

Consolidated Financial Statements

First Quarter Results to March 31, 2011

expressed in Trinidad & Tobago Dollars



Chairman's Report

My dear fellow shareholders,

Against the backdrop of the second worst quarter for catastrophe losses in the history of the insurance industry, I am pleased to report on another excellent quarter for our core Caribbean insurance businesses and a very satisfying net profit after tax result for the GHL Group of \$89.3 million.

During the first quarter of 2011, the insurance industry faced an unprecedented level of catastrophe losses. The most newsworthy of these was of course the massive Japan earthquake and tsunami which occurred on March 11. This earthquake measured 9.0 out of 10 on the Richter Scale and was the strongest ever experienced in Japan, a country all too familiar with seismic activity. While the ultimate insured loss from this event will not be known for quite some time, current estimates range from US\$20-35 billion. In February 2011, Cyclone Yasi hit Australia causing extensive damage to that country. Yasi was a Category 5 storm and was reportedly stronger than Hurricane Katrina, the storm that devastated New Orleans in 2005. This was the second disaster that Australia saw in the year's first quarter, as seasonal flooding hit the eastern part of the country. In late February, an earthquake measuring 6.3 on the Richter Scale struck in Christchurch, New Zealand, that country's second largest city. The insured losses from these three events will run into the US\$ tens of billions. The result of these various catastrophes has played havoc with the quarterly results of the world's biggest insurance and re-insurance companies. Contrasted with GHL's achievement of a very satisfactory profit for the period, many insurance companies have reported US\$100 million plus net after tax losses.

The exposure to your Group from non-Caribbean catastrophes comes from two sources, Guardian Re, and our Lloyd's of London business, Jubilee. Both of these companies write an international property book. As a result of our careful underwriting within these companies, GHL was able to avoid any large losses from these events. To date, we have one reported loss from Japan that amounts to a little more than US\$1 million, which is reflected in our quarterly result. Given the size of the Japan loss it is still possible that we will receive notification of further claims, but we do not expect that these will have a material effect on our full-year results.

Consistent with the method of reporting results for year 2010, we have disclosed separately the results of our insurance underwriting activities and our investment activities. Our insurance underwriting activities (premium income less acquisition expenses and claims) produced a profit of \$62.8 million for the period, a 53% increase over last year's comparable period. Gross written premium saw an increase of 29% over the first quarter of 2010. This was driven to a large degree by 'fronting' arrangements, which Guardian General entered into with two world-class insurance companies. Net premium written, which is the premium we retain on our books, grew by 10% over last year's quarter. Our Life, Health, and Pension (LHP) business segment's net premium income grew by 6% to \$693 million, while our Property and Casualty business segment's net premium income grew by 17% to \$475 million. By the end of this year we expect our LHP business to once again grow by double digits.

Our investing activities (investment income, net realised gains/losses on financial instruments, net fair value gains/losses on financial instruments, fee income, plus Guardian Asset Management's profit) produced a net result of \$233.4 million, a decrease of 36% compared to last year's similar period. The large decrease is attributable to a \$145 million unrealised gain related to the Jamaican JDX, or debt exchange, which we benefitted from during last year's first quarter. Without this effect, our investment activities would have shown a 6% increase.

The Group's operating profit before tax amounted to \$111.4 million, compared to \$215.5 million over the comparable period. Eliminating the JDX benefit, operating profit increased from \$70 million at the end of 2010's first quarter to our reported \$111.4 million, a very impressive 60% increase in operating profit before tax.

In summary, despite one of the worst quarters on record for the insurance industry and the continued weak economy of our region, we continue climbing along the path of a very positive trend we have now firmly established.

