

Chairman's Report

I am pleased to report profit attributable to shareholders of GHL for the nine (9) month period ended September 30, 2011 of \$37.9 million representing a 27.4% increase over the \$29.7 million earned in the comparable 2010 period. Earnings per share amounted to \$0.16 on 231 million shares that fully reflect the new IFC shareholding versus \$0.15 earned in 2010's similar period on 205 million shares. These very satisfactory results were achieved notwithstanding the fact that the Group continues to function in a very challenging environment.

Aided by new strategies and initiatives, the Group's Gross Premium income increased by 6% to \$574.9 million over \$542.5 million in the previous year. Our Net Premiums Written (the amount of premium we retain for our own account) fell by 3% from \$440 million to \$427 million, as a result of the disposal of our investment in Jubilee (Lloyd's business) which, as previously reported, was sold during the quarter under review. This business has been profitable in the past, but within recent times significant losses in our international property book were incurred because of the severity and frequency of natural disasters. Up to the date of sale, Jubilee recorded an overall net loss of \$10.4 million.

The disposal of our interest in Jubilee realised a profit of \$11.2 million (\$0.05 per share) and was accounted for in the third quarter.

The net income from insurance underwriting totalled \$32.2 million a 50% increase over the \$21.5 million achieved in the prior period. This excellent outturn again demonstrates the benefit derived from our adherence to technical underwriting discipline across all Business Units in the Caribbean.

The prevailing difficult international economic climate characterised inter-alia by unprecedented low interest rates, continues to present challenges and impact negatively on the Group's investment activities. Sound profitable investment opportunities are limited and where they exist, generate historically low returns. The low interest rate environment also places pressure on margins earned from our considerable spread business. Consequently, our net income from investing activities declined to \$122.5 million from \$130.1 million during the comparable period last year.

Operating expenses were well controlled increasing by only 1%, well below the level of inflation. This helped the Group increase its operating margin from 10.7% last year to 11.8% over the similar period.

The outcome of a very strong underwriting return, our good expense management, balanced against a reduced investment performance produced an operating profit of \$56.5 million; marginally greater than the \$54.9 million achieved in the prior period.

The \$5.2 million loss derived from the results of the Group's associated companies is the result of two non-recurrent items. In the first place, we have booked a revaluation adjustment in respect of one investment property in Jamaica and secondly, losses were incurred in the Jubilee group holding company during the third quarter and prior to our exit.

The tax provision has reduced to a level in line with the corporation tax rates applicable in the countries in which we operate. In the prior period

losses incurred by overseas units were unavailable for offset against our profitable Caribbean businesses.

Total Group assets as at September 30, 2011 amounted to \$3.4 billion, an increase of \$0.1 billion over December 31, 2010. Over the nine (9) month period under review, equity attributable to owners of GHL grew by 7% to \$499.5 million from \$474.9 million. With regard to regulatory capital, GHL continues to maintain capital and solvency levels well in excess of the statutory requirements in all territories in which we operate. Furthermore, in Trinidad & Tobago, our internal models provide assurance that our companies already meet the capital requirements of the proposed New Insurance Legislation.

Looking out to the fourth quarter of this year, which traditionally has been the strongest quarter for sales, we expect that the current progress and trend would continue.

I am extremely pleased with the direction of GHL. We have spent a good part of the last three years shedding under-performing businesses, controlling our expenses and strengthening our balance sheet. We are well positioned to grow our businesses, both organically and through acquisition, as well as withstand the challenges presented by the current economic climate.



