	-	-	407,733
Underwriting revenue	315,070	116,567	-	-	431,637
Underwriting expenses	(300,315)	(70,131)	-	-	(370,446)
Realised loss on NDX	(3,967)	(785)	-	-	(4,752)
Net fair value (losses) / gains on financial instruments	(6,241)	1,789	(3,020)	870	(6,602)
Net income / (loss) from other investing activities	83,614	15,099	12,037	(7,281)	103,469
<b>Net income / (loss) from all activities</b>	<b>88,161</b>	<b>62,539</b>	<b>9,017</b>	<b>(6,411)</b>	<b>153,306</b>
Operating expenses	(54,710)	(37,016)	(4,528)	(5,156)	(101,410)
Finance charges	(241)	(3,165)	(12)	(11,582)	(15,000)
<b>Operating profit/(loss)</b>	<b>33,210</b>	<b>22,358</b>	<b>4,477</b>	<b>(23,149)</b>	<b>36,896</b>
<b>Nine months ended 30 September 2012</b>					
Gross premiums written	285,936	237,631	-	-	523,567
Net premiums written	272,192	85,283	-	-	357,475
Underwriting revenue	281,211	93,553	-	-	374,764
Underwriting expenses	(267,751)	(50,457)	-	-	(318,208)
Net fair value (losses) / gains on financial instruments	7,931	(99)	(1,956)	(585)	5,291
Net income / (loss) from other investing activities	81,780	11,701	12,353	(5,592)	100,242
Fair value adjustment on Pointe Simon investment	-	-	-	(3,176)	(3,176)
<b>Net income / (loss) from all activities</b>	<b>103,171</b>	<b>54,698</b>	<b>10,397</b>	<b>(9,353)</b>	<b>158,913</b>
Operating expenses	(52,733)	(24,287)	(3,698)	(6,573)	(87,291)
Finance charges	(484)	(2,062)	(141)	(11,293)	(13,980)
<b>Operating profit/(loss)</b>	<b>49,954</b>	<b>28,349</b>	<b>6,558</b>	<b>(27,219)</b>	<b>57,642</b>
<b>Total Assets</b>					
30 September 2013	2,548,061	645,387	230,614	143,141	3,567,203
31 December 2012	2,476,655	637,773	240,661	135,606	3,490,695

## 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.