Arthur Lok Jack
Chairman

Consolidated Income Statement

	Unaudited Mar 2011 TT\$'000	Unaudited Mar 2010 TT\$'000	Audited Dec 2010 TT\$'000
Gross premiums written	1,598,882	1,243,815	4,323,852
Net premiums written	1,168,173	1,061,263	3,577,792
Net income from insurance underwriting activities	62,782	41,002	229,828
Net income from investing activities	233,401	364,931	1,174,784
Net income from all activities	296,183	405,933	1,404,612
Operating expenses	(165,846)	(173,424)	(770,870)
Finance charges	(24,887)	(19,716)	(82,854)
Operating profit	105,450	212,793	550,888
Share of profit of associated companies	5,975	2,747	23,026
Profit before taxation	111,425	215,540	573,914
Taxation	(18,453)	(53,360)	(136,798)
Profit after taxation	92,972	162,180	437,116
Amount attributable to participating policyholders	(3,718)	(7,893)	(14,359)
Profit from continuing operations	89,254	154,287	422,757
Net (loss) / gain on discontinued operations	-	(3,977)	2,586
Profit for the period	89,254	150,310	425,343
Profit attributable to:			
- Equity holders of the parent	87,974	141,553	405,505
- Non-controlling interests	1,280	8,757	19,838
	89,254	150,310	425,343
Earnings per share			
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.38	\$0.70	\$1.94
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.37	\$0.68	\$1.88

Consolidated Statement of Comprehensive Income

	Unaudited Mar 2011 TT\$'000	Unaudited Mar 2010 TT\$'000	Audited Dec 2010 TT\$'000
Profit for the period	89,254	150,310	425,343
Other comprehensive income			
Exchange differences on translating foreign operations	73,994	(21,001)	68,592
Gains on property revaluation	-	-	1,312
Actuarial losses on defined benefit pension plans	-	-	(14,771)
Other reserve movements	11,154	23,711	265
Income tax relating to components of other comprehensive income	(747)	141	(890)
Other comprehensive income for the period, net of tax	84,401	2,851	54,508
Total comprehensive income for the period, net of tax	173,655	153,161	479,851
Total comprehensive income attributable to:			
- Equity holders of the parent	167,641	133,410	464,856
- Non-controlling interests	6,014	19,751	14,995
	173,655	153,161	479,851

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 Financial Statements (continued)

First Quarter Results to March 31, 2011 ■ expressed in Trinidad & Tobago Dollars



Consolidated Statement of Financial Position

	Unaudited Mar 2011 TT\$'000	Unaudited Mar 2010 TT\$'000 (Restated)	Audited Dec 2010 TT\$'000
ASSETS			
Property, plant and equipment	505,904	505,252	509,744
Investment properties	961,555	931,632	905,507
Intangible assets	253,307	269,871	253,484
Investment in associated companies	285,358	274,101	276,847
Financial assets	10,640,752	10,919,358	11,183,338
Financial assets of Mutual Fund unit holders	1,300,825	1,155,011	1,244,907
Loans and receivables including insurance receivables	2,929,041	2,321,453	2,453,509
Pension plan assets	96,042	50,535	86,728
Value of inforce life insurance business	687,365	599,710	673,474
Deferred tax assets	23,222	24,918	25,595
Reinsurance assets	831,379	394,379	761,614
Segregated fund assets of life insurance policyholders	472,559	422,124	459,937
Deferred acquisition costs	396,155	442,122	369,623
Taxation recoverable	160,948	179,001	157,550
Cash and cash equivalents	2,190,031	2,207,879	1,475,421
Cash and cash equivalents of mutual fund unit holders	115,543	159,682	150,517
Assets held for sale	-	1,068,005	-
Total assets	21,849,986	21,925,033	20,987,795
EQUITY AND LIABILITIES			
Share capital	2,003,474	1,532,345	2,003,470
Reserves	(180,087)	(339,304)	(249,587)
Retained earnings	1,383,499	1,130,694	1,285,362
Equity attributable to owners of the parent	3,206,886	2,323,735	3,039,245
Non-controlling interests in subsidiaries	97,093	99,798	91,079
Total equity	3,303,979	2,423,533	3,130,324
Liabilities			
Insurance contracts	12,966,996	10,840,435	12,453,763
Financial liabilities	2,971,564	4,689,836	2,729,732
Third part interests in mutual funds	1,113,864	1,078,551	1,065,548
Segregated fund liabilities of life insurance policyholders	472,559	422,124	459,937
Post retirement medical benefit obligations	66,675	71,941	78,916
Deferred tax liabilities	203,067	188,361	208,432
Provision for taxation	81,505	106,070	102,308
Other liabilities	669,777	925,700	758,835
Liabilities related to assets held for sale	-	1,178,482	-
Total liabilities	18,546,007	19,501,500	17,857,471
Total equity and liabilities	21,849,986	21,925,033	20,987,795

These financial statements have been approved for issue by the board of directors on May 4 and signed on its behalf:

Director:

Director:

Consolidated Statement of Cash Flows

	Unaudited Mar 2011 TT\$'000	Unaudited Mar 2010 TT\$'000	Audited Dec 2010 TT\$'000
Profit before taxation from continuing operations	111,425	215,540	573,914
Profit / (loss) before taxation from discontinued operations	-	(3,977)	2,586
	111,425	211,563	576,500
Adjustment for specific items included on the accruals basis:			
- Finance charges	24,887	19,716	82,854
- Investment income	(210,163)	(222,639)	(888,213)
Interest and dividends received	238,321	253,507	973,020
Adjustments for non-cash items	(89,084)	(108,723)	(339,801)
Operating profit before changes in operating assets / liabilities	75,386	153,424	404,360
Net increase in insurance liabilities	512,176	329,390	445,759
Net proceeds from / (purchases of) financial assets	567,731	(349,359)	(802,960)
Net purchases of investment properties	(24,345)	(15,386)	(188,670)
Net movement in other operating assets and liabilities	(685,932)	26,166	255,548
Cash provided by operating activities	445,016	144,235	114,037
Interest paid	(2,806)	(1,810)	(132,065)
Net taxation paid	(45,617)	(11,732)	(107,748)
Net cash used in operating activities	396,593	130,693	(125,776)
Net cash provided by / (used in) investing activities	25,655	(5,476)	60,716
Net cash provided by / (used in) financing activities	252,199	18,969	(837,629)
Net increase / (decrease) in cash and cash equivalents	674,447	144,186	(902,689)

Consolidated Statement of Changes in Equity

	Unaudited Mar 2011 TT\$'000	Unaudited Mar 2010 TT\$'000 (Restated)	Audited Dec 2010 TT\$'000
Balance at beginning of the period	3,130,324	2,342,437	2,342,437
Total comprehensive income	173,655	153,161	479,851
Issue of shares	-	-	412,609
Share option scheme - value of services provided	-	1,950	1,950
Dividends	-	(74,015)	(106,523)
Balance at the end of the period	3,303,979	2,423,533	3,130,324

Segment Information

	Life, health and pension business TT\$'000	Property and casualty business TT\$'000	Asset management TT\$'000	Other companies TT\$'000	Consolidation adjustments TT\$'000	Group TT\$'000
Three months ended March 31, 2011						
Gross premiums written	715,883	882,999	-	-	-	1,598,882
Net premiums written	693,317	474,856	-	-	-	1,168,173
Underwriting revenue	605,255	287,337	-	-	-	892,592
Underwriting expenses	(615,469)	(214,341)	-	-	-	(829,810)
Net income from investing activities	191,851	32,834	17,318	82,643	(91,245)	233,401
Net income from all activities	181,637	105,830	17,318	82,643	(91,245)	296,183
Operating Expenses	(102,521)	(48,496)	(7,277)	(44,091)	36,539	(165,846)
Finance charges	(1,090)	(4,399)	(804)	(32,507)	13,913	(24,887)
Operating profit	78,026	52,935	9,237	6,045	(40,793)	105,450
Three months ended March 31, 2010						
Gross premiums written	674,839	568,976	-	-	-	1,243,815
Net premiums written	656,101	405,162	-	-	-	1,061,263
Underwriting revenue	588,438	423,010	-	-	(2,789)	1,008,659
Underwriting expenses	(597,347)	(373,451)	-	-	3,141	(967,657)
Net income from investing activities	233,734	33,577	108,451	1,019	(11,850)	364,931
Net income from all activities	224,825	83,136	108,451	1,019	(11,498)	405,933
Operating Expenses	(90,203)	(51,498)	(15,672)	(21,680)	5,629	(173,424)
Finance charges	(69)	3,275	(1,366)	(23,781)	2,225	(19,716)
Operating profit	134,553	34,913	91,413	(44,442)	(3,644)	212,793
Total Assets						
March 31, 2011	13,925,297	4,991,562	1,639,424	1,685,149	(391,446)	21,849,986
December 31, 2010	13,503,603	4,859,073	1,615,324	1,446,952	(437,157)	20,987,795
March 31, 2010	12,098,165	5,632,054	3,160,428	1,386,472	(352,086)	21,925,033

Basis of Preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in "Note 2" of the December 31, 2010 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 December 31, 2010 audited financial statements, have also remained unchanged.

Restatements and reclassifications

Where necessary, comparative data have been adjusted to conform with changes in presentation in the current period.