Arthur Lok Jack
Chairman

Consolidated Income Statement

	Unaudited 9-Months Sep 2011 US\$'000	Unaudited 9-Months Sep 2010 US\$'000	Unaudited 3-Months Sep 2011 US\$'000	Unaudited 3-Months Sep 2010 US\$'000	Audited 12-Months Dec 2010 US\$'000
Gross premiums written	574,853	542,537	165,942	162,195	675,575
Net premiums written	426,972	439,993	131,769	128,071	559,008
Net income from insurance underwriting activities	32,188	21,457	13,975	(1,006)	35,909
Net income from investing activities	122,536	130,053	50,731	37,193	183,553
Net income from all activities	154,724	151,510	64,706	36,187	219,462
Operating expenses	(86,918)	(85,982)	(29,520)	(26,672)	(120,444)
Finance charges	(11,331)	(10,633)	(3,901)	(3,709)	(12,945)
Operating profit	56,475	54,895	31,285	5,806	86,073
Share of (loss)/profit of associated companies	(5,160)	1,877	(6,596)	624	3,598
Profit before taxation	51,315	56,772	24,689	6,430	89,671
Taxation	(12,593)	(20,493)	(3,148)	(5,646)	(21,374)
Profit after taxation	38,722	36,279	21,541	784	68,297
Amount attributable to participating policyholders	(661)	(2,242)	513	(815)	(2,244)
Profit from continuing operations	38,061	34,037	22,054	(31)	66,053
Net (loss)/gain on discontinued operations	-	(1,099)	-	(970)	404
Profit for the year	38,061	32,938	22,054	(1,001)	66,457
Profit attributable to:					
- Equity holders of the parent	37,864	29,721	21,997	(2,262)	63,358
- Non-controlling interests	197	3,217	57	1,261	3,099
	38,061	32,938	22,054	(1,001)	66,457
Earnings per share					
- Basic - for profit attributable to ordinary equity holders of the parent	\$0.16	\$0.15			\$0.30
- Diluted - for profit attributable to ordinary equity holders of the parent	\$0.16	\$0.14			\$0.29

Consolidated Statement of Comprehensive Income

	Unaudited 9-Months Sep 2011 US\$'000	Unaudited 9-Months Sep 2010 US\$'000	Unaudited 3-Months Sep 2011 US\$'000	Unaudited 3-Months Sep 2010 US\$'000	Audited 12-Months Dec 2010 US\$'000
Profit for the period	38,061	32,938	22,054	(1,001)	66,457
Other comprehensive income/(loss)					
Exchange differences on translating foreign operations	(2,448)	6,679	(16,619)	8,075	10,717
Gains on property revaluation	1	-	1	-	205
Actuarial gain/(losses) on defined benefit pension plans	1,743	-	-	-	(2,308)
Other reserve movements	(596)	13,831	(534)	6,674	41
Income tax relating to components of other comprehensive income	-	(123)	-	(126)	(139)
Other comprehensive (loss)/income for the period	(1,300)	20,387	(17,152)	14,623	8,516
Total comprehensive income for the period	36,761	53,325	4,902	13,622	74,973
Total comprehensive income attributable to:					
- Equity holders of the parent	36,306	41,262	5,657	7,333	72,630
- Non-controlling interests	455	12,063	(755)	6,289	2,343
	36,761	53,325	4,902	13,622	74,973

Segment Information

	Life, health and pension business US\$'000	Property and casualty business US\$'000	Asset management US\$'000	Other companies US\$'000	Consolidation adjustments US\$'000	Group US\$'000
Nine months ended September 30, 2011						
Gross premiums written	278,137	296,716	-	-	-	574,853
Net premiums written	265,675	161,297	-	-	-	426,972
Underwriting revenue	262,129	178,720	-	-	-	440,849
Underwriting expenses	(259,392)	(149,269)	-	-	-	(408,661)
Net income from investing activities	88,082	16,696	7,274	106,288	(95,804)	122,536
Net income from all activities	90,819	46,147	7,274	106,288	(95,804)	154,724
Operating Expenses	(52,051)	(25,121)	(3,969)	(24,816)	19,039	(86,918)
Finance charges	(612)	(2,226)	(405)	(15,706)	7,618	(11,331)
Operating profit	38,156	18,800	2,900	65,766	(69,147)	56,475
Nine months ended September 30, 2010						
Gross premiums written	260,716	281,821	-	-	-	542,537
Net premiums written	251,360	188,633	-	-	-	439,993
Underwriting revenue	251,544	210,463	-	-	(1,588)	460,419
Underwriting expenses	(245,229)	(193,761)	-	-	28	(438,962)
Net income from investing activities	100,467	11,326	28,596	56,441	(66,777)	130,053
Net income from all activities	106,782	28,028	28,596	56,441	(68,337)	151,510
Operating Expenses	(50,285)	(22,649)	(8,993)	(17,686)	13,631	(85,982)
Finance charges	(23)	1,522	(542)	(12,681)	1,091	(10,633)
Operating profit	56,474	6,901	19,061	26,074	(53,615)	54,895
Total Assets						
September 30, 2011	2,209,784	740,835	268,874	269,442	(74,606)	3,414,329
December 31, 2010	2,109,856	759,200	252,385	226,077	(68,304)	3,279,214
September 30, 2010	1,982,170	881,971	444,218	279,051	(240,287)	3,347,123

Consolidated Statement of Financial Position

	Unaudited Sep 2011 US\$'000	Unaudited Sep 2010 US\$'000 (Restated)	Audited Dec 2010 US\$'000
ASSETS			
Property, plant and equipment	75,697	79,750	79,644
Investment properties	164,579	163,173	141,480
Intangible assets	39,640	39,468	39,605
Investment in associated companies	35,263	41,739	43,256
Financial assets	1,770,314	1,675,032	1,747,328
Financial assets of mutual fund unit holders	190,140	180,620	194,509
Loans and receivables including insurance receivables	417,429	349,955	383,346
Pension plan assets	13,549	6,542	13,551
Value of inforce life insurance policies	109,823	97,192	105,226
Deferred tax assets	3,168	3,328	3,999
Reinsurance assets	129,204	85,558	118,998
Segregated fund assets of life insurance policyholders	76,649	70,344	71,862
Deferred acquisition costs	48,955	73,572	57,751
Taxation recoverable	22,269	24,650	24,616
Cash and cash equivalents	285,696	293,840	230,526
Cash and cash equivalents of mutual fund unit holders	31,954	18,868	23,517
Assets held for sale	-	143,492	-
Total assets	3,414,329	3,347,123	3,279,214
EQUITY AND LIABILITIES			
Share capital	312,937	313,174	313,030
Reserves	(41,708)	(39,903)	(38,998)
Retained earnings	228,259	174,928	200,830
Equity attributable to owners of the parent	499,488	448,199	474,862
Non-controlling interests in subsidiaries	8,818	16,212	14,231
Total equity	508,306	464,411	489,093
Liabilities			
Insurance contracts	2,019,595	1,790,087	1,945,824
Financial liabilities	450,558	492,415	426,504
Third party interests in mutual funds	175,573	167,538	166,485
Segregated fund liabilities of life insurance policyholders	76,649	70,344	71,862
Post retirement medical benefit obligations	8,704	11,897	12,330
Deferred tax liabilities	31,024	30,980	32,566
Provision for taxation	12,097	20,575	15,985
Other liabilities	131,823	133,558	118,565
Liabilities related to assets held for sale	-	165,318	-
Total liabilities	2,906,023	2,882,712	2,790,121
Total equity and liabilities	3,414,329	3,347,123	3,279,214

These financial statements have been approved for issue by the board of directors on November 2 and signed on its behalf:

Director:  Director: 

Consolidated Statement of Cash Flows

	Unaudited Sep 2011 US\$'000	Unaudited Sep 2010 US\$'000	Audited Dec 2010 US\$'000
Profit before taxation from continuing operations	51,315	56,772	89,671
Profit/(loss) before taxation from discontinued operations	-	(1,099)	404
	51,315	55,673	90,075
Adjustment for specific items included on the accruals basis:			
- Interest expense	11,331	10,633	12,945
- Investment income	(100,567)	(100,919)	(138,778)
Interest and dividends received	103,841	106,871	152,028
Adjustments for non-cash items	(18,619)	(34,211)	(53,092)
Operating profit before changes in operating assets/liabilities	47,301	38,047	63,178
Net increase in insurance liabilities	73,943	147,800	69,647
Net purchases of financial assets	(23,109)	(84,821)	(125,458)
Net purchases of investment properties	(20,997)	(17,365)	(29,479)
Net movement in other operating assets and liabilities	(7,688)	(5,418)	39,928
Cash provided by operating activities	69,450	78,243	17,816
Interest paid	(8,240)	(10,914)	(20,634)
Net taxation paid	(15,490)	(5,997)	(16,835)
Net cash provided by/(used in) operating activities	45,720	61,332	(19,653)
Net cash provided by investing activities	16,217	9,899	9,487
Net cash provided by/(used in) financing activities	2,875	(97,086)	(130,874)
Net increase/(decrease) in cash and cash equivalents	64,812	(25,855)	(141,040)

Consolidated Statement of Changes in Equity

	Unaudited Sep 2011 US\$'000	Unaudited Sep 2010 US\$'000 (Restated)	Audited Dec 2010 US\$'000
Balance at beginning of the period	489,093	365,991	365,991
Total comprehensive income	36,761	53,325	74,973
Issue of Shares	-	64,475	64,468
Share option scheme - value of services provided	-	305	305
Dividends	(17,548)	(19,685)	(16,644)
Balance at the end of period	508,306	464,411	489,093

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.

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.

The Guardian Holdings Annual Report 2010 is now available in print and online:

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Or contact our Legal Department at (868) 632 5433 ext 2037
Or email your request to: shareholder@ghl.co.